

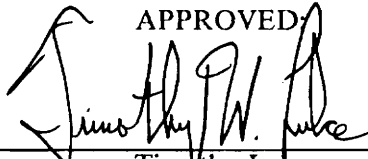
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**Corporatism and Leftist Governments:
A LISREL Analysis on their Effects on the Economic Performance of Selected Advanced Capitalist
Democracies**

by
Michael Freudenberg

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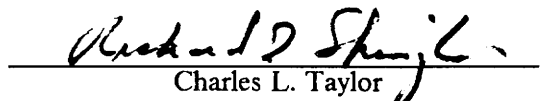
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(ABSTRACT)

The objective of this paper is to explain differences in the *economic* performance of selected advanced capitalist countries between 1960 and 1980, such as rates of unemployment, level of inflation rates and economic growth rates, with the presence or absence of corporatist arrangements between major interest groups and the State, and with the strength of leftist parties in these nations.

In reviewing the literature, I have found basically two approaches to corporatism: (1) a 'structural' approach, which emphasizes sociological characteristics of the actors, especially labor unions; and (2) a 'functional' approach, which stresses elements of policy formation and implementation. Using factor analysis, I will create a corporatism score for each country.

According to Olson's 'Logic of Collective Action', nations with corporatist arrangements (large and centrally organized interest groups) should do better economically (in terms of growth rates) than nations without these arrangements. However, this application has been criticized, since economic growth would be a relatively automatic function of size and degree of organization of interest groups in a given nation, and would not leave any room for strategic considerations, which can be influenced by political parties.

Therefore, I will perform a LISREL analysis for two competing models: (1) an 'additive' model, where I compare the *independent* effects of corporatist arrangements and leftist parties on strike activity, unemployment rates, inflation rates, and GDP growth rates; and (2) a 'multiplicative' or *conditional* model, where the effects of corporatism on economic performance depend on the strength of left parties, and vice versa.

My findings do not strongly support the 'additive' model, whose policy implications for countries that wish to be more successful economically in terms of growth of GDP would be to pursue more corporatist strategies. With the notable exception of economic growth rates, on which the combined effects of corporatism and left parties have a strong, *negative* effect, the 'multiplicative' model is far more successful in explaining differences in economic performance among nations: I have found strong negative, indirect effects of this combined index on unemployment and inflation rates. An implication is that *those countries with strong left parties and already existing corporatist arrangements could pursue strategies to extend corporatist arrangements with the hope of gain, while countries without strong left parties and corporatist arrangements might abstain from a policy of becoming more corporatist, since absence of strong labor-based parties might impede rather than promote economic growth.* They might even try to reduce their extent of corporatism.

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1.0 Introduction

There is a theory which states that if ever anyone discovers exactly what the Universe is for and why it is here, it will instantly disappear and be replaced by something even more bizarre and inexplicable.

There is another which states that this has already happened.
— Douglas Adams¹

In this paper I intend to explain differences in the *economic* performance of selected advanced capitalist countries between 1960 and 1980, such as rates of unemployment, level of inflation rates and economic growth rates with the presence or absence of corporatist arrangements between major interest groups and the State in these nations. It has been suggested in the literature that corporatist arrangements between major interest groups and the State might help improve the economic performance of a nation.² In chapter 2, I will introduce several concepts of *corporatism*. However, researchers have not been very successful in creating a cohesive theory which explains *why* corporatist arrangements in a nation should have a positive effect on economic performance. Olson suggests that his 'Logic of Collective Action' is the missing theory. In chapter 3, I will introduce Olson's theory, and then apply this microeconomic framework to the concept of corporatism. I will show that, according to Olson's theory, nations with corporatist arrangements (large and cen-

¹ Douglas Adams, *The Restaurant at the End of the Universe*, 1980.

² See for example Cameron, 1984; Schmidt, 1982a-c; Lange and Garrett, 1985; Lehmbruch; Schmitter; von Beyme, 1981, 1983; and Olson, 1986b.

trally organized interest groups) should do better economically (in terms of growth rates) than nations without these arrangements. However, this application has been criticized, since economic growth would be a relatively automatic function of size and degree of organization of interest groups in a given nation. It does not leave any room for strategic considerations, which are influenced by the expectations of actors. It has been argued that governments can influence these expectations positively or negatively, depending on who is in charge of the government. Labor unions, as important representatives of major interest groups, might moderate their behavior (e.g. wage restraint and strike activity) when leftist parties are strong or even in charge of the government. Therefore, in trying to explain differences in the economic performance of selected countries of the Organization for Economic Cooperation and Development (OECD) with the presence or absence of corporatist arrangements between interest groups, I will compare interactions among leftist parties and labor unions, and try to find out their importance for the economic performance of their respective nations. Using LISREL, I will examine statistically whether organizational structure and political power of labor unions, and strength of leftist parties in governments explain a large portion of the variation in economic performance among the advanced industrial nations between 1960 and 1980. The results might be important in the sense that they might lead parties and interest groups to cooperative rather than to conflicting behavior.

As Figure 1 on page 3 shows, the 1970s brought a dramatic decline in the economic performance of the 18 countries that have been selected for research: many of these advanced capitalist countries were plagued by low economic growth, a strong increase in the rates of inflation and high rates of unemployment.³ This problem was referred to as *stagflation*. We might first ask why this was a *worldwide* phenomenon. Scharpf suggests that

[t]he general decline of economic-performance measures since the 1970s is usually explained by reference to three interrelated changes in world-wide economic conditions: the inflationary momentum which was generated when the United States chose to finance the Vietnam War without tax increases...; the subsequent destruction of the international monetary system when the Bretton-Woods

³ See e.g. Goldthorpe (ed.), 1984a; Cameron, 1984; Schmidt, 1982; Lange and Garrett, 1985; and Table 9 on page 87, Table 10 on page 88, and Table 11 on page 89 in the appendix.

