

## The study of interest groups: before 'the century' and after

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# 1. The study of organized interests: before 'The Century' and after

**Wolfgang Streeck<sup>1</sup>**

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At some time in the 1960s a reaction began to develop among European social scientists against what may be termed *American normalism*.<sup>2</sup> By American normalism I mean a more or less tacit assumption, shared by almost all of American social science when it was about to achieve worldwide dominance, to the effect that advanced industrial societies were bound to converge on the model of the most advanced industrial society, the USA. Paradigmatic of this was a stream of literature that attributed increasing similarities between modern societies, observed or expected, to common needs to find rational solutions to identical functional problems posed by the continuing process of industrialization. Perhaps its most prominent example was the book by Kerr, Dunlop, Harbison and Meyers, *Industrialism and Industrial Man* (Kerr et al. 1960). Essentially it argued that modern societies, including their politics, were shaped by technological imperatives that left little or no choice with respect to alternative modes of social organization or, indeed, ways of life. In fact, faced with the overwhelming dictates imposed by the unremitting progress of technology and industry, politics had mutated into rational adjustment of social practices and institutions to indisputable universal constraints, dealing with which was best left to technocratic experts trained in the parsimonious pursuit of functionalist best practice.

A core implication of the convergence theories of the 1960s was that the advance of industrial society was tantamount to, in the words of another famous social science book of the time, an 'end of ideology' (Bell 1965). Not without a sense of irony Kerr and his co-authors, and writers like W. W. Rostow (1990), continued to draw upon the technological determinism evident in some of Karl Marx's writings to justify their confident prediction that even the countries of the Soviet bloc would sooner rather than later have to converge on the 'pluralist industrialism' that reigned in the West, ending once and for all the ideological confrontation between capitalism and socialism, not just in the international system, but also in the domestic societies of post-war liberal democracy.<sup>3</sup> In the end politics, just as Marx had predicted, would cease to be the exercise of authority in the interest of a ruling class and turn

into 'rational administration of production', although, to be sure, under capitalist rather than communist auspices.

Incipient European rejection of American normalism in the 1960s clearly had to do with the war in Vietnam and the domestic upheavals in the USA that accompanied it, which cast growing doubt on the promise of American convergence theorists of a world forever pacified by economic growth, Keynesian demand management and the 'logic of industrialism'. Such doubts were felt especially by a new generation of European social scientists who, unlike their teachers, had not received their formative impressions in the immediate post-war years, with the stark contemporary contrast between European moral and physical devastation and American confidence and prosperity. In any case, the declining credibility of the USA as a general model of modern society set in motion a number of intellectual developments in European social science that are difficult to disentangle and whose precise relations with one another cannot possibly be investigated here. As always in the social sciences, analytical and normative concerns were closely interwoven. Those European social scientists to whom America was no longer the unquestioned destiny of historical progress began to develop, often reluctantly, an interest in the peculiarities of their own societies, which they were less and less satisfied to regard as signs of social, economic or political backwardness. To them, a conceptual language was bound to be wanting that made its users treat what distinguished European countries from the USA as transient conditions about to give way to imminent Americanization. One result was growing analytical discontent with the convergence theory of the time, often expressed in increasingly critical discussions of the core concept of contemporary macrosociology, 'modernization'.

Rising European critique of modernization theory, in turn, became linked to a sceptical revision of the technocratic concept of politics as projected by American theories of an 'end of ideology'. If there were non-American traits of European societies that were worth preserving, it was necessary to specify the forces capable of making modern societies differ regardless of the fact that they were all industrial societies. History clearly mattered, but as such it seemed hardly enough to withstand functionalist or, for that matter, imperialist convergence pressures. It also lacked any activist connotations and was almost by definition not subject to choice or volition. The answer that suggested itself was that it was above all by means of *politics* that societies, factually or at least potentially, established and defended their distinct identities and exercised collective choices between alternative forms of social organization. That bill, however, was not filled by the functionalist-technocratic version of politics inherent in American normalism and, in particular, the theory of pluralist industrialism. As a result, European social scientists found themselves increasingly groping for a concept of collective political action

that restored agency to societies, allowed for continuing 'ideological' conflict between alternative political projects and ways of social life, and restored to systematic prominence 'irrational' struggles about power and wealth, as well as elusive intangibles like collective identifications and collective dignity.<sup>4</sup>

Declining European faith in American normalism coincided with the worker and student uprisings in Europe during the late 1960s, and with growing trade union power in subsequent years. For many and perhaps most of the younger European social scientists of this period, this had two important consequences. First, it suggested defining the *differentia specifica* of their societies (the structural properties that made them different, and perhaps permanently different, from the USA) in terms of the institutionalized inclusion of organized labour as a major societal actor in their political systems.<sup>5</sup> Second, the sort of politics that was believed to make a difference for the social organization of modern society became identified, in one form or other, with *class politics*: with the way unions and their main allies, leftist political parties, were positioned in the societal power structure vis-à-vis the state on the one hand and their natural adversary, capital, on the other. It was in the interaction between these three collective actors, it appeared, that the fundamental choices on the organization of social life were made that were at the bottom of difference and diversity within industrial capitalism – and that were ideologically hidden by received theories of convergence and a supposed 'end of ideology'.

Not that trade unions and even class conflict were absent from mainstream American social science of the 1960s. In fact, an entire discipline was devoted to the subject, *industrial relations*, which had incidentally developed quite sophisticated conceptual and empirical tools for cross-national comparison. Its leading figures, however, were none other than Clark Kerr and, above all, John Dunlop, co-authors and highly visible public proponents of the theory of convergent industrialism. To them and their disciples, the study of industrial relations was embedded in a grand narrative of the national and international progress of *collective bargaining*, that is, the backbone institution of labour relations reform under the American New Deal that had so convincingly demonstrated its capacity to transform disruptive class conflict into peaceful class collaboration in pursuit of economic efficiency. Much of the industrial relations literature appeared interesting and instructive to many of the Europeans who in the 1960s began to study the relations between trade unions, capital and the state. However, most of them were also taken aback by the apparent pragmatism of an academic discipline that seemed to have found its ultimate *raison d'être* in the production of recipes for the depoliticized expert administration of what seemed to be a central arena of struggle for economic and political power; a struggle on whose uncertain outcome appeared to hinge fundamental societal choices between alternative ways of organizing work and life in modern society.

To many of its critics, the discipline of industrial relations as it had developed in the USA suffered,<sup>6</sup> not only from excessive pragmatism, but also from its congenital association with Parsonian structural functionalism, a theory increasingly deemed unsuitable for understanding conflict, change and historical agency. Perhaps in pursuit of academic respectability, John Dunlop in his foundational treatise on what he called the 'industrial relations system' (Dunlop 1958 [1993]) had conceptualized his object of study as a subsystem of modern society comparable to the economy and the polity and specializing in industrial rule-making. By explicitly deriving his core concepts from the work of his Harvard colleague Talcott Parsons, Dunlop bestowed on the new discipline a conservative image that he may have found helpful in the academic battles of the 1950s and early 1960s in the USA. To Europeans, however, who were seeking to equip themselves to explore what they perceived as an imminent repoliticization of institutionalized labour relations, this was bound to be less than attractive.

With hindsight it seems strange that American students of industrial relations never made contact with an important non-functionalist American social science tradition, comparative politics. Like industrial relations, it was prominently concerned with trade unions, although mostly as political rather than economic actors.<sup>7</sup> As represented by the work of scholars like Reinhard Bendix and Seymour Martin Lipset,<sup>8</sup> comparative politics was an ambitious attempt, located at the intersection between political science and sociology, to uncover the social forces behind different paths of nation-building and state formation in Western societies. Investigating in particular the origin of democratic government in its interaction with classes, parties and organized interests, scholars tried to account for the differences and similarities between Western post-war democracies by combining political theory, history and comparative empirical macrosociology. The work that resulted attained a level of sophistication and a historical depth unmatched since Max Weber had written about a very different world more than half a century and two world wars away. Still, just as it was largely overlooked by the American institutional economists who had founded the discipline of industrial relations, the Europeans beginning to dissociate themselves from American normalism were also slow to discover its potential significance for their project. One reason seems to have been the emerging association (however loose) of much of European social science at the time with traditional Marxist beliefs on the overriding importance of class conflict for politics and society, which was bound to alienate it from a school of thought that explicitly considered other 'cleavages' as equally important. Moreover, the apparent anti-communism, and even anti-socialism, and the corresponding American triumphalism in some of the writings of an author like Lipset did not endear American comparative politics to sympathizers of an emerging New Left, and it obviously

prevented them, at least for a time, from recognizing and appreciating the fact that its approach squarely contradicted functionalist convergence theories.

## ENTER NEO-CORPORATISM

Organized interests by no means constituted an unknown subject to standard American political science in the 1960s. But neither was it an especially prominent subject, nor was the way it was treated especially interesting. Democracies differed from totalitarian dictatorships in that they conceded their citizens freedom of association and collective petition, embodied in constitutionally guaranteed rights to form special interest organizations so as to exert pressure on the public and the government of the state. Such a concession, however, was considered to be not without risk. In a variety of ways, organized special interests appeared capable of distorting the sovereign will of the citizenry as expressed in free and general elections. Some interest groups were better at organizing than others, and the most powerful might even penetrate the state, take possession of some of its branches and arrogate to themselves direct control over public policy. Still, suppressing organized interests was out of the question in a free society. As a second-best solution, therefore, it seemed preferable to have many of them, rather than just a few, so that they balanced each other. Highly specialized, dispersed groups with narrow interests seemed more acceptable than broad and encompassing groups potentially competing with the state for the definition of the common good. In any case, interest groups had to be kept at arm's length from the state, limiting them to 'lobbying' the state from the outside; their organization had to be strictly voluntary, emerging exclusively out of civil society; and it was incumbent upon the law to provide for the utmost transparency of transactions between organized interests and the public powers. In brief, interest groups were conceived in terms of a conceptual framework of 'pluralist democracy' (Dahl 1969; Lindblom 1968) which was both descriptive and normative – one might say: more descriptive as far as the USA was concerned, and more normative with respect to the rest of the world.

Creativity in scholarly pursuits is difficult to define, although one tends to know it when one sees it. Among the few things one can say in the abstract is that often creativity lies in abandoning a received conceptual framework and redefining a presumably well-known subject of inquiry in terms that were previously regarded, by all knowledgeable experts, as inapplicable to it. More generally, creativity may consist in considering well-known and even apparently trivial empirical observations in a new substantive context, in which they then turn out to allow for interesting answers to questions that had never before been asked about them. Creativity is also implied in taking seriously

observations that before were treated as insignificant anomalies, or errors of measurement, or simply transitory conditions, from which nothing could be learned. Or, importantly, creativity may show in a lack of inhibition, which sometimes may appear downright frivolous, in comparing or equating phenomena that political (or theoretical) correctness decrees have nothing to do with each other.