Unemployment, Inflation, GDP

Years 1960 - 1985

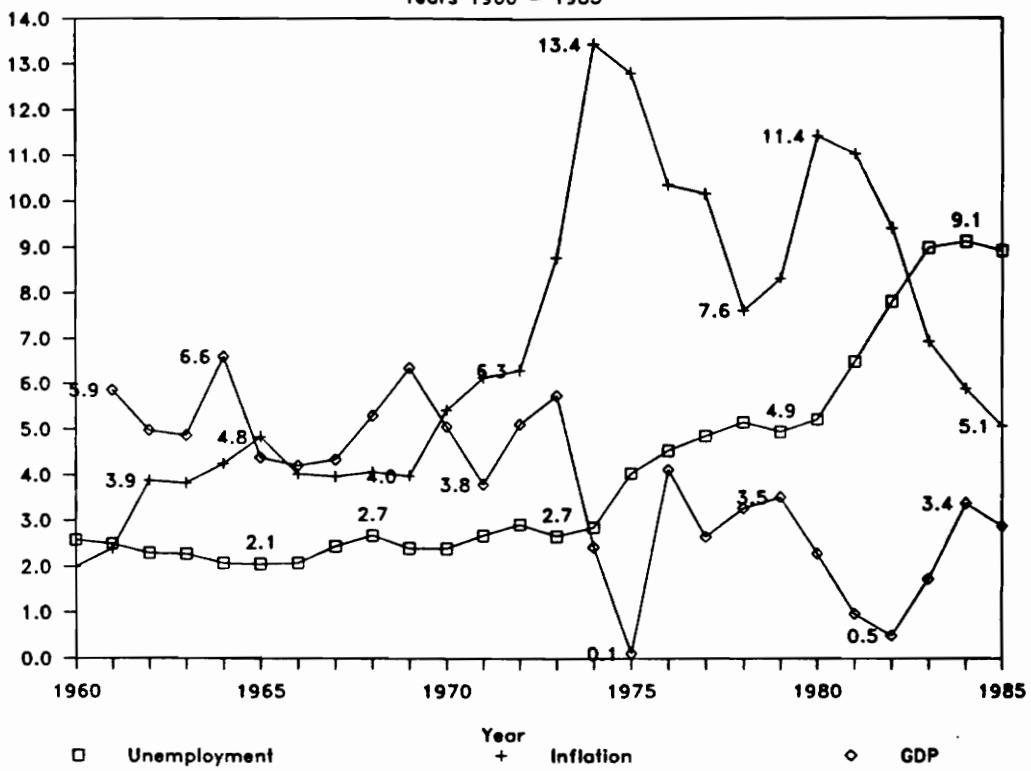


Figure 1. Average Annual Unemployment, Inflation, and Gross Domestic Product (GDP) Growth Rates for 18 OECD-Countries, 1960 - 1980

Source: Wharton (1987); own calculations.

regime of fixed exchange rates was replaced by generally fluctuating exchange rates in the spring of 1973; and, of course, the oil-price crises of 1973-4 and of 1979-80.⁴

This would explain why most nations generally performed worse in the post-1973 period, but not why there were differences *among* nations. Analysis of economic performance characteristics, however, reveals a strong variation among nations: Countries like Italy or Great Britain have had large increases in inflation and in the rates of unemployment, while other countries like Japan or Switzerland experienced relatively small increases in prices and relatively full employment.⁵

Cameron identified two clusters of countries:

In recent decades, the advanced capitalist nations varied dramatically in [...] aspects of economic performance, but what is of particular interest is the extent to which performance in one aspect covaried with that in the others. Nations which experienced, relative to other nations, low levels of strike activity and modest increases—or decreases—in the rate of change in earnings also experienced relatively modest increases in prices *and* relatively full employment. In contrast, nations which experienced relatively high levels of strike activity and large increases in nominal (and real) earnings also experienced, simultaneously, relative large increases in process *and* relatively high levels of unemployment.⁶

As we can see from Figure 2 on page 5, a scatterplot of average annual unemployment and inflation rates between 1973 and 1980 reveals that among the first cluster of countries are Germany, Austria, Switzerland, and Norway, while the other one is composed of e.g. Italy, Ireland, Britain, Canada, and Spain.⁷ The importance of these two clusters is that, at least for the post-1973 period, they have refuted the Phillips-curve, according to which there is a trade-off between unemployment rate and change of inflation, which makes the 'right' balance between the two a political matter.⁸ The fact

⁴ Scharpf, 1984: 257.

⁵ See Table 9 on page 87, Table 10 on page 88, and Table 11 on page 89 in the appendix.

⁶ Cameron, 1984: 156.

⁷ The following abbreviations are being used subsequently in plots: Australia (AU), Austria (A), Belgium (B), Canada (C), Denmark (DK), Finland (FL), France (F), West Germany (D), Ireland (IR), Italy (I), Japan (J), the Netherlands (NL), Norway (N), Spain (E), Sweden (S), Switzerland (CH), the United Kingdom (UK), and the United States (US).

⁸ The correlation coefficient of unemployment and inflation rates between 1973 and 1980 is in fact positive and strong ($r = .57$). Cameron (1984: 148-9) remarks that ever "since Phillips... observed an inverse relationship between the level of unemployment and the rate of change in nominal wages, conventional macroeconomic wisdom has perceived a trade-off between unemployment and inflation or, conversely, between full employment and price stability. (...) [I]nflation, defined in terms of acceleration of the rate of change of prices, is a function of the rate of change in money wages, which depends on the bargaining power of labour, which, in turn, depends on the tightness of labour markets, as reflected by the aggregate rate of unemployment.

(...) Hibbs... extended the logic of the Philips curve across the advanced capitalist nations. He suggested the same inverse relationship which Phillips observed *within* a nation over time could be expected to hold

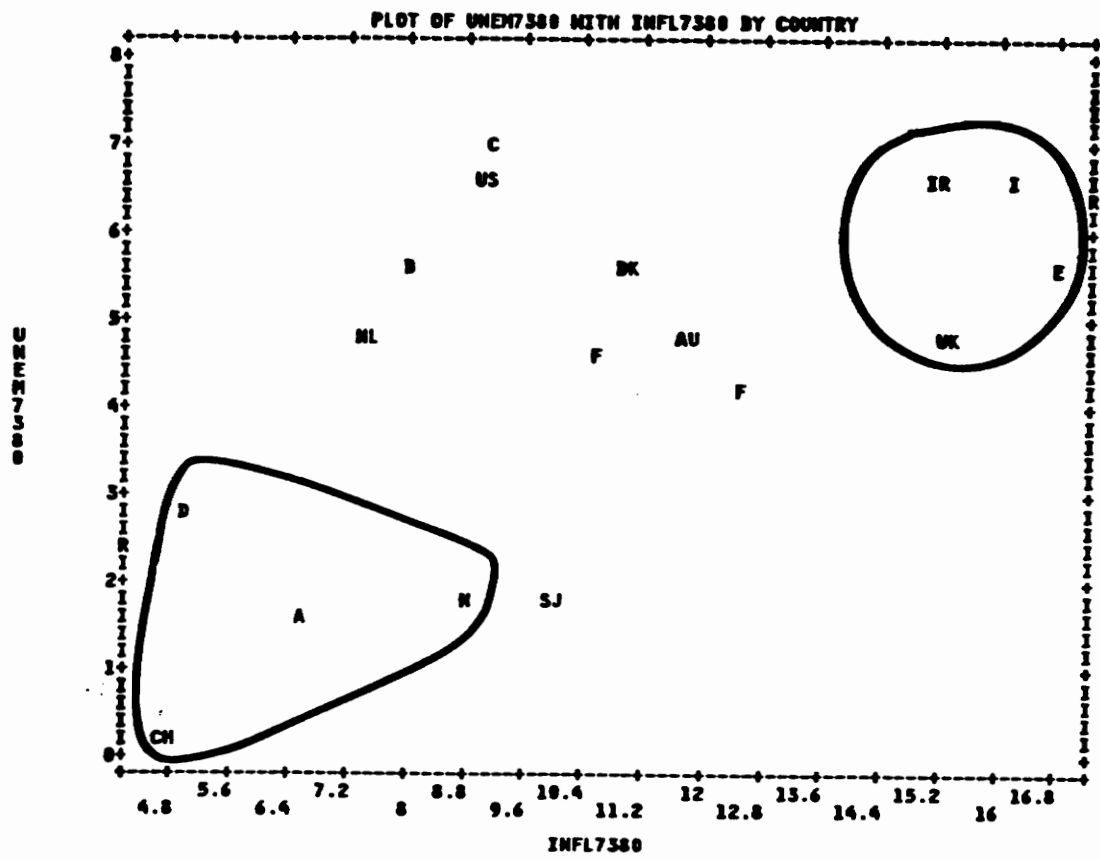


Figure 2. Plot of Average Annual Unemployment and Inflation Rates, 1973 - 1980

Source: Wharton (1987); own calculations.

that some countries have both high rates of inflation and unemployment, while others rate low on both indicators, raises the question of whether the Phillips-curve in general is correct, and, therefore, of whether policy planners are really confronted with a trade-off between unemployment and inflation.

In the 1960s, following on the 'discovery' of the Phillips curve, which purported to show a close relationship between the rate of change in money wages and the proportion of the labor force out of work, it appeared possible to 'endogenize' the determination of these variables to the economic system. Thus, demand-management policy would in itself be able to provide the means of arriving at some acceptable trade-off between inflation and unemployment—a conclusion which was attractive not only politically but also as indicating the self-sufficiency of economic analysis as the basis for economic policy-making. However, with the effective breakdown of the Phillips-curve relationship by the early 1970s, such a trade-off strategy was clearly no longer available; and moreover the problem of how to account for, and handle, the new phenomenon of 'stagflation' forced economists into confronting an awkward dilemma.⁹

This leads to the question why some countries have been more successful in responding to the worldwide 'stagflation' than other countries.

There has been a vast amount of literature on that question, but, as Schmidt states, "comparative political research on the determinants of rates of unemployment in all capitalist democracies has been a rather undeveloped area... and research findings were ... contradictory."¹⁰ There are several competing explanatory models for that variation, but I am interested in *political* explanations, according to which rates of unemployment are primarily dependent on "politically induced business cycles, preference orderings of the governing parties and structures in extraparliamentary arenas..."¹¹

However, there is not much literature on quantitative, cross-national research using the political model, including corporatist arrangements. Therefore, I had to limit myself to relatively few sources.¹² But even this research has not been comparable: both methods and choice of variables vary from scholar to scholar. In the literature, though, two main elements of the political model

in a comparison *across* nations, reflecting the difference among nations in the degree of aversion to high unemployment relative to inflation."

⁹ Goldthorpe, 1984a: 2.

¹⁰ Schmidt, 1982a: 238.

¹¹ Schmidt, 1982a: 238.

¹² Cameron, 1984; Schmidt, 1982a-c; Lange and Garrett, 1985.

have consistently been suggested: *political parties* and characteristics of *large interest organizations*; especially strength of social-democratic and socialist parties in government, and strength and organizational characteristics of labor unions. Cameron (1984), Schmidt (1982a-c), and Lange and Garrett (1985) have consistently found a positive relationship between strong and/or centralized labor unions and economic performance.