'Still the Century of Corporatism', Schmitter's famous essay that was first published in 1974 (Schmitter 1974), was creative in all these respects and perhaps in others as well.<sup>9</sup> Its apparent subject was organized interest groups; but very little reference was made to 'lobbying'. Clearly in its background was, not the USA, but the author's early research on Latin American authoritarianism and the role publicly organized social groups, or 'corporations', played in it. However, although the essay was political science coming out of a leading US research university, the strange arrangements it dealt with were not conceived as an aberration from the American way of pluralist democracy and modernity. Instead they were analysed, their dirty authoritarian connotations notwithstanding, in terms of a particular institutional form of a general relationship, that between states and their societies, and indeed as devices deployed by the latter in pursuit of their modernization. Moreover, authoritarian 'state corporatism' was placed in the context of traditional European patterns of state-society relations and of the formation and institutionalization of organized interests, essentially on the same plane as the respective American patterns. (As a result, America appeared at least as exceptional as European countries, or indeed even more so.) In fact, the core of the paper was that it observed, and refused to deny, that some of the bona fide democracies of Western Europe sustained institutional arrangements that were in far more than superficial ways similar to those of Latin American or historical European authoritarian regimes; the eye-opener here being, in Schmitter's own account, the Swiss milk marketing board (Schmitter 1996). And rather than predicting or demanding the demise of such traits in the progress of democracy, the paper outrageously suggested that they were, to the contrary, not only compatible with liberal democracy, but actually performed important positive functions for and within it.

With hindsight it is not difficult to understand why Schmitter's article, in which he predicted a long life and indeed a glorious future for corporatism, should have had such an enormous impact on European social science in the 1970s.<sup>10</sup> Mainstream American interest group theory at the time had little to offer to Europeans, especially to the younger generation of social scientists that had grown suspicious of American normalism. That the picture it drew of the role of organized interests in politics and society did not fit the realities of post-war Western European democracies was obvious; but the question remained whether the problem was with the theory or the reality. Schmitter



settled that question by proposing an ambitious conceptual framework for the study of interest groups that implicitly highlighted the narrowness and parochialism of the pressure group and lobbying literature of the time. Moreover, breaking away from the trodden path of modernization theory, Schmitter suggested and legitimated a truly comparative perspective that allowed for a variety of roads to and versions of democracy, some of them quite compatible with the healthy survival of institutions that were declared outdated by the reigning theories of the period. Not least, instead of explicit or implicit prescription there was in Schmitter's work a contagious and encouraging scientific curiosity for the complexity and variety of politics and societies outside the USA, combined with an unrelenting determination to take realities seriously, no matter how different they might be from received prescriptions.

Most important, however, among the reasons why Schmitter's resurrection of corporatism as a concept for social science resonated so strongly with European social scientists (and, later, American 'Europeanists') was that it linked the study of interest groups to fundamental issues concerning the constitution of states and societies, the role and the capacities of politics in society, and the sources of social cohesion. Up to 'Still the Century', most research on organized interests had confined itself to questions like which group was most likely to get its will with respect to which decisions of government, or how interest groups could best be domesticated to protect the democratic political process from their distorting influence. Now, applying Schmitter's categories, the way societies dealt with organized groups (what activities of such groups they tolerated or encouraged, or how they influenced their organizational structures) could be read as indicative of the character and historical origin of different types of national states and of how these undertook to govern their societies. In this way, research on interest groups was made to speak to one of the most important issues in the construction of political communities, namely how national societies chose to accommodate the collectivism (the particularistic identities and the collective action capacities) of the social groups of which they were composed. Structure and activities of organized interests, as observed in contemporary democracies, were studied in the context of national histories of state formation that included the medieval guilds and their transformations, the *Ständestaat* which at the time of Max Weber was still a competitor to parliamentary democracy based on territorial representation, the anarcho-sindicalist and *Räte* traditions of the European Left, and others. Thus contemporary research on interest groups became connected to theoretical traditions such as Durkheimian functionalism, Catholic social thought and social democratic theories of group democracy, as well as (*ex negativo*) to Rousseauian liberalism and the French Revolution's prohibition on intermediary organizations interposing themselves between the individual citizen and

the state. All of a sudden, a research field that to many had seemed hopelessly empiricist and American-centred, began to open up exciting perspectives on vast landscapes of democratic theory, political sociology and social theory in general.<sup>11</sup>

Among the many intriguing phenomena highlighted by Schmitter's approach that struck a chord with Europeans was the ambiguous ideological status of corporatist structures of interest organization and politics. Liberal doctrine considered fundamentally undesirable any sort of collectivism below the level of the national polity or, for that matter, the national economy. The practical problem it faced, however, was that the societies of the nineteenth and twentieth centuries plainly resisted being reduced to assemblies of individuals, just as economies never quite matched the ideal prescriptions of atomistic competition. Early on, radical liberals in France and Britain had tried to break the inherent collectivism of their societies, but had to learn that this required an amount of state force that became increasingly hard to muster and to legitimate as democratization progressed. This then raised the 'Durkheimian question' of whether and how social groups, if they could not be eliminated, could at least be usefully transformed into intermediary associations, making them contribute to social integration in large societies with a long distance between the individual and the state (Durkheim 1893 [1964]).

The Left, for its part, was from its beginnings closely associated with the independent collective organization of social groups. Trade unions in particular claimed collective rights independent from and preceding the legal order of the state, insisting on their foundational autonomy from 'bourgeois' society and demanding that it be legally and politically respected. Leftist democratic theory therefore espoused collective as well as individual rights and demanded opportunities for collective in addition to individual democratic participation. Here the Left, often to its surprise and discomfort, met with some of its ideological opponents on the Right, from the Catholic Church to anti-liberal proponents of a *Ständestaat*, who also doubted the capacity of liberal individualism to provide for the social integration of large and complex societies. The concept of corporatism, as revived by Schmitter, highlighted this somewhat embarrassing convergence. It also drew attention to the manifold possibilities of compromise between different strands of opposition to liberalism, which otherwise fought for quite incompatible interests and ideas, and it cast an interesting light on the frequent instances when structures of collective representation were converted from 'right' to 'left' purposes, and vice versa. Especially Social Democrats and Christian Democrats in Europe seemed able to agree on the desirability of institutionalizing organized social interests in the public realm, and how to reconcile social collectivism with liberal democracy was a matter of concern, not just for pragmatic liberals such as Durkheim, but also for the reformist Left and the moderate Right. Indeed, as we will see, this was

precisely one of the big themes of European politics in the early 1970s, when political stability seemed to depend on the establishment of 'social partnership' between organized capital, organized labour and a democratic state in a liberal democracy-cum-market economy.

That European societies combined functional and territorial representation, and in ways that significantly differed from the lobbying model of the USA, was not as such new. Indeed, it was one of the central insights of the comparative politics literature, especially the work of Stein Rokkan, who had gone as far as to describe the complex systems of organized interests and intermediary groups in some European societies as a 'second tier of government' (Rokkan 1966). It was among Schmitter's most significant achievements that with his rediscovery of the concept of corporatism he helped Europeans intrigued by the role of class in politics connect to this research tradition, which many of them had viewed with suspicion because of its anti-Marxist orientation. In the process, they also became aware of the historical-institutionalist method that had been cultivated in comparative politics and that was to become centrally important to the subsequent development of the study of political economy. Moreover, and perhaps even more consequentially, it was through the concept of corporatism that the discipline of industrial relations, especially comparative industrial relations, had a chance to avail itself of an intellectually demanding conceptual framework that was not structural-functionalist and that enabled it to dissociate itself from its narrowly pragmatic and even technocratic heritage. This, in turn, made the industrial relations literature more attractive to European social scientists interested in basic questions of the constitution of interests and the societies within which they emerge.

As Schmitter's work appreciated the specificity of European, non-pluralist patterns of interest politics it was able to serve as a conduit between the developing European-cum-New Left interest in industrial relations on the one hand and authors such as Lipset and Bendix on the other. In the mid-1970s the study of industrial relations became increasingly embedded in a comparative politics approach that drew on the concept of corporatism for a broader view of trade unionism and the collective action of social classes, one in which unions were more than just agents of collective bargaining or, alternatively, organized political lobbying groups. First in Europe, but then also in the USA comparative industrial relations developed a capacity to view its subject as part of a society's political system, rather than, like Dunlop, merely as a subsystem of the economy confined to rule-making on the employment relationship. Later this was to give rise to an interdisciplinary institutionalist perspective on political economy that combined macrosociology, political science and, to some extent, economics and became a major if not the dominant, and almost certainly the most innovative, strand of development in the social sciences in the 1980s and 1990s.

Summing up, what made Schmitter's early work so exciting, first to Europeans and then also to Americans, was that it helped return to mainstream social science the insight that modern polities and societies could, unlike the USA, be constituted around organized classes and that they might deal with class conflict in ways profoundly different from the USA but still compatible with liberal democracy. In particular, democratic societies had the option of taming class conflict by institutionalizing class relations in a 'second tier of government' composed of a system of intermediary organizations, in ways inspired by corporatist traditions. Not only could such a system coexist with parliamentary democracy, but where such coexistence was achieved, benefits accrued to governability and economic performance that other, more liberal systems seemed unable to generate. This topic will be discussed below in greater detail.

## THE 'CORPORATIST GROWTH INDUSTRY' OF THE 1970s

Du siehst mit diesem Trank im Leibe  
Bald Helenen in jedem Weibe.  
(Faust, Der Tragödie Erster Teil: Hexenküche)

The impact of conceptual innovations in the social sciences depends, much more than is admitted by those who would like to believe in the cumulative progress of our knowledge on social affairs, on the extent to which they manage to give definition to emerging social and political problems that are widely felt to exist but are as yet insufficiently understood. Typically, such problems so occupy the attention and imagination of contemporaries that they tend to be regarded as general problems of all societies, although with hindsight it often turns out that their predominance was conditional on a specific historical context. If that context disappears, so do the problems, regardless of whether they were ever actually resolved, and with the problems go the concepts that gave expression to them and served for a while as organizing ideas for reflections on society in general.

The concept of corporatism was rediscovered at a time when European political economies were trying to come to terms with a sudden increase in the power of trade unions. That increase had resulted from the explosion of labour militancy at the end of the 1960s when governments still felt bound by the political promise of full employment that was part of the second post-war settlement.<sup>12</sup> Keynesian demand management, however (the social technology that was to enable governments to deliver on that promise) depended on trade unions refraining from making use of the excessive bargaining power that

accrued to them from a type of political intervention in the economy which insured them against the negative employment consequences of overshooting wage settlements. Where unions, for whatever reason, refused to moderate the wage demands of their members, the received political wisdom of the period was that governments were forced to accommodate redistributive wage claims by fiscal and monetary expansion, which was bound to give rise to inflation. Like unemployment, this could not but damage their electoral prospects.