David Cameron's paper "represents an attempt to evaluate the impact of government by leftist (or non-leftist) parties and of corporatist arrangements upon the economy."¹³ He suggests *organizational structure of labor* and *political power of leftist parties* as two key determinants of economic performance under stagflationary conditions. To find out whether the variations in response to economic crises reflect the presence or absence of corporatist institutions and practices, he uses *bivariate methods*, i.e. mostly correlation coefficients, yielding interesting relationships. However, his kind of analysis has a major drawback: since he only compares two variables at a time, Cameron is not able to control the relationships independent of intervening variables; therefore we cannot infer *causal* links between the variables. Of course, we can never *prove* causality; nevertheless, we can *infer* causal links between variables. The *credibility* of inferences depends on whether we have a theory which 'makes sense' and an appropriate research design, including an appropriate statistical method. Using a more sophisticated method like multiple regression which includes *several* variables can make our inferences more credible, since we take into account the effects of several variables at the same time and, therefore, 'control for these variables'.

Lange and Garrett used this very approach to test a *political model*. Their findings are that encompassing labor organization is only positively associated with growth when accompanied by Left control of government, and Left governments only have a positive impact on economic growth when labor is highly and centrally organized. Conversely, when either variable is only weakly present, the impact of the other on economic growth is negative.¹⁴

Since they basically use a political model and do not control for other variables, Lange and Garrett cannot reveal *all* possible causes for variation of economic performance among nations. All they (and other scholars) can do is test their parsimonious political theories.

¹³ Cameron, 1984: 145.

¹⁴ Lange and Garrett, 1985: 792. See also Figure 4 on page 36.

The following suggestions Scharpf's I would like to use as a starting point for subsequent research. Scharpf concludes that research on the political model suggests that "[o]n the whole, it seems that countries with powerful and centralized unions, with politically dominant socialist or social-democratic parties and with arrangements for centralized bargaining, over wages as well as over certain aspects of government economic policy, were generally more successful in weathering the international economic crises than other countries."¹⁵

In this paper, I do not only want to find out whether my data support Scharpf's finding, but also *how strong* these effects are. 'Corporatism' is a theoretical construct, or a latent variable, which is not directly measurable, I will use the computer program LISREL VI to estimate the factor loadings of several observable variables (such as strength and centralization of labor unions, and the scope of collective bargaining between labor unions and employers' associations), which are supposed to be a good indicator for corporatism. Simultaneously, LISREL calculates standardized path coefficients between the independent and dependent variables. However, since I will also use a multiplicative term in one of the models (product of two variables measuring the strength of leftist parties and the extent to which there are corporatist arrangements in a country), I cannot calculate all parameters simultaneously: In the first step I will do a factor analysis on 'corporatism', and in the following step use the results for further LISREL analysis. These coefficients not only will reveal whether there is a direct or inverse relationship between two variables, but will also allow us to compare the magnitude of the effects of a variable on another one, while taking into account (holding constant) the effects of third variables.

¹⁵ Scharpf, 1984: 259.

2.0 Corporatism

"When I use a word," Humpty Dumpty said in a rather scornful tone, "it means just what I choose it to mean—neither more nor less."

— Lewis Carroll¹

Since the early 1970s, literature dealing with the concept 'corporatism' has been immense—leading Panitch to the remark that it is a "growth industry"²—and there has been "considerable confusion" in the recent literature on modern corporatism. The literature has been quite diverse, with scholars having different paradigms and using different approaches. Scholars cannot even agree on a single name for the concept of modern corporatist principles: some call it 'neo'- or 'quasi'-corporatism, others 'liberal, 'democratic' or 'societal' corporatism, and at times the concept is referred to just as 'corporatism'. These names are used to distinguish 'corporatism from above'—the 'old' corporatism—from 'corporatism from below' or 'neo-corporatism'. In this paper, whenever I use the term 'corporatism', I refer to 'neo-corporatism'. As von Beyme states, "[t]he success of the new paradigm, neo-corporatism, would be impossible to explain had not all three metatheoretical mainstreams in political science shown a certain tendency to concern themselves

¹ Lewis Carroll, *Through the Looking Glass*, New York, 1946: 238.

² Panitch, 1986b: 160.

with the new approach.³ Von Beyme lists (1) systems analysis (pluralists); (2) normativists; and (3) neo-Marxists, each of whom tried to apply it for their own special purposes.⁴

2.1 *What is 'Corporatism'?*

Due to different paradigms and approaches, there is not a single answer on what corporatism is about, and how it is defined.⁵ Lehmbruch, who has identified different 'schools' of thought,⁶ suggests that

the concept of corporatism has not been employed in a uniform and consistent manner, but with quite different nuances and accentuations of meaning. To a certain degree, this has happened because normative elements from ideological traditions have been brought into the discussion. But a more important reason seems to be that the observable reality... is a rather complex one, and that apparently divergent global conceptualizations are actually stressing different aspects of it. Moreover, this multiplicity of conceptualizations is largely due to different theoretical backgrounds.⁷

Schmitter, in a study of some 100 readings, finds that an "extraordinary variety of theorists, ideologues and activists have advocated [corporatism] for widely divergent motives, interests and reasons."⁸ He notes that both the conceptual and empirical diversity of corporatism

³ Von Beyme, 1983: 174.

⁴ Von Beyme, 1983: 174 ff. See also e.g. Amott and Krieger, who argue that "some of the appeal of corporatist theory follows from the attempt to synthesize the premises of Marxist and pluralist theory. In the first place, corporatist theorists adopt from pluralism the basic understanding that policy outcomes are determined by the competitive claims of interest associations. The difference is that these associations are now oligopolistically organized. Equally significant, corporatist theorists accept the pluralist assumptions that competition among disparate groups tends to result in state policy equilibrium, with no shifts toward labor or capital which would force a fundamental revision of the structural arrangements of capitalism. In the second place, theorists of corporatism adopt from Marxism the notion that beneath the intricacies of 'interest intermediation' lies a basic pattern of class conflict, and that beneath the apparent indeterminacy of policy lies activities which are designed to reproduce class relations (Amott and Krieger, 1982: 9 - 10)."

⁵ See e.g. Schmitter, 1979b; Panitch, 1979; and Maier, 1984 for historical accounts and overviews of corporatist arrangements in different industrialized countries and contradictions within the literature.

⁶ See Lehmbruch, 1982: 2 - 6.

⁷ Lehmbruch, 1979c: 299.

⁸ Schmitter, 1979a: 9.

has been made into a peculiar—if powerful—‘macédoine’ by the rapidly growing number of social scientists who have found it appetizing (and, occasionally, revolting). Some would call any close collaboration between interest associations and the state ‘corporatist’; others would restrict it to a device forged by capitalists for the further subordination and continued exploitation of the working class. Still others tend to identify it with all tendencies towards high levels of interest organization and explicit contractualizing over issues—with or without the presence of the state. Finally, there are those who consider it a mode for managing the economy at the level of firms.⁹

This diversity, however, is not new. Schmitter cites Baudin, who wrote several decades ago that

[t]he army of corporatists is so disparate that one is led to think that the word, corporation, itself is like a label placed on a whole batch of bottles which are then distributed among diverse producers each of whom fills them with the drink of his choice. The consumer has to look carefully.¹⁰

Then, corporatism referred mainly to *state corporatism*—‘corporatism from above’, which was referring to countries like Nazi Germany and fascist Italy in the 1930s, where the central governments were powerful and dominated economic interest groups. Today, corporatism mainly refers to *societal corporatism*—‘corporatism from below’, where major economic interest groups *voluntarily* agree for cooperation among themselves and with the State. Lehmbruch suggests that

Liberal corporatism should be distinguished from the traditional corporatism of pre-industrial Europe, on the one hand, and from authoritarian corporatism of the fascist type, on the other. Its essential feature is the large measure of constitutional autonomy of the groups involved, hence the voluntary nature of the institutionalized integration of conflicting social groups.¹¹

The distinction between ‘state’ and ‘societal’ corporatism is from Manoïlesco, but has been made popular by Schmitter, who suggests that

Societal corporatism appears to be the concomitant... component of the postliberal, advanced capitalist, organized democratic welfare state; state corporatism seems to be a defining element of, if not structural necessity for, the antiliberal, delayed capitalist, authoritarian, neomercantilist state.¹²

Most scholars would probably agree with Goldthorpe, who suggests that

corporatist developments represent in effect attempts by governments, in dealing with the rising problems of macroeconomic policy previously noted, to find institutional and ultimately political substitutes for the declining efficiency of market mechanisms. The most common... objective has been to establish arrangements, formal or informal, for consultation and negotiation between government, employers’ associations and union federations, in the context of which the latter may be induced to accept—and to commit their members to accepting—some form of restraint in their use of their collective bargaining strength.¹³

⁹ Schmitter, 1982: 262.

¹⁰ Baudin, *Le Corporatisme: Italie, Portugal, Allemagne, Espagne*, Paris 1942: 4-5. Cited in Schmitter, 1979b: 10.

¹¹ Lehmbruch, 1979b: 54.

¹² Schmitter, 1979b: 22, referring to Mihail Manoïlesco, *Le Siècle du Corporatisme*, Paris: Felix Alcan, rev. ed. 1936, who distinguished between ‘corporatisme subordonné’ and ‘corporatisme pur’.

¹³ Goldthorpe, 1984c: 325.

Schmitter suggests that

corporatization of interest representation is related to certain basic imperatives or needs of capitalism to reproduce the conditions for its existence and continually to accumulate further resources. Differences in the specific nature of these imperatives or needs at different stages in the institutional development and international context of capitalism, especially as they affect the pattern of conflicting class interests, account for the difference in origins between the societal and state forms of corporatism.

Summarizing, again in a nutshell, the decay of pluralism and its gradual displacement by societal corporatism can be traced primarily to the imperative necessity for a stable, bourgeois-dominant regime, due to processes of concentration of ownership, competition between national economies, expansion of the role of public policy and rationalization of decision-making within the state to associate or incorporate subordinate classes and status groups more closely within the political process.¹⁴

Lehmbruch argues that "corporatism appears to serve such imperatives by regulating the conflict of social classes in the distribution of national income and in the structure of industrial relations."¹⁵

Although the literature is diverse we can introduce two analytically distinct approaches as a point of departure: a *structural* and a *functional* one.¹⁶ Streeck and Schmitter argue that

'corporatism' always referred to two different but interrelated dimensions of interest politics...: the way in which group interests in a society are *organized* and the way in which they are *integrated into the policy process* so as to make for better accommodation of interest conflicts.¹⁷

Or, in Lehmbruch's terms, suggests, we could conceptualize neo-corporatism as a 'mode of interest intermediation' or as a 'mode of policy formation'. The former one is a sociological account of interest groups (characteristics of actors for corporatist arrangements like labor unions), while the latter is more concerned with the 'output side' and how conflicting interests are being solved: with conflicting or with cooperative behavior of the actors? In response to criticism, Schmitter suggests a hybrid by combining the two approaches. In the following sections I will introduce these three approaches and criticize them, wherever possible.

¹⁴ Schmitter, 1979b: 24 - 5. See criticism by e.g. Jessop, 1979: 187 - 8.

¹⁵ Lehmbruch, 1979b: 151.

¹⁶ Lehmbruch, 1983: 166 - 7.