The core problem of public policy in the 1970s, therefore, seemed to be how to make trade unions comply with wage guidelines stipulated by governments under pressure to provide both full employment and monetary stability. Public discussion centred on the respective prospects and merits of statutory versus voluntary incomes policies and on how best to centralize wage bargaining at national level in order to impose macroeconomic discipline on wage formation. Given the new strength of the unions and the experience of union members in the late 1960s revolting against all-too-moderate leaders, curtailing the autonomy of trade unions and their right to free collective bargaining seemed as out of the question as disciplining unions by permitting unemployment to rise. With everyone searching for a formula for how to procure economic stability and, indeed, social order in the face of an increasingly demanding society, within which especially the working class was aggressively using its democratic freedom of association, the idea of a *new corporatism*, one that combined public 'concertation' of private organized groups with liberal democracy and democratic autonomy of civil society from the state, could not but appear extremely attractive to a wide variety of audiences.

Early on, then, Schmitter's conceptual construct of neo-corporatism became identified with a societal configuration that provided for an institutionalized role for trade unions (and by necessity for their counterparts in wage bargaining, employers and their associations) in government economic policy-making. Within that configuration, privileged access to public policy of the organized core interests of the capitalist political economy was conditional on moderation of the organized pursuit of particularistic interests, especially in wage setting. Such moderation was to bring collective bargaining in line with government economic policies which, however, were made no longer unilaterally but in consultation with the two sides of industry. Thus sovereignty was shared (the sovereignty of the state with that of organized social groups, and that of organized social groups with that of the state) to be exercised jointly, with better results for the common interest of all. The exact details were likely to differ between countries, and exploring such differences (in legal institutions, organizational structures and the subjects of 'political exchange' between the neo-corporatist trinity of state, capital and labour) became the substance of what came to be known in political science and political sociology as the 'corporatist debate' of the 1970s.

In its course neo-corporatism was discovered just about everywhere, and seemed conspicuous for its absence where it was not, like in the USA, or where, like in Britain, there was a series of failed attempts to put it in place. Elements of neo-corporatist institutionalization of class interests, centralization of trade unions and collective bargaining, and economic policy concertation between the government, business and labour were found even in countries as improbable as Iceland. It was almost as if a competition had started between researchers of different national origin, each eager to demonstrate that they, too, were able to detect corporatist arrangements at home and thereby elevate their countries to membership of what was sometimes referred to as a 'corporatist international'.<sup>13</sup> Indeed, very soon the concept became employed by international organizations such as the OECD, which for a while seemed about to consider neo-corporatism as a new magic formula for the management of the increasingly unruly capitalist political economies of Western Europe.

If the corporatist debate of the 1970s was at all contentious, it was on the question of whether it was good or bad for trade unions to participate in tripartite economic concertation. For some, mostly on the radical Left, corporatism, neo or not, was an instrument of the 'capitalist state' to domesticate a potentially revolutionary trade union movement (Panitch 1979). Concepts first developed by Robert Michels (1911 and 1925 [1989]) in his classic investigation of the Social Democratic Party of Germany before the First World War were employed to construct a narrative of a small oligarchy of trade union officials who had taken away control of their organizations from the rank-and-file to betray their trust and allow themselves to be co-opted into class collaboration by employers and the state, especially under social democratic governments (Hyman 1975).<sup>14</sup> But where they saw treason, others saw strategy, and rather than as class *collaboration* they regarded neo-corporatism as class *compromise* by which organized labour extended its political and economic reach into areas where it would otherwise have had no influence at all. To social democrats in particular, just as, under different auspices, to business and its conservative allies, corporatist cooperation enabled organized labour to extract long-term benefits for short-term concessions, exchanging illusory gains like nominal wage increases for real gains in economic growth, social policy and, importantly, organizational strength and stability (Pizzorno 1978).

Whether participation in neo-corporatist arrangements empowered or, to the contrary, disinherited labour soon became the subject of intensive comparative research, based on the steadily improving national account statistics published by the OECD and utilizing the rapidly increasing power of main-frame and, later, desktop computers and of program packages such as SPSS. During the 1980s quantitative comparison, mostly by means of regression analysis, widely available and easy to perform as it had become, turned into

something like the standard method of advanced research in political science and macrosociology. Quantitative indicators were developed to measure a country's degree of corporatism, invariably based on or proceeding from Schmitter's now famous definitions in his 1974 article, to serve as the central independent variable. Among the dependent variables were a country's level of real wages, its degree of wage dispersion, its spending on social security, especially on benefits regarded as 'de-commodifying', its level of unemployment and the like, as measured by national macroeconomic and political statistics.<sup>15</sup> Mostly such analyses seemed to show that workers were on the whole better off in countries with more rather than less corporatism, that is, where their organizations had agreed to act 'responsibly', mediating in neo-corporatist fashion between the demands of their members and the needs of the national economy (Castles 1987).

Treason, in other words, seemed to pay, not just for the traitors but also for the betrayed. This, of course, was less than convincing to those who were still hoping for the worker unrest of the late 1960s and early 1970s to evolve into a truly anti-capitalist revolution. Their numbers, however, dwindled with time, and the attraction of autonomous shopfloor militancy declined together with the fortunes of the British trade union movement later in the decade. Korpi's (1978) work on the 'democratic class struggle' did its share to dampen the enthusiasm of those who would have liked to believe in direct action, and the same can be said of Pizzorno's (1978) seminal essay on political exchange, although it did preserve, in its notion of unions trading in collective identity for material benefits, a melancholic memory of some of the hopes of the Left at the beginning of the decade.

A second theme of the corporatist debate was the contribution of neo-corporatism to the success of national incomes policies and, in particular, the containment of inflation within a, potentially inflationary, Keynesian political economy. The dependent variable here was not the material position of the working class, but national economic performance measured in terms of the rate of inflation and, as the decade progressed, unemployment (and later by the so-called 'misery index' (Okun 1962) that combined the two, on the assumption that they could be traded off against one another).<sup>16</sup> It was at this point that the political scientists and sociologists who were studying the consequences of neo-corporatist interest representation came closest to the concerns of many leading macroeconomists of the period. Indeed, there was a time when some of the latter used indicators of neo-corporatism, as developed by Schmitter and, notably, Crouch (1985), in models estimating the causes of inflation and monetary stability (for example, Bruno and Sachs 1985). This ended at the latest when macroeconomics and Thatcherist politics rediscovered the possibility and indeed feasibility of containing inflation by letting unemployment rise. Still, the exploration by a broad stream of political science

and political sociology of the role of neo-corporatism in successful national incomes policies became one of the origins of what later developed into a historical-institutionalist approach to political economy (Trigilia 1998), one that took economic institutions seriously while studying them from an empirical rather than an efficiency-theoretical perspective. Clearly this could have been extended further towards a self-conscious revival of institutional economics in the tradition of the *Historische Schule* before 1933. Why this did not happen is a question worth asking. A contributing factor must have been the victory, discussed further below, of neo-classical theory and, even more, neo-liberal practice during the 1980s, which deprived sociology and political science of indispensable interdisciplinary support; not to mention the advance of 'rational choice' in the social sciences themselves that for a time put any kind of macrosociology and historical-institutional analysis on the defensive.

It was in the analysis of the impact of neo-corporatist institutions on macroeconomic performance that the 'corporatist debate' of the 1970s came closest to issuing in something like 'corporatist theory'; that is, in the formulation of generalized if-then relationships between specific causes and effects. Undoubtedly a major reason for the boom in research on neo-corporatism in the 1970s was the intuition that it would furnish proof of the economic and perhaps social superiority of countries with neo-corporatist institutions. Where class relations were organized on a neo-corporatist pattern, making them conducive to political concertation and exchange, economies and societies were widely felt to be better off than where, as in the USA and the UK, relations between the classes and between state and society followed a more pluralist (that is, more adversarial and less accommodationist) pattern. Where societies suffered from low growth, inflation, low productivity and, as a consequence, social disorder, this was because their political-economic institutions did not provide for peaceful class compromise, cooperation and, above all, inclusion of organized labour in national policy-making.<sup>17</sup> If Britain, torn by industrial strife, was the negative example, 'Model Germany', inexorably rising to economic predominance in Europe and perhaps beyond, seemed to suggest that neo-corporatism might turn out to be the new, presumably universal formula for social peace and economic prosperity under democratic capitalism.

An interesting question, of course, concerned the practical consequences if the 'corporatist theory' that seemed to be forming were indeed true. For a while, neo-corporatists, among them quite a few from Britain, more or less explicitly advised British policy-makers that they had to get a more neo-corporatist industrial relations system (and generally more neo-corporatist structures mediating between state and society) if they wanted their industry and, by extension, their country to be governable and prosperous again. In fact, moves in this direction had been under way in British politics since the mid-1960s,



but had always got stuck due to resistance from all quarters of society, including the trade unions and their increasingly militant shopfloor representatives. If corporatism, however, was indeed the key to governability and economic success one could still hope for some sort of convergence on a neo-corporatist pattern of social organization and policy-making, driven by the causal relationships stipulated by 'corporatist theory', as well as by the developing insights, slow as they might be in coming, of ultimately rational politicians, trade union leaders and citizens. Such hopes continued well into the 1980s and 1990s, and there were phases in the *corporatist debate* when *corporatist theory* seemed to turn into a sort of *corporatist convergence theory*, in a strange way resembling the theory of pluralist industrialism that, to the enchantment of many Europeans, had so effectively been discredited by the discovery of neo-corporatism.<sup>18</sup> In a milder form, the new belief in, now corporatist, convergence suggested that countries which, for whatever reason, failed to follow the neo-corporatist recipe (too much internal resistance or too little political will, or intelligence) were condemned to a permanently higher level of social disorder and had to pay for their structural disability or their unwise preferences with continuing losses in economic well-being.<sup>19</sup>

In fact, however, while there may have been a corporatist *debate*, there never was a corporatist *theory*, perhaps because social and political reality changed too fast in the 1980s to allow it to crystallize.<sup>20</sup> The concept of corporatism, as reintroduced by Schmitter, never became more than an, albeit incredibly powerful, heuristic, perhaps to the disappointment of some of its proponents, but very likely for the long-term benefit of social science. The lasting achievement, it would seem, of Schmitter's article of 1974 was that it sent an entire generation of social scientists off on a gigantic research expedition aimed at discovering and exploring ever new forms and functions of *organized collectivism and collective action* in the politics of advanced industrial democracies, and in the conduct of what later came to be referred to as their 'governance'. Indeed, in subsequent years 'corporatism' was uncovered, not only in the most unlikely places but also in a truly astonishing variety of shapes and sizes (see Falkner in this volume). Thus in addition to *national* corporatism, corporatism was detected at the *sectoral* and *regional* level. The discovery of *meso-* as distinguished from *macro-*corporatism (Cawson 1985), allowing for the coexistence of different kinds of state-society relations within the same country, was soon to be followed by that of *micro-*corporatism, in the form of close cooperation between management and labour in individual firms, such as in Japan.<sup>21</sup> Also, adding to *tripartite* corporatism involving the state, business and labour (or the state and other organizations representing opposing interests, such as associations of doctors and health insurance funds; Wiesenthal 1981) there was *bipartite* corporatism between a state and just one organized group, like in Japanese 'corporatism without labor' (Pempel and

Tsunekawa 1979). Another version was industry associations, for example of the chemical industry, voluntarily undertaking to enforce certain environmental standards among their members, so the state would and could refrain from direct legislative intervention or bureaucratic control. Forms of corporatism were also found that were confined to specific *policy* arenas ('policy' as opposed to 'societal' corporatism) like vocational training or standardization, some of which involved traditional rights and obligations to group *self-government*, or *Selbstverwaltung*, for example through Chambers of Commerce and Industry with compulsory membership.<sup>22</sup>

Generally, the 'corporatist debate' heightened the attention of a variety of disciplines for the complex and diverse institutional structures that exist in the interstices between state and society, mediating between the public and the private and between compulsory and voluntary modes of collective action, and serving simultaneously as extended arms of the state into civil society and as conduits for civil society into the state. Here the concept of 'private interest government' (Streeck and Schmitter 1984, 1985) proved useful as it emphasized the blurring of the boundary between state and civil society that was and is at the heart of any form of corporatism, where organized groups participate in and contribute to the making of binding political decisions. Later Colin Crouch in a magisterial survey of European countries (1993) would speak of an established practice of a 'sharing of public spaces' in some and indeed most European societies, while others saw neo-corporatism as enriching the repertoire of public policy and thereby relieving the modern democratic state of otherwise potentially unsolvable problems of governability (following Schmitter 1981).