¹⁷ Streeck and Schmitter, 1985: vii. Emphasis added.

2.1.1 The 'Structural' Approach

This sociological approach emphasizes *characteristics of the interest associations*, especially labor and employers' organizations. Schmitter gave the following, very influential, ideal-type definition, with the objective to distinguish 'corporatism' from other types of 'interest intermediation,' especially 'pluralism'.¹⁸

Corporatism can be defined as a system in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.¹⁹

This 'unidimensional' approach has been criticized, e.g. by von Beyme, who criticizes Schmitter's preoccupation with organizational indicators:

[Schmitter's] choice of indicators reveals the danger inherent in many attempts at quantifying complex factual matter. No account has been taken here of internal fragmentation within the groups, the extent of the division between blue-collar and white-collar trade unions, the power held by central offices in the umbrella organizations enjoyed by the individual trade unions, labor disputes practices, the level of cooperation in codetermination at company level and above, or other less easily quantified factors.

¹⁸ Schmitter finds that "in short, both pluralists and corporatists recognize, accept and attempt to cope with the growing structural differentiation and interest diversity of the modern polity, but they offer opposing political remedies and divergent images of the institutional form that such a modern system of interest representation will take. The former suggest spontaneous formation, numerical proliferation, horizontal extension and competitive interaction; the latter advocate controlled emergence, quantitative limitation, vertical stratification and complementary interdependence. Pluralists place their faith in the shifting balance of mechanically intersecting forces; corporatists appeal to the functional adjustment of an organically interdependent whole (Schmitter, 1979a: 16)."

Goldthorpe remarks that "in those societies where corporatist tendencies have developed, an attempt to comprehend the relations prevailing between governments, employers and trade unions in terms of such a conception of 'pressure-group politics' would be obviously inadequate. For apart from being unrealistic to suppose that the central organizations of employers and unions can be treated as interest groups like any others, it is precisely the purpose of corporatist arrangements to involve such organizations in the political process in a way that goes clearly beyond the exercise of external pressure: that is, in an acceptance of shared responsibility both for the formation of policy and for its implementation. And what then rather naturally follows from such arrangements is that governments are led to give increased attention to questions of how their 'partner' in policy-making manage their own internal affairs: in particular, to question of how *they* form *their* policies and, more fundamentally, of how they come to *define* the interests that they exist to serve. In pluralist theory, group interests are seen as emerging directly from the positions that groups hold within the social structure, and the function of their organizations is then that of representation of a similarly direct, unmediated kind. But in corporatist practice, interests are clearly not treated simply as sociological 'givens', and the function of representative organizations is not merely to express, but actually to formulate interests, in response to pressure from both their memberships *and* from their bargaining partners, and also in the light of their leaders' own conceptions of appropriate strategies. Thus inter- and intra-organizational relations alike become of major political consequence, and fall within the legitimate sphere of government concern (Goldthorpe, 1984c: 326)."

¹⁹ Schmitter, 1979b: 13. See pp. 21 - 2 for example "in what was deliberately *not* included in that definition."

He suggests that

This attempt at an organizational sociolog[ical] explanation does have its merits, ... [but will eventually fail] due to the minimization of factors pertaining to historical tradition, ideology, and alternative organization models... once a study... attempts a transnational comparison of all the major capitalist countries.²⁰

Lehmbruch's point of criticism is that "the definition leaves out the functional relationship of interest associations to the state, as well as to the economic system."²¹ Furthermore, the "definition covers only the 'input' functions ('interest articulation')."²²

Neo-corporatism demonstrates that even in highly industrialized countries, where differentiated and specialized formal organizations are active in interest intermediation, to pattern a certain complexity into an operational definition based on a limited number of structural attributes will immediately raise the question of whether such an operationalization can be transferred outside a given, relatively limited cultural and historical context. (...) The cross-national validity of such measures appears to be inversely related to the degree of structural complexity. We probably have to come back to a functional perspective and to ask for functional, not structural, equivalence.

In the case of neo-corporatism, this means that specific functional problems of highly industrialized societies have resulted in the establishment of tripartite mechanisms of consultation and policy coordination. This is the effect of a historical cleavage structure, namely, the salience of the conflict between capital and labor and the importance, power, and discipline of the respective interest organizations.²³

However, Lehmbruch admits, "the 'formal' character of the model, the stress laid upon organizational structures,... are essential to the important and undeniable advantage of this approach. Until now, it is the only conceptualization that is truly comparative in character, and it should allow operational measurement in cross-national as well as longitudinal perspective."²⁴

²⁰ Von Beyme, 1983: 178-9.

²¹ Lehmbruch, 1979c: 300.

²² Lehmbruch, 1979b: 149-50.

²³ Lehmbruch, 1983: 164.

²⁴ Lehmbruch, 1979c: 300.

2.1.2 The 'Functional' Approach

The second use of the concept of corporatism emphasizes "the *output side* of the relationship between organized interest and the state, as a particular mode of policy formation and implementation"²⁵ According to Lehmbruch, corporatism is to "solve problems" and to "regulate conflicts":

Neo-corporatism is an attempt to *solve problems characteristic of the interventionist welfare state based on a mixed economy*. More precisely, we refer to a stage of development when the inadequacies of traditional piecemeal interventionism in imperfect market processes are perceived. To sustain dynamic processes of growth and to avoid disproportions and disequilibria, a sort of higher-order interventionism is developed and aimed at consciously steering macro-societal and macro-economic parameters.²⁶

For Lehmbruch,

corporatism... seems to be used mainly as a socio-political technique for the *regulation of conflicts between important social groups* by incorporating their interest intermediaries into the formal decision-making structures of the state..²⁷

Marks puts it this way:

Neocorporatist policymaking presupposes *consensus rather than conflict* among the major groupings in society. It is, essentially, an approach to problem-solving that demands cooperation between the state and functional interest groups, especially those representing capital and labor, in the formulation and implementation of public policies.²⁸

More important than *conflict* between different societal groups is *cooperation* between them.

Lehmbruch states that the "... distinguishing trait of 'liberal corporatism' is the high degree of cooperation among these groups themselves in the shaping of public policy."²⁹ According to Lehmbruch, "[l]iberal corporatism operates by processes of accommodation of interests and consequently is characterized by high threshold of consensus. On the contrary, incomes policies... have largely served the function of integrating organized labor into the economic status quo. For corporatist incomes policies have largely been confined to wages, and union demands for a redistribution of national income had to be put aside (...) Consensus-building in liberal corporatism is

²⁵ Regini, 1982: 112. Emphasis added.

²⁶ Lehmbruch, 1983: 167. Emphasis added.

²⁷ Lehmbruch, 1979c: 302. Emphasis added.

²⁸ Marks, 1986: 253. Emphasis added.

²⁹ Lehmbruch, 1979a: 54.

therefore largely contingent on the degree to which the labor union movement is integrated into the process of policy-formation.³⁰ For Lehmbruch, there “exists strong interdependence between the interests of conflicting social groups in a capitalist economy. This ‘interdependence of interests’ image of society is clearly opposed to a ‘conflict of interest’ image which (as in the Marxist concept of class conflict) stresses the ultimate incompatibility of antagonistic demands.”³¹

We can leave the ‘functional’ definition to Lehmbruch:

Corporatism is more than a peculiar pattern of articulation of interests. Rather, it is an institutionalized pattern of policy-formation in which large interest organizations cooperate with each other and with public authorities not only in the articulation (or even ‘intermediation’) of interests, but... in the ‘authoritative allocation of values’ and in the implementation of such policies.³²

According to Lehmbruch,

liberal corporatism should not be confounded with simply more consultation and cooperation of government with organized interest groups which is... common in all constitutional democracies with a highly developed capitalist economy. The distinguishing trait of liberal corporatism is a high degree of collaboration among these groups themselves in the shaping of economic policy.

2.1.3 The ‘Combined’ Approach: Types of ‘Interest Intermediation’ and ‘Modes of Policy Formation’

Other scholars try a synthesis between the two approaches, e.g. von Beyme criticizes both the ‘functional’ and the ‘structural’ approach and suggests that corporatism should be analyzed in relation to areas such as: (1) the organizational structures of the associations involved; (2) the pattern of labor relations, or to use the more global term preferred by some, ‘exchange’ relations, between capital and labor; (3) the specific features of different political spheres and social conflicts outside labor relations; and (4) the pattern of cooperation between parties and interest groups.³³

³⁰ Lehmbruch, 1979b: 167.

³¹ Lehmbruch, 1979a: 55.

³² Lehmbruch, 1979b: 150.

³³ Von Beyme, 1983: 193. See also Lehmbruch, 1979b: 150; 1982: 8.

Schmitter incorporated criticism of his former 'overaccentuation of one dimension' and suggested that

corporatism as interest intermediation and corporatism as policy formation are neither theoretically nor empirically synonymous. One can exist without the other. For example, a regime may incorporate multiple, overlapping, competing, autonomous interest associations into policymaking and implementation. Inversely, a regime may tolerate and license singular, monopolistic, functionally differentiated, hierarchically ordered associations but deny them the access or capability to do more than 'pressure' for their preferred outcomes from without and refuse to rely on them for implementation purposes.³⁴

He then proposes a typology which builds on suggestions by Lehmbruch and which includes a matrix of 'interest intermediation' and 'patterns of policy formation' (see Figure 3 on page 18). Policy formation refers to whether interest groups become incorporated within the policy process (concertation), or whether they remain outside of the policy process (pressure).³⁵

This typology seems quite fruitful, but, unfortunately, there are hardly any studies which compare countries on the 'functional' level. As I will elaborate in the fourth chapter, this is the main reason why I will use the *structural* approach for my study.

2.2 *The Actors: Interest Groups and the State*

The definitions so far are concerned about 'units of interest representation' (Schmitter) or 'large interest organizations' (Lehmbruch). But who exactly are these actors? According to von

³⁴ Schmitter, 1981: 296.

³⁵ "In the former ['concertation'], affected interests, however organized, become *incorporated within the policy process* as recognized, indispensable negotiators and are made co-responsible... for the implementation of policy decisions, which then take on a characteristically semi-public or para-state quality. In the latter ['pressure'], the affected interests remain essentially *outside the policy process*, as consultants or combatants on the issues involved, and the implementation takes place exclusively under the responsibility of the public authorities, however much they may be influenced by the autonomous actions of organized interests in the course of their activities" (Schmitter, 1982: 263. Emphasis added).

		Policy formation by	
		Pressure	Concertation
Interest Intermediation Through:	Pluralism	<i>Examples: classic American pressure politics; French labour politics</i>	<i>Examples: embryonic Italian policy co-operation between unions and the state; Swiss Vernehmlassung</i>
	Corporatism	<i>Examples: frustrated British efforts at negotiating a social contract; 'cure d'opposition' in corporatist systems à la Sweden</i>	<i>Examples: Austrian Paritätische Kommission; Swiss social peace treaty; Swedish Harpsund democracy</i>

Figure 3. Types of 'Interest Intermediation' and 'Modes of Policy Formation'

Source: Schmitter, 1982: 263.

Beyme, "[c]orporatism ... requires three-cornered configuration of conflicting social interests and state intermediation."³⁶ The following entities are regarded as actors in corporatist arrangements:

- 'The State'
- Labor Unions
- Employer Associations

To refer to the first mentioned one, what do scholars understand by the concept of the state?