Critics, to the extent that they managed to make themselves heard, sometimes attributed the rise of the neo-corporatist paradigm to the fact that its core concepts were excessively loosely defined, so that too many diverse phenomena could be subsumed under them.<sup>23</sup> That criticism can hardly apply to Schmitter's seminal paper of 1974 which made a truly exemplary effort to specify in detail the types of corporatism and pluralism it put forward. Still, it cannot be denied that subsequently Schmitter and others writing on corporatism took a rather catholic view if yet another newly discovered institutional form was offered as a specimen to be included in the corporatist inventory. Had the aim been theory in a strict sense, more conceptual rigidity might perhaps have been desirable. But theory was not on the agenda, or in any case could not possibly have been. Following Kaplan (1964), social science is well advised to begin its inquiries with broadly defined concepts that allow for the discovery of unexpected objects and unknown relations of similarity and difference, enabling researchers gradually to reorganize their initial image of the real world. Whether progress towards less open definitions is at all possible and indeed desirable in social science may be debated; perhaps reality

simply changes too fast ever to permit conceptual closure. In any case, it seems reasonable to assume that the period of exploration should last longer when the object of research is a historical world that does not lend itself easily to interrogation by controlled experiment. Even if one does not, like the present author, subscribe to the admittedly radical view that in the social sciences a good heuristic is always to be preferred over the best theory, one may admit that as long as the task is to open up a new field of investigation, loose definitions are much superior to rigid ones. That today we know so much more about the institutional forms and political uses of organized collectivism in the advanced industrial democracies of the late twentieth century is clearly owing to the open conceptual architecture and the non-dogmatic, flexible use of core concepts as heuristic devices during the high time of the 'corporatist debate' of the 1970s and 1980s.

## THE BURSTING OF THE BUBBLE

That the rise of neo-corporatism to the status of a core concept of contemporary social science was linked to the political configuration of the years after 1968 was evidenced indirectly by the confusion caused in the neo-corporatist camp during the 1980s by the victorious advance of monetarism as the lead doctrine of economic policy. Keynesianism with strong unions, corporatist or not, did not last long. As the 1980s began, its shortcomings became increasingly visible. With hindsight, the neo-corporatist era may appear today as no more than a rearguard effort to defend the increasingly obsolete post-war settlement between the state, capital and labour, an effort that was doomed to fail as, after the breakdown of the Bretton Woods international regime, it had to rely exclusively on national political resources at a time of rapidly advancing internationalization of the capitalist economy.

Not that national neo-corporatism had been without its own, domestic flaws. In many countries, it did not take long for policy-makers to discover that the concessions that had to be made to unions year after year were becoming ever more expensive with time, and more often than not simply moved inflation forward into the future or caused a crippling accumulation of public debt. Also, union leaders frequently turned out to be unable to deliver on their promises of wage moderation, forced as they were to be responsive to a restive and demanding membership. Sometimes cooperative unions suffered a loss of confidence among core constituencies, which ultimately forced them to withdraw from concertation, even though they did command a neo-corporatist representational monopoly and a high degree of centralization. There also was apparently no guarantee that neo-corporatist intermediary organizations, however much supported by public organizational privileges, would always be

able to maintain a sufficiently high level of membership and organizational density. With the onset of the 1980s, union membership began to decline almost everywhere, as in the 1960s, and although the political status of neo-corporatist interest intermediaries is less dependent on member support than that of pluralist pressure groups, it is not entirely independent of it either. There also were indications that growing market pressures and intensifying structural change, caused by both economic internationalization and changing domestic policies, were making it more difficult for associational leaders, of labour as well as of business, to aggregate the diverse interests of their members into a common, collective interest and impose the sort of discipline on their membership that is a condition of success in neo-corporatist institutional settings.

Another reason why a gap soon began to widen between a changing real world and the neo-corporatist ideal type was the fact that business increasingly refused to play its role in the neo-corporatist game. *Pace* Panitch and the anti-corporatist left,<sup>24</sup> business was never enthusiastic about institutionalized tripartism, which it essentially and largely correctly perceived as a vehicle for organized labour to insert itself in the centre of economic policy-making. While sometimes tripartite cooperation had to be accepted for reasons of political expediency as a second-best solution, or as the lesser evil compared to unbridled shopfloor militancy, the business class always resented corporatist encroachments on managerial prerogative; was afraid of political interference, in a 'negotiated economy', with their freedom to invest or not to invest; and increasingly believed, rightly or not, that labour and the democratic national state were responsible for what they experienced as an exacerbating profit squeeze. For a while it might have appeared that business had no choice but to go along: organize in the same way as labour, develop the same political skills, and seek to make its fortune in politically negotiated enterprises in socially regulated markets. But as political and economic pressures mounted, business leaders began to look for ways out of what now seemed to them a corporatist trap.<sup>25</sup> Here they were soon to be joined by governments increasingly hard-pressed to find ways of disciplining a working class that had grown ever more demanding, if not with respect to nominal wage increases, then all the more to social policy and the regulation of labour markets.

The accelerated internationalization of the capitalist economy that took off in the 1980s was not simply the result of a conspiracy between capitalists and conservative national governments. Yet internationalization was soon discovered to offer a unique opportunity for redressing the power balance within national political economies at the expense of the winner of the battles of the late 1960s, organized labour. That discovery was made, not just by business, but also by national governments who, sometimes inspired by their countries' business associations, learned to use international organizations, in particular

the European Union, to secure for themselves binding external mandates for opening up and thereby liberalizing their more and more politicized and politically increasingly unmanageable domestic economies (Moravcsik 1998). Business associations, for their part, ceased defending national home markets and instead pressed for deregulation and the free flow, not just of goods and services, but also of capital, as a way of liberating profit accumulation from the increasingly uncomfortable political constraints imposed on it since the 1970s. Soon a broad wave of industrial restructuring was under way to make national economies 'fit for globalization', accompanied by urgent demands for deep reforms in collective bargaining, labour law and a 'de-commodifying' social welfare state, reforms that chipped away at the post-war settlement as they reinforced the role of free markets by weakening the control of governments and organized interests over economic activities and the formation of relative prices.

Who led the neo-liberal attacks on corporatism, business or government, differed between countries, and so did the specific forms such attacks took. A historical breakthrough was undoubtedly the success of Thatcherism in Britain, which proved to an attentive international audience of government leaders that labour-exclusive monetarist methods of bringing down inflation were not only effective but also politically sustainable, even though initially they involved very high rates of unemployment. More than anything else, the Thatcherist experiment put to rest once and for all the received wisdom of post-war political economy that democratically elected governments, and perhaps democracy as such, could not survive at a level of unemployment above the Keynesian maximum of five per cent. As a result the costs to governments of concessions to trade unions, which had been rising anyway, suddenly weighed much higher, especially because unemployment turned out to be useful also to weaken excessively self-confident trade unions, and with them the effective resistance of workers against liberal reforms of labour markets and welfare states. That lesson was eagerly absorbed by governments in all European countries, and while it was applied in different ways and degrees, the fact alone that governments now had a credible alternative to corporatism caused a major shift in the political-economic balance of power.

To be sure, the demise of incomes policy, and with it the most prominent variant of neo-corporatist political exchange, had begun already in the late 1970s, with the discovery of international monetary cooperation and independent central banking as new and politically less expensive instruments for bringing down inflation. Here German leadership was decisive, first when the Bundesbank in 1976 switched to a strictly monetarist policy *avant la lettre*, and then when the Schmidt government initiated the 'snake' to contain exchange rate fluctuations within Europe. From then on, all European central banks had in effect to follow the Bundesbank, which *de facto* turned into the,

politically independent, central bank of the whole of Western Europe. Subsequently inflation rates in OECD countries fell rapidly and converged on a historical low where they have since remained, entirely without institutional convergence on neo-corporatist structures or political convergence on neo-corporatist political exchange. As a consequence the correlation in cross-national comparisons of economic performance between neo-corporatism and monetary stability that was observed in the 1970s effectively vanished (Kenworthy 2002; Streeck and Kenworthy 2005, p. 457).<sup>26</sup>

In the literature the move from Keynesian tripartism to monetarist unilateralism was reflected, among other things, in an increasingly revisionist reading of the German case, once the shining example of 'concerted action', voluntary wage restraint by large, encompassing trade unions and stable social partnership between capital and labour under the auspices of a 'semi-sovereign' and at the same time 'enabling' state (Katzenstein 1987). Today we know more about the increasingly vicious infighting between German trade unions and the Schmidt government in the second half of the 1970s, which was carefully covered up by the Chancellor to placate his left-leaning party. *Modell Deutschland*, the brand name of German neo-corporatism that proved so successful in the 1976 election campaign and attracted so much international admiration as well as resentment, was always more a propaganda formula designed, hopefully, to turn into a self-fulfilling prophecy, than it was a true representation of social partnership in the German political economy. Scharpf (1987 [1991]) had been among the first to draw attention to the crucial role played by the Bundesbank, as opposed to *Konzertierte Aktion*, in keeping German inflation as low as it was; and his work gives an impression of the great sense of gratitude with which Schmidt regarded the political independence of the bank, which to some extent at least shielded him against the ever more expensive demands made on the government by a union leadership that was, in turn, driven by an ever more demanding membership (Scharpf 1987 [1991], 133 ff.).

In subsequent years, under the Kohl government, the neo-corporatist interpretation of the German case shifted, as it were, from the *demand* to the *supply* side. Now it was no longer monetary stability that neo-corporatism contributed to German prosperity, but high skills, trustful cooperation at the workplace, flexible internal labour markets, rapid adjustment to new technology, successful technology transfer to small and medium-sized firms, and so on, that is, the wide range of capacities that supposedly enabled German firms to prosper under the restrictive zero inflation policies of a mercilessly myopic central bank that refused to care about growth or employment (Streeck 1994). Rather than about distribution, *Modell Deutschland* now was assumed to be about production, and the monetarist whip of the Bundesbank was perceived above all as a strong incentive for actors in the political economy to seek cooperation

and avoid conflict by availing themselves of the rich variety of para-state institutions that happened to be around as a for once fortuitous legacy of German history. Now, actually, the emphasis *was* on cooperation rather than conflict, and increasingly it became focused on the subnational level of policy sectors or, indeed, firms. While the research on 'supply-side corporatism' (Streeck 1984) that ensued remained interested in the organizational forms of interest intermediation, it no longer looked primarily at the national institutions and the macroeconomic policies that had been at the centre of the early corporatism research, but at subnational (regional, sectoral or workplace-level) arrangements promoting cooperation between competitors or between actors with either different interests or complementary capacities.<sup>27</sup>

A further contribution to the bursting of the neo-corporatist bubble in the 1980s was the palpable failure of neo-corporatism to advance from the national to the international, or supranational, level. As far as Western Europe is concerned, this was not necessarily for lack of trying, especially on the part of the European Commission and the European peak associations of labour. Hopes, however, for the European Union to become a vehicle for carrying to a higher level and into a new age the social-democratic-cum-neo-corporatist politics of the 1970s soon proved baseless (Streeck and Schmitter 1991). With Maastricht, the turn of the second Delors Commission towards supply-side economic policies, the introduction of Monetary Union, the Stability Pact and, at the latest, Eastern Enlargement, it was firmly established that United Europe would never be anything like the super-sized replica of the European post-war nation state that some believed it would become as a matter of course. Instead, and in spite of brave efforts to the contrary, the European Union developed into an intergovernmental-supranational machinery to promote the liberalization of the European economy, institutionalizing above and beyond the nation state not just the monetarism of the Bundesbank, but also and in addition a strict policy of fiscal austerity that constrains national welfare states to embark on fundamental liberalizing reforms.

Small wonder that, in an environment like this, not even European-level collective bargaining got off the ground (see Falkner in this volume). While under the 'Social Dialogue' the organizations of the European social partners are kindly invited, and indeed well paid, to participate in regulating a narrowly circumscribed catalogue of details, such as the minimum duration of parental leave in member countries, they remain excluded from the fundamental decisions that are today reshaping the European political economy, in particular the management of the supply of supranational money and the restrictions on the means national governments may deploy to combat unemployment. Divided as they are along national lines by different economic interests, organizational traditions and institutional legacies, the social partners will probably never be able to play any other than a marginal role in the process of

economic Europeanization – not least since business on its part has no interest whatsoever in a sort of tripartism that would undo the present institutional insulation of European economic policy-making from politics, and thereby decouple Europeanization from the liberalization with which it is now so firmly aligned.

As internationalization proceeded, organized collective participation in public policy, including tripartite concertation between government, business and labour, did not suddenly disappear. But it remained confined to national arenas which, in the course of European integration, became embedded in supranational markets and governed by supranational imperatives of austerity and liberalization. As a consequence its agenda was more and more set, as it were, from above. How that agenda was worked off, within the limits of an overarching regime of international market-making, was left to national politics, as was the procurement of political legitimacy for the painful decisions that were often required. It was in this context that an apparent renaissance of tripartism was observed in the 1990s by a variety of authors studying the efforts of European governments to meet the accession criteria of Monetary Union and get their domestic economies in shape for an integrated European market subject to a hard currency policy. The key observation of the broad literature on 'national social pacts' that grew up during the decade seems to have been that in many countries governments did not follow the example of Thatcherist Britain and instead negotiated with their trade unions, weakened by unemployment as they may have been, agreements on wage moderation and other matters like labour market and welfare state reform and the consolidation of public budgets (Baccaro 2002; Ebbinghaus and Hassel 2000; Pochet and Fajertag 2000).

For some, the national pacts of the 1990s proved that earlier pronouncements of an end of the corporatist century were premature. However, although broad conceptualizations of social phenomena, as has been noted, may sometimes be productive, lack of conceptual closure may make one overlook important discontinuities as the world moves on. Much of the recent literature on corporatism seems bent on demonstrating at almost all costs that corporatism is not dead, however dead it may appear, and indeed will never die. Both economic and political reasons are offered concerning why corporatism will and must eventually survive the onslaught of liberalization. Upon closer inspection, however, one would probably want to be a little less sanguine. Organized and indeed institutionalized political collectivism did not at once disappear with the monetarist explosion of the corporatist core of the *de facto* constitution of European post-war democratic capitalism. But rather than simply the old in new guise, what is now observed may be better conceived as a collection of fragments, structural and functional, of the old corporatist construction – fragments that continue to be used, like the ruins of ancient monuments, by being converted to new, less grandiose purposes.



Most fundamentally, unlike the political exchange of the 1970s the national pacts of the 1990s operated under monetarist rather than Keynesian auspices and were designed, and indeed constrained, to accommodate markets rather than correct them. This raises the possibility, not taken seriously enough by much of the literature, that labour inclusion in public policy may have ceased to be indicative of labour's political strength, strategic wisdom or functional indispensability. Most governments and employers seem to prefer austerity policies *with* a social pact over austerity policies *without* one, and find economic and welfare state restructuring *with* union cooperation more attractive than *without*, provided that the fundamental imperatives of economic liberalization are not questioned. But this need not mean that they must allow unions in return to make more than a marginal or merely symbolic difference. Governments that would have the strength to attack the unions' institutional position may use it to make unions cooperate, rather than attack them. It may be above all here that the policies of Continental-European governments differ from the ideological anti-unionism of their American and British counterparts. Unions, in turn, that like IG Metall may still command a residue of strength, may prefer Labourism over corporatism and withhold cooperation in national pacts if governments have nothing they could offer them in exchange, while weak unions may cooperate anyway, hoping in this way to protect their organizational status. What from the outside may look like a continuation of the class corporatism of the post-war order, therefore, may in fact be no more than tactical caution on the part of governments and employers, and strategic impotence and confusion on the part of unions. What counts is that what continues to be identified by some as neo-corporatism is today deeply embedded in an economic and political context of pressures for flexibility, deregulation, decentralization, and so on, sharply constraining what trade unions as actors in national politics can demand, not to mention a pervasive neo-liberal discourse emphasizing diversity, individualism and voluntarism, and cultivating a vigorous resentment against any kind of standardized regulation.<sup>28</sup>

In part, change since the 1970s is reflected in the many qualifiers used in the literature to characterize the specificities of the 'neo-neo-corporatism' of the 1990s. Thus some authors speak of 'competitive corporatism' (Rhodes 2001) to indicate the cooperative-productivistic character of national pacts and the corresponding absence or secondary significance in them of distributional issues; here one is reminded of the earlier discovery of 'supply-side corporatism'. Others use terms like 'lean corporatism' (Traxler 2001; Traxler et al. 2001) to emphasize that the new alliances are less demanding on the participants with respect to their organizational capacities. For example, as Regini (2000) argued early on, whether or not the unions involved in national pacts commanded corporatist organizational structures was largely irrelevant (see also Baccaro 2002), and indeed the strategic choices of

collective organizations with respect to participation in concertation and cooperation seemed less than before driven by their structural characteristics. Similarly, it no longer appeared of importance for successful pact-making whether governments were of a conservative or social-democratic political complexion (Hassel 2000, 2003). Overall it seems to be mostly general concerns for governability that may continue to motivate governments to invite participation in public policy-making of organized social groups of all sorts, not just trade unions and employers (see also Culpepper 2002, who emphasizes the role of associations as providers of information to government). After the class corporatism of the post-war settlement had been blown apart in the monetarist 'big bang', what the corporatist literature of today investigates is a vast variety of specific and differential uses of collectivism for public policy purposes serving as a convenient supplement to, and sometimes even a vehicle for, the delegation of public policy to free markets, driven by administrative rather than power-political expedience and more than ever turning organized groups into instruments of the state, rather than the state having to share public power with organized class interests disadvantaged by free-market capitalism.

## THE NEO-LIBERAL TURN

In the neo-corporatist decade, many of those who devoted scholarly attention to the study of organized collectivism in the politics of European democracies thought of their work as ultimately contributing to practically relevant knowledge on how to utilize the particularistic expression of special interests for purposes of good governance. Their guiding assumption, based on empirical studies of private interest government of all sorts, was that it was through a range of political and organizational incentives (material give-and-take, opportunities for collective participation, provisions for organizational security) that interest associations could be induced to express and articulate the interests of their members in such a way that they became compatible with and supportive of common interests shared by all. How exactly this was to be achieved was difficult to express in general terms, as successive case studies seemed to reveal ever new ways by which organized interests were both pacified and satisfied. Still, the more or less explicit expectation was that continued research would in the end yield something like a manual of cooperative governance for artful policy-makers in societies divided by conflicting interests, a set of recipes for political-economic success in democratic polities that were obliged to recognize and welcome rather than suppress the independent organization of their citizens, especially their working class.

From the beginning this programme was deemed utterly unrealistic and

indeed ideological by liberals of all stripes. As neo-classical economics began to extend its reach to the analysis of institutions and collective action, one of its main objectives was in fact to demonstrate, conveniently by means of deductive formal modelling, that organized collectivism inevitably detracted from a society's overall welfare.<sup>29</sup> Public policy, therefore, rather than sharing its authority with private interest associations had to do its utmost to insulate itself against them and, where it could not altogether abolish organized interests in the name of free markets or individual liberty, neutralize them by subjecting them to as much pluralist competition as possible (see, for example, Grossman and Helpman 2001; Persson and Tabellini 2000).

Neo-classical theory did and does recognize the possibility of a public use of private interests in that it conceives of the common good as a by-product of a free play of market forces. But it was, and remains, unwilling to accept that there could also be a productive public use of private *organized* interests. Fundamentally this applied even to an author like Mancur Olson (1971), who was originally prepared to concede to neo-corporatists that what he called 'distributional coalitions' were less damaging and perhaps even productive if they were organized in an encompassing rather than a fragmented pattern. Later, however, this distinction was increasingly lost, also by Olson himself (Olson 1982), and one mathematical proof was added to another to show that Pareto optimality was attainable only through exchanges between individuals in markets properly regulated, not by distributional coalitions, but by a liberal state protecting its freedom from any sort of political-collectivistic intervention.

The advance of neo-liberal ideas may in part be explained by the fact that 'corporatist theory' never managed to produce a general statement of the conditions under which private interest government may enhance or, to the contrary, detract from the general welfare. Perhaps this was impossible since whether admitting organized interests to public status is beneficial to a society or not might ultimately depend on the historical context or on intangibles like a political culture impregnated by a sense of collective discipline or national purpose. Clearly, recourse to the Olsonian distinction between encompassing and non-encompassing organizations was not enough to distinguish with sufficient confidence between responsible self-government and agency capture, for example in areas like vocational training or standardization. Cases could be found in which encompassing organization was used to frustrate responsible policies, as well as cases in which fragmented interest organization lent itself to collectively responsible concertation (Baccaro 2002; Regini 2000). Perhaps the problem was, and will continue to be, that deductive modelling can always and easily be driven to a point where monopoly is shown to produce less optimal results than competition. By comparison, the inductive knowledge generated by research on neo-corporatism inevitably includes the observation that

even the best-conceived strategies can fail in the real world, and that it depends in part on the *fortuna* of policy-makers whether or not the *virtù* of encompassing organization may work itself out in a given situation.

Another factor, as repeatedly pointed out by Schmitter himself, may have been the absence of a normative theory, or justification, of neo-corporatism. What the corporatists of the 1970s had to offer was, perhaps, a realistic theory of interest organization in post-war democracies, and what some of them were working towards might have become an (inevitably compromised) praxeology of how to integrate organized interest groups into the governance of a diverse modern society. But either way, it remained unable to develop the charismatic or utopian attraction that social theories may exercise if they manage to align themselves with strong moral values. Even neo-liberalism, with its pathos of individual freedom and responsibility, seems to be doing better in this respect. It was not just the ambiguous history of their core concept that made it difficult for neo-corporatists to popularize their insights by providing them with a normative coating. Very likely, corporatism 'worked', if at all, precisely because, and only as long as, the way it worked was not publicly explained.<sup>30</sup> For example, while one could have defended neo-corporatism as an effective way in practice of giving workers and their organizations a say in the running of a capitalist political economy, the concept and its practice were so devoid of any utopian vision that precisely class-conscious trade unionists and Social Democrats, especially in Scandinavia, refused to accept it even as a description of what they were doing. In fact, it was the often explicitly anti-corporatist 'new social movements' of the 1970s, and not the theorists and practitioners of neo-corporatism, who were able to claim for themselves a new, morally superior vision of participatory citizenship.

Of course the declining popularity of corporatist theory and practice in the 1990s also reflected changes in the real world. In addition to those discussed in the preceding section, one may refer here to the tendency in most European countries for organizations of business and labour to become less externally encompassing and, at the same time, more internally divided, neo-corporatist institutions providing organizational security notwithstanding.<sup>31</sup> A less organized society implies more significant divisions between the organized and the non-organized, the latter being the favourite theoretical, although not necessarily practical-political, clientele of the neo-liberal critique of collectivism. The most important such clientele consists of the growing numbers of long-term unemployed whose interests became adopted by neo-liberal economics to be played against the organized interests of the employed and in particular to discredit the neo-corporatist conviction that social problems are best resolved by cooperation and concertation. Moreover, increasing internal tensions within corporatist organizations make them less willing than they might otherwise be to commit their members to compromised common policies, and this

holds for business associations urged by governments to hold on to social partnership, as well as for trade unions invited to share responsibility for liberalizing reforms in labour markets and welfare states.

Today those theorists or practitioners of economic policy are rare who are convinced that the social and economic problems of the age are best addressed by political concertation of organized interests. Even after the monetarist 'big bang', pragmatism may still advise inviting organized labour into national pacts and may caution against formally abolishing collective bargaining or worker participation on the shopfloor and in the enterprise. But what protects the institutions inherited from the 1960s and 1970s is less and less a positive belief in the superiority, economic or moral, of consensual collective decision-making over free markets. The hegemonic theory of the day, the dominant public discourse and, increasingly, the practical wisdom of political decision-makers seem to have more or less accepted the neo-liberal equation of interest politics with rent-seeking; of cooperation with collusion; of inclusion of organized interests in the public sphere with exclusion of those *not* represented by established organizations; and of neo-corporatism with social closure and a political-economic conspiracy in favour of a new establishment of job owners, native citizens, old industries and the like. Not only liberals and conservatives, but also a growing number of Social Democrats, especially in government, have come to believe that the only way to reform is by restoring the independence of the state from, and its sovereign authority over, organized interests. While this does not preclude offering trade unions a seat on the reform bandwagon to satisfy the vanity of their leaders, governments seem increasingly determined to control the direction of reform and move, if necessary, without trade unions and even, conditions being favourable, against them.

Only a few areas seem to be left in which policy-makers and observers (and in any case probably only a minority of them) are inclined to consider collectively negotiated solutions superior to market solutions instituted by means of a neo-liberal regulatory state. Countries and parties differ with respect to the extent to which they may be willing to make use of the fragments of post-war corporatism to deal with problems of public policy. For example, governments pursuing liberalization and privatization may find it expedient to devolve what used to be state responsibilities, not to individuals, but to organized collectivities. While this cuts back on direct state provision, and is in this sense tantamount to liberalization, it also bears traits of neo-corporatism in that it involves interest organizations in the conception and execution of public policies. A well-documented case is pension reform in Germany after 1998, where private supplementary insurance for retirement pensions could for political reasons not be made obligatory and as a result floundered for lack of participation (Trampusch 2005). The problem was overcome when trade unions and employer associations successfully lobbied the legislature to insert a provision

in the law that made company pension plans eligible for tax relief if they were created by collective agreement. Even the trade union of the metalworkers, which had fiercely opposed the reform on principle, negotiated an agreement of this sort with its counterpart, Gesamtmetall. Among other things, the two sides set up a joint body to propagate participation in the supplementary pension system on the assumption that by inserting themselves in this important and technically complicated subject area they were offering a service to their members which would help them improve their standing with their membership.

Another field in which organized collectivism might still be allowed a positive role in the liberalizing economy of today may be the structural adjustment of regions or countries to international market pressures. Politically organized territorial communities may undertake to respond to competition, not by cost-cutting and downward adjustment of their general standard of living, but by specialization in a high value-added international market niche (Porter 1990). A growing literature argues that such specialization will require a suitable physical and institutional infrastructure supporting the firms on whose successful performance the community's collective prosperity depends. According to part of the post-corporatist literature, building this sort of infrastructure is best done if government, business, trade unions and other groups join forces for a cooperative and coordinated structural policy, so as to insure their common economic fortunes against the risks of international price competition and demand fluctuation. To a large extent, this is what is at the bottom of the concept of 'competitive corporatism' (Rhodes 1998). Like Katzenstein's (1985) 'Small States in World Markets', although referring more to the supply than to the demand side, it extols the benefits for collective competitiveness of a cooperative interest politics. A case in which it seems to have been possible to forge an encompassing social compact of interest groups of all sorts, in pursuit of what Crouch et al. (2004) have called 'collective competition goods' supporting a national supply-side strategy of international competitiveness, seems to be Ireland (Baccaro 2004).

If there is a future, then, for institutionalized political collectivism after the neo-liberal turn, many believe it to be in the provision of collective goods required for the international competitiveness of local communities, trying to realize a negotiated vision of national or regional competitive advantage. As indicated above, whether or not this implies that there is a future for corporatism is a matter of how broad a definition one is willing to adopt. How different, in any case, the new configurations are from the class corporatism of the post-war world is demonstrated not least by the Irish example. While the Alliance did include trade unions and employers' associations, it included many other groups as well, and indeed was explicitly designed to combat 'insiderism', that is, the privileged position of the traditional trade union

movement. Bearing no resemblance at all to the institutionalized tripartism of classical neo-corporatism, the Alliance neither had a need for corporatist organizational structures, nor was it supportive of their emergence. Moreover, it involved conceding a broad band of privileges to American multinational employers whom Ireland was eager to attract.<sup>32</sup> In fact, their fluid composition and the mostly voluntary character of participation in them make today's alliances for regional restructuring resemble, much more than post-war corporatism, the model of 'associative democracy' proposed by Cohen and Rogers (1995) or that of 'directly-deliberative polyarchy' as developed by Cohen and Sabel (1997). Associations organizing social classes may be present but are not dominant in them; joint pragmatic problem-solving takes the place of distributive bargaining; and as authoritative decision-making and distributive politics give way to the joint creation of incentives for investors, there is very little of the sharing of state authority between government and organized interests that was characteristic of neo-corporatism, especially at the regional level where such authority is not (or is much less) present in the first place.

## BEYOND CORPORATISM

Not only has the world changed since the 1970s, but so has social science – and not surprisingly given that the social sciences are invariably informed by the changing practical concerns and problems of their time. But while the 'corporatist debate' of the 1970s may in the end not have left much of an impression on the real world, it did profoundly affect the way social science reflects on it, and it may be appropriate at the conclusion of this essay to draw attention to selected aspects of its continuing impact.

Paradoxically, the impact of the neo-corporatist heuristic seems to be least discernible for the study of interest groups in a narrow sense, where one is today witnessing an astonishing renaissance of 'lobbying' as a concept and as a subject of study (Kohler-Koch 1994; Mazey and Richardson 1993). Possible explanations are not hard to imagine. To the extent that economic decision-making has shifted to new arenas like the European Union, contact between business and public authorities is apparently easier to organize on an Anglo-American pattern than on a neo-corporatist model as developed over a long time and in different versions in some but not all Continental-European countries. The rise of large firms as political actors and independent representatives of their interests, which was commented upon already in the 1980s, contributed its part, not just internationally but increasingly also within national systems, even those with a corporatist tradition (Coen 1997, 1998). Following the example of the Anglo-American world and the emerging practice of international organizations, Continental-European governments learned

to deal with large firms one-on-one, and apparently insisted less than in the past on speaking only to associations representing the collective view of groups of firms.<sup>33</sup>

Business associations, for their part, often seem to have lost either the capacity or the strategic will to accept public responsibility and mediate between government policies and the demands of their members. In a variety of European countries, as neo-corporatist arrangements crumbled under the impact of liberalization, business associations increasingly adopted an aggressive public relations strategy to push governments towards ever more liberalizing reforms that led them away from social partnership. One may add to this the attenuating relations between social democratic parties and trade unions, which made the latter also assume a more adversarial posture in relation to government and the state in general, resulting in less moderation of demands and a more independent, 'pluralist' style of interest politics.

Nor did the literature on neo-corporatism have as much impact on the study of industrial relations as one might have expected. As unions lost power, academic interest in them declined. In the USA, but also in Britain, leading industrial relations departments and research institutes were abolished or renamed during the 1990s. Where they survived under a new name (typically one that referred, in one way or other, to what came to be called 'human resource management') the change was one of substance. Increasingly it was no longer the study of trade unions and collective bargaining that opened up careers within the practical world, but rather that of compensation packages, performance incentives, 'human capital formation' and personnel management in general, administered unilaterally and from above in what became as a matter of course assumed to be a 'union-free environment'. In Continental Europe, where industrial relations was never more than a sub-discipline in the intersection of sociology, political science and labour law, only very few in successive new generations of students felt attracted by it, while the number of aspiring personnel specialists enrolled in the business administration departments of the old public universities and of a growing number of new private ones exploded. If more than a small minority of these had ever seriously engaged literature on trade unions and collective bargaining, not to mention corporatism, one would have to be very surprised.

Of course, while initially there had been a strong affinity between the neo-corporatist heuristic and the study of institutionalized class relations, the former soon came to be applied to other subjects and areas of inquiry. In the corporatist literature, free collective bargaining served as a model of how, in a liberal democracy with vibrant collectivism, independently organized social groups might become involved in the making of publicly binding decisions, with states and governments constrained to respect their autonomy, arrange their own decision-making around them and learn to share their authority with



them. The underlying idea, namely that major political decisions on the structure and direction of modern societies were sometimes made, not by the state alone but by the state in cooperation with organized collective actors in society, appealed to scholars reflecting in the 1970s on the potential and, by implication, the limits of state intervention in society and economy. For example, in their attempt to develop a theory of how a democratic state might be used by a modern society to organize itself and control the course of its own development (a theory of *gesellschaftliche Steuerung*), Mayntz and Scharpf puzzled over the limited success of social democratic reform in Germany, finding it increasingly unsatisfactory to conceive of public policy exclusively in terms of state decisions (Mayntz and Scharpf 1995; Mayntz 1997). Instead they began looking for a concept of *Steuerung* that included the possibility of state government cooperating with organized social groups and of public policy being negotiated between the state and an organized civil society.

*Steuerung* was originally translated as 'steering', or 'control', but later these terms were replaced with 'governance'.<sup>34</sup> Abandoning a state-centred and hierarchical perspective on public policy, governance refers to the entirety of processes and agents involved in making binding selections from alternative possibilities and thereby creating social order. Originally the concept seems to have been introduced by the 'new institutional economics', most prominently Oliver Williamson (Williamson 1987; Williamson et al. 1975), in an effort to demonstrate that economic transactions that are governed by the market (that is, not governed by the state) are nevertheless not without government – or at least need not be, since private individuals pursuing their advantage in the market were capable of freely contracting, not just on the terms of their exchanges, but also on institutions to govern the latter where this might be necessary. Soon thereafter, however, the concept was imported into the corporatist discourse, to reflect the blurred boundary between state and society observed in contemporary democracies; emphasize that private actors take part alongside public ones in the making of binding decisions; and draw attention to the contribution of 'private interest governments' to social order (Hollingsworth, Schmitter and Streeck 1994). With its spread to a more state-centred tradition of policy studies originating in administrative science and implementation research, the concept then paved the way for the incorporation of some of the core insights of the 'corporatist debate' into theories of public policy-making.<sup>35</sup>

Today's burgeoning literature on social, political and economic 'governance' as a complex interaction between state and non-state actors builds on one of the cornerstones of the neo-corporatist heuristic, the intertwining of state and civil society. That same notion is also present in current work on policy networks which takes off from the idea that political decisions originate in interactions between a variety of loosely coupled individual and collective

agents of all kinds (Marin and Mayntz 1993). Who belongs to a policy network, and who is central or peripheral to its operation, is treated essentially as an empirical question; it may also change, as networks are conceived as more open than corporatist arrangements and as potentially highly flexible and easy to reorganize.<sup>36</sup> Policy networks are also seen as specialized in narrow areas of decision-making. The main difference, however, between network analysis and the neo-corporatist tradition, and certainly the tradition of *Steuerungstheorie*, is that the former goes much further than the two others in divesting the state or its authorities of special responsibility for the overall direction of policy. While the neo-corporatist study of private interest government and the concept of *gesellschaftliche Steuerung* did admit a plurality of agents as involved in the making of public policy, their ultimate objective was a sophisticated praxeology for an informed state of how to cajole an independent, interest-conscious, *eigenwillige* civil society into contributing to a, however negotiated and compromised, common purpose. 'Networked' as it might be, for neo-corporatists as well as for the theorists of *Steuerung* it was ultimately the state that governed, if by negotiation, due to its monopoly on the legitimate use of force, as well as its superior democratic legitimacy and accountability. Network analysis, even where it is more than descriptive statistics, abandons this premise, replacing as it were an action-theoretical with a behaviourist perspective on public policy formation, and giving up collective intentionality in favour of an empiricism for which there can be no difference between the objectives and the outcomes of collective decision-making.<sup>37</sup>

A second important offshoot from the neo-corporatist literature, and again especially from its engagement with industrial relations, is a broad stream of historical-institutionalist research on political economy.<sup>38</sup> Among the distinguishing marks of historical institutionalism, especially in comparison with economics and its rational choice bridgeheads in social science, is that it treats the preferences of actors as endogenous to the institutional settings in which they are acted out. A model for this was and continues to be the way in which neo-corporatist analyses conceived of collective interests as products of *intermediation* by interest associations between their members on the one hand and extant political opportunity structures on the other. From the beginning, it was a central topic of the corporatist literature that interests are not given but are, and need to be, defined and interpreted in relation, among other things, to the institutional and organizational means for their realization. Institutional and organizational structures thus functioned as what one might call the *constitutive conditions* of a process in which actors determined what their best interests were. For example, workers were shown to exhibit different interests with respect to nominal wage increases, productivity and inflation depending on whether they were represented by craft unions in a highly decentralized collective bargaining regime, or by industrial unions negotiating for entire industries

or countries: while in the first case high nominal wages counted more than monetary stability, and technological change was more of a threat than an opportunity, in the second enhanced collective control over the side-effects of their collective action made workers develop a vested interest in low inflation and rising productivity as conditions of steady real wage increases (Crouch 1982; Olson 1982).<sup>39</sup>

The latest production of institutionalist political economy is, of course, the fast-growing literature on diverse national versions of a capitalist market economy. The 1980s had seen an increasing interest among students of industrial relations in how the corporatist governance of the employment relationship might be linked to the governance of the economy as a whole, and in particular whether differences in industrial relations were associated with differences, not just in the relationship between state and society, but also in national *patterns of production*. Here concepts like 'diversified quality production' (Streeck 1991) were developed in an attempt to explore what seemed to be 'elective affinities' between national industrial relations regimes on the one hand and a country's characteristic type of production on the other. Originally the relevant literature simply pointed out what appeared to be functional relations between the two, without exploring their origins or trying much to theorize about them. Even outside the French *régulation* school, however, there was a sense that economic strategies (including the production strategies of firms) were not necessarily and always prior to a society's institutions, including those of industrial relations, and that in certain circumstances the latter might in fact be the cause of the former. The prospect this raised was that production patterns, usually believed to be exogenously imposed by the market or strategically chosen by management, might be treated as endogenous by a new institutional economics capable of accounting for differences between versions of modern capitalism as an economic system.

It is not the place here to trace in detail the way in which the corporatist debate fed into the rise of the *varieties of capitalism* paradigm, in particular after the implosion of state socialism and the accelerated internationalization of the capitalist political economy in the subsequent decade.<sup>40</sup> What suggests itself instead is to look back and consider current theorizing on capitalist diversity in the context of the controversies of the 1970s on convergence and divergence in industrial society. In this perspective, the ascendancy of neo-classical economics may appear as the advent of a new theory of convergence – one, however, in which the mechanism generating homogeneity of national political economies is *no longer technology but economic competition* in an open world market. Institutional theories of capitalist diversity oppose the economic theory of capitalist unity implied in neo-liberalism and contest the view that there is one best way to organize a capitalist economy, namely comprehensive reliance on the institutional minimalism of free markets and

free price formation. Indeed, rather than worldwide convergence on neo-liberal 'best practice' under pressure of international competition, the 'varieties of capitalism' literature predicts continuing diversity, offering reassurance to those who for whatever reason favour a more regulated and politically coordinated version of capitalism governed by collective decision-making over one ruled by self-regulating markets.

The decisive question, of course, is for the mechanism believed to be sustaining diversity between countries and their economies. In the 1970s, when tendencies towards convergence were supposedly to emanate from technology, it was the collective action of the working class that was to make the difference for how industrial capitalism was to be organized, and the conceptual apparatus of neo-corporatist analysis provided a language to account for how such action became infused into public policies. Today other mechanisms are being suggested. Apart from strategic specialization, the currently most prominently discussed cause of continued diversity is an assumed need of political economies for internal institutional coherence and complementarity. The underlying idea is that, unlike what is implied by neo-liberalism, national economies do not require a specific kind of institution for good economic performance, but a high degree of *complementarity* between whatever institutions may govern them. Capitalist market economies, that is, can perform in different ways and still perform equally well, *provided their institutions fit with one another*. In fact it is suggested that there are basically two sorts of advanced capitalism, liberal and coordinated, or individualistic and collectivistic, which can both prosper as long as each organizes its institutional spheres according to the same logic, of free price formation in the one case and of political-institutional coordination in the other (Hall and Soskice 2001).

As mentioned above, at one time what might have become 'corporatist theory' seemed to suggest that for reasons of, mostly *endogenous*, political pressures for good economic performance, non-corporatist polities had to turn corporatist sooner or later. Today *economic* theory is almost united in its belief that, *vice versa*, neo-corporatist political economies have to turn neo-liberal, due to *exogenous* (market) pressures. The 'varieties of capitalism' approach seems to reject both propositions. The formative experience by which it may be inspired seems to be the failure and final defeat of neo-corporatist reform in the UK in the 1970s and 1980s, followed by the ascendancy of the liberal and further liberalized economies of Britain and the USA in the subsequent decade. The lesson the theory draws from this, which it offers to the economically declining 'coordinated' political economies of the European Continent, is that salvation lies in *internal coherence*, and rather than trying to get rid of their political and economic collectivism and become like their temporarily more successful competition, Continental-European political-economic systems would be better off sticking to their inherited principles of organization.

Unlike its neo-corporatist predecessor, that is to say, the new theory of non-convergence allows for little political voluntarism. The good news it brings to political economies with neo-corporatist institutions is that they do not have to become neo-liberal. The bad news, however, is that they could not do so anyway, even if they wanted to.<sup>41</sup> Nor, of course, could liberal political economies become corporatist, and their working classes would be well advised not even to try. This is, essentially, because any institutional reform can only be a partial one, reorganizing no more than selected elements of an interlocking, tightly coupled system of institutional spheres. This, however, would undermine the complementarity of system elements and, as a result, detract from its economic performance – which not only capitalists but also workers could not want. But then, it is not the working class that is believed by the new theory of capitalist diversity to control the design of national institutions. Unlike in the corporatist writings of the 1970s, their architecture is created and defended by firms vitally interested under international competition in protecting the institutional requirements of the sort of production to which they have become accustomed.

Many questions may be raised regarding the new theory of capitalist diversity in the light of rapid social and political change sapping the strength of collectivism in European societies; the lasting performance crisis of important specimens of a coordinated market economy, such as Germany; and the continuing liberalization of the European political economy in the course of European integration. What may be worth pointing out is that the 'varieties of capitalism' theory of non-convergence seems to have replaced, in the spirit of the age, political activism as a source of diversity with institutional inertia, or 'path dependency', and political choice with economic constraint. Whether institutional inertia and economic constraint will be enough to preserve the 'European social model' only time will tell. Here we cannot but note that today's promises of lasting diversity assume an essentially defensive posture, drawing hope from functionalist constructions that are not in principle different from the sort of passive-deterministic theories that the politically activist social science of the 1970s tried to leave behind once and for all. But then, as noted already, these are different times.

## NOTES

1. I am grateful to Lucio Baccaro, Helen Callaghan, Colin Crouch, Martin Höpner, Bernhard Kittel, Renate Mayntz, Philippe Schmitter, Kathleen Thelen, Christine Trampusch and Cornelia Woll for constructive comments and criticism.
2. See Schmitter (2002) for an interesting return to a subject that was always present in his work in one form or other.
3. Unlike the convergence theories that became current at the end of the twentieth century, the unifying force presumably driving cross-national convergence in the 1960s was not the

- market but technology. More on this important difference below. Also, in the spirit of détente embraced by American liberals in the 1960s, convergence between the USA and the Soviet Union was to happen somewhere in the middle, with the former gradually embracing more 'planning' and the latter slowly introducing more 'market' in their respective economic systems (although the 'mid-point' was undoubtedly expected to be somewhat closer to California than to Siberia). Of course, American normalism did not always and necessarily take the form of technological determinism. See, for example, Parsons (1971).
4. It is ironic that the theoretical voluntarism of the emerging New Left in European social science undertook to ground itself on the same Marxist tradition that American convergence theory had by then appropriated to demonstrate the inevitability of the worldwide march to pluralist industrialism. If nothing else, this shows how differently Marx can be read. Even more ironic, however, was the fact that the reassertion of political agency by New Left social science remained bound to national politics and the persistence of institutional and political differences between nations – that is, units that in principle one would not expect to count much in a leftist and thus, presumably, internationalist perspective.
  5. In the USA, by comparison, the decline of trade unionism that had been under way all over the Western world during the 1960s continued into the 1970s and 1980s. In most European countries the trend was reversed for the next one-and-half decades. In the USA, instead of an increase in the power and influence of trade unions, the discontent of the 1960s gave rise to the civil rights movement and issued in public policies for 'equal opportunity' in the marketplace.
  6. Industrial relations was also taught in Britain at the time. While the 'Oxford School' had different roots from its American counterpart, it was also, although for different reasons, suspicious of excessive pragmatism (Fox 1974). Moreover, it was far less international in the scope of its subjects and concepts, and therefore largely unsuited for export to other environments.
  7. On the relationship between industrial relations and the early comparative politics literature, see Streeck (2004).
  8. Another figure to be mentioned here is, of course, Stein Rokkan – who happened to be European, however.
  9. Philippe Schmitter, in a personal communication, reminds me of the importance of reinvention in the social sciences, which I take to mean the rediscovery and re-use of forgotten concepts. Reading classical texts or authors that nobody remembers any more helps.
  10. Important intellectual breakthroughs are sometimes made simultaneously and independently by more than one individual. In the present case, Schmitter's impact was undoubtedly reinforced by the fact that the usefulness of corporatist concepts for the analysis of contemporary Europe had at roughly the same time been discovered, and described in much the same terms, by Lehbruch (1974, 1977). As far as I know, Schmitter and Lehbruch learned of each other only after their ideas were basically formed and in fact had been committed to paper. Much has been made of the differences between Lehbruch's 'liberal' and Schmitter's 'neo-' corporatism, and it is true that the former placed somewhat more emphasis on the process of policy concertation and on the, as it were, consociational functions of corporatist arrangements, while the latter was more concerned with the structural disposition of intermediary organizations to participate in concertation. What is important here, however, is that Lehbruch, coming from a very different, and indeed very European, theoretical tradition, lent additional validity to the conceptual language reintroduced by an American political scientist with a Latin American research background.
  11. For an overview of the historical background of modern theories and practices of corporatism, and for a broader discussion of the following, see Streeck and Kenworthy (2005).
  12. For a summary of the relationship between corporatism and the European post-war settlement, see Streeck and Kenworthy (2005).
  13. This was the time when the sarcastic and, in some cases, slightly envious label for corporatism as a 'growth industry' (Panitch 1980) became widely used.
  14. For the official state-Marxist reception in the GDR see Rachel (1981).
  15. For an overview see Kenworthy (2001) and Molina and Rhodes (2002).

16. For some, the difference between the well-being of the working class on the one hand and the proper functioning of the national economy on the other was less than clear-cut. In fact there seems to have been a growing tendency in the literature to identify the former with the latter, at least until the advent of 'jobless growth' in the 1990s. On the methodological shortcomings of the quantitative-comparative literature on the economic effects of corporatism, see Kittel (2000).
17. One of the first to investigate empirically the relationship between corporatist structures of interest intermediation and the general governability of a society was Schmitter, in an essay published in 1981 (Schmitter 1981).
18. See the title of Schmitter's and Lehmbruch's co-edited book of 1979, *Trends Towards Corporatist Intermediation* (Schmitter und Lehmbruch 1979). How long-lasting and resistant to disappointment such convergence expectations were is demonstrated by the survival of pious hopes for the European Union, the liberalization machine of the European economy, somehow to develop into a neo-corporatist supranational polity (see Falkner, this volume). More on this below.
19. Alternatively, countries lacking in economic performance could be seen as having, not too little, but too much corporatism. Being for whatever reason unable to become more corporatist, they might try to become more liberal by undoing the little organized collectivism they had. A seminal paper by Lange and Garrett (1985) was among the first to point to the possibility of efficiency-driven polarization of national systems into more or less pure types, a theme that is central to today's 'varieties of capitalism' literature (see below).
20. Such change, along with the narrow limitations of the comparative-statistical methodology that were discovered only later, may in turn have been the reason for the often contradictory results of the empirical analyses of the economic consequences of corporatism. A good survey of the findings of a large number of studies is found in Höpner (1997).
21. Such applications of the concept contributed to the emerging identification of corporatism with cooperation, indicated by the not infrequent misspellings of corporatism as 'cooperationism' by attentive but less than fully literate students. From there it was not a long way to identifying corporatism with paternalism, especially in enterprise-level industrial relations.
22. Streeck and Kenworthy (2005) distinguish between structural and functional corporatism, and within the latter between concertation and self-government.
23. Colin Crouch, in a note to the author, speaks of a case of 'conceptual corruption'. Since the concept of corporatism 'had an ambiguous pedigree, it was vulnerable to very diverse interpretation and could be made to mean anything from state control of organized interests to government by organized interests instead of by the state'.
24. But also some of the more recent rational choice political science, like Swenson (1991), which often makes it appear as though corporatism was not just the second-best but the optimal solution for business.
25. When in the early 1980s neo-corporatists began in earnest to study 'the associative action of business' (Schmitter and Streeck 1982 [1999]) they approached their subject with a conceptual apparatus that was firmly premised on the post-1968 Keynesian world. Thus internationalization and the political opportunities it offered to business did not figure at all in the research design, except perhaps as possible inducements for higher-order, multi-level association-building in compliance with the neo-corporatist logic.
26. The same was true, and possibly for the same reasons, for the correlation between neo-corporatism and a low incidence of industrial conflict. After the virtual disappearance of strikes in the USA and Britain, it could no longer be claimed that the costs of neo-corporatist concessions were balanced by lower losses due to industrial disruption.
27. A decade later, assumed virtue had again turned into observed vice when the productivistic 'virtuous circle' corporatism of the 1980s (Streeck 1991) was found to have mutated into parasitic 'welfare corporatism' (Streeck 2001, 2005). Basically this was a result of the social partners securing their continued peaceful cooperation in the face of deep economic restructuring by joint exploitation, condoned by the Kohl government, of the social welfare system for mass early retirement. The disaster (a tremendous increase in labour costs that cemented, and added, to the very unemployment that early retirement was supposed to reduce) became

- complete when the same methods were employed after 1990 to retire the vast volume of excess labour in the former GDR.
28. Something similar may apply in the Eastern European 'transition' countries where tripartism at the national level is imposed by the European Union as part of the *acquis communautaire*, but in practice has mostly remained a façade. An intuitive affinity to collective solutions seems even less present than in the liberalizing countries of the West, and even more than West European trade unions those in the East of the Continent seem to be anchored, to use the old corporatist language, in a Logic of Influence rather than of Membership.
  29. A partial exception is the rich literature on national systems of wage formation that builds on the seminal article by Calmfors and Drifill in which they introduce the notion of a 'hump-shaped' relationship between the centralization of wage setting and inflation (Calmfors and Drifill 1988). Note, however, that the positive effect attributed to collectivism is limited to monetary stability. Note also that an alternative, radically decentralized and market-driven system is regarded as a fully functional equivalent.
  30. Politics, Bismarck is supposed to have remarked, is like blood sausage: you don't really want to know how it is made.
  31. For the case of Germany see Streeck and Hassel (2004).
  32. As a result, as Colin Crouch reminds me, inequality is now at a higher level in Ireland, a small and homogeneous country of three million people, than in the USA.
  33. On this and the following see Streeck and Visser (2005). Privileged access of large firms to political decision-makers is of course not provided for in neo-classical theory, which does not really have a place for firms as organizations. Nor is it in line with neo-liberal ideology, which will have nothing to do with lobbying. Of course one might be tempted to argue that the rise of neo-liberalism is in fact nothing else than the liberation of large firms from social obligations and a restoration of their internal and external hierarchical authority (see the introductory chapter in Crouch and Streeck 1997).
  34. In the late 1960s, Amitai Etzioni (1968) introduced the concept of 'societal guidance', for the same subject and with similar intentions. For whatever reason, that concept was not picked up by others. On how 'Steuerung' was redefined as governance, see Mayntz (2003).
  35. Interestingly it also came to be adopted by the institutionalist strand of international relations theory which was looking for a concept by which to suggest the possibility of some sort of order even in the stateless world of interstate relations where 'realists' see only power and conflict.
  36. To the extent that students of what they still regard as 'corporatism' are increasingly reconstructing their objects of study as 'networks' this may reflect increased fragmentation and complexity of organized social groups and the interests they represent.
  37. In Etzioni's (1968) terms, this would represent a shift from an 'active' towards a 'passive' sort of theory, one that has no place for the setting and pursuit of societal goals, which may either be realized or missed. Not surprisingly, network analysis seems particularly relevant for the study of sectorally specialized governance arrangements in state-free international settings, where the production of order is left to a multiplicity of agents that lack both public power and democratic legitimacy. As decisions emerge *ex post* from an aggregation of actions taken independently by a variety of agents, one notes in passing that there is a certain similarity here to market processes.
  38. For an outstanding representation of this school, see Thelen (1999).
  39. For a recent example of how the substance of collective group interests may vary with the institutional structure in which they have to be pursued see Woll (2004). An elegant exposition of the contextual malleability of interests as they become translated into operative preferences is given by Hall (2004).
  40. See Hollingsworth, Schmitter and Streeck (1994) and Crouch and Streeck (1997).
  41. Note the interesting parallel with the weaker version of the once budding neo-corporatist convergence theory which attributed non-convergence on the corporatist pattern to lack of ability of pluralist countries to converge, expecting them to be punished for it economically.



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