Anderson finds that

the students of neocorporatism have become aware that their work suggests a fundamental revision in interest group theory. In the pluralist model, group pressures are generated autonomously within society. The role of the policy maker is hypothesized as that of 'broker' between contending interests. In fully state corporatist systems, the policy makers define and channel the relationships of groups to the policy-making process.³⁷

Nedelmann and Meier suggest the importance of the 'state' for corporatist theory, because

In contrast to pluralism, students of corporatism place special emphasis on the importance of the state as an actor and do not reduce it to an area in which competing interests operate in order to determine policy. Instead, the state is credited with initiatives, interests, and politics of its own, in at least relative autonomy from associational activity. (...) The most general hypothesis implied by both the model of pluralism and the societal version of corporatism can be formulated in this way: the decisions of the state reflect or are the product of the constellation of interests articulated by associational organizations.³⁸

However, there seems to be a lack of an explicit theory of the state. Nedelmann and Meier criticize that "it remains unclear what... theorists [of corporatism] understand by the concept of the state.

As the concept of corporatism is concerned with a description of the link between the decisional structure and interest organizations, it would seem necessary to define which action units constitute the state: is it, for example, the government, or the administration, or the parliament, or is the state composed of all three of these units? ³⁹

³⁶ Von Beyme, 1983: 187.

³⁷ Anderson, 1979: 273.

³⁸ Nedelmann and Meier, 1979: 96 - 7.

³⁹ Nedelmann and Meier (1979: 98 - 9) find that "another question left unanswered by students of corporatism is whether or not parties are to be included into the concept of the state. One reason why

The neglect of an overall theory of the state is also criticized by Panitch:

There is *a critical lack of a rigorous theory of the state* in advanced capitalist society, despite the large, important, even determining role that is assigned to the state in the corporatist framework. There appears to be a theoretical closure to the question of whether the increased role and changing functions of the state is not a product of the changing needs of the capitalist class in terms of maintaining its political, economic, and ideological dominance. That is not to say that instances of bias are not discerned (although it is usually assumed that the state's role has been to reduce power differentials between the classes), but that the question of a *systematic* bias toward capitalist class dominance on the part of the state is not addressed.

The three-cornered configuration leads to two suggested levels of bargaining in liberal corporatist policies:⁴⁰

- among 'autonomous groups' (bilateral bargaining among major economic interest groups like labor unions and employer association)
- between the government and the 'cartel' of organized groups (multilateral, or trilateral, bargaining)

I will now discuss the relevance of political parties, and their interaction with economic interest groups.

parties are not mentioned in the definition and theorizing about corporatism could be the tacit assumption that they are 'bypassed' by interest associations and, therefore, are negligible in importance. But it would be worthwhile to make such an implicit assumption explicit and to include in the definition of the problem which action units within the state complex are allegedly bypassed by corporatism. By stating this as an explicit problem it would become possible to ask under what conditions, concerning which problems, to which extent, and by which means parties are left out from the decision-making process."

⁴⁰ Lehmbruch, 1979a: 54.

2.3 *Interaction between Political Parties and Economic Interest Groups*

The importance of political parties, or better, the political position of parties is that they regard economic interest groups differently, and have different macroeconomic objectives, dependent on their ideological background. Cameron, referring to Kirschen et al., writes that the “extensive analysis of economic policy by Kirschen and associates... suggested that the objectives of government in regard to such issues as growth, employment, the distribution of income, the balance of payments, and price stability vary depending upon the ideological centre of gravity of government.⁴¹ (...) Kirschen et al. suggested that the primary economic priority of conservative governments is price stability, while that of leftist-controlled governments is full employment, with price stability being much less important.⁴² In this section I will almost exclusively deal with two special kinds of parties and interest groups—‘working class’ parties and trade unions, since, as Lehmbruch suggests, they are very important for corporatist arrangements:

But the greater or lesser willingness of organized labor to cooperate within a liberal corporatist framework apparently is not to be explained only by structural properties of union organization. Another important independent variable seems to be the position of the ‘labor movement’ (a term which in German usage comprises socialist parties) within the party system. *Generally speaking, liberal corporatism is most important in those countries where the working class movement had obtained participation in political power by the channel of the party system and where, in consequence, the trade unions had gained privileged access to governmental and administrative centers of decision.* (...) That is not to say that the continued working of liberal corporatism is under all circumstances dependent upon continued socialist participation in government.⁴³

This relationship, at least in the case of Western European countries, has its historical roots:

The historical origins of neo-corporatist linkages between organized interests and the party system in Western Europe can be traced back to a recurring phenomenon in European social history, the workers’ movement—a network of organizations united by common cultural value systems, with socialist parties and labor unions as its political core elements. The political affinity of social democratic parties in government and labor unions appears to have been essential to the emergence of neo-corporatism. (...) the social democratic workers’ movement (either explicitly or implicitly) began to

⁴¹ Cameron, 1984: 158, referring to E. S. Kirschen et al., *Economic Policy in Our Time*, Amsterdam: North Holland 1964.

⁴² Cameron, 1984: 161.

⁴³ Lehmbruch, 1979b: 168 - 9. Emphasis added.

focus on the state and on political action within a liberal constitutional framework as instruments of social reform.⁴⁴

But what exactly is 'political affinity'? Von Beyme suggests a distinction between three forms of cooperation between parties and interest groups, depending on who is the *dominant* 'partner':

The forms of cooperation between parties and associations, and in particular between workers' parties and trade unions, seem to me to be decisive factors for a political climate favoring the formation of corporative structures. It is possible to draw a distinction between three principal forms of cooperation:

1. Primacy of the party over a unified trade union, which, despite dissenting minorities, has developed predominantly into a 'social democratically' oriented directional trade union giving the party precedence in politics (Germany, Austria, Scandinavia).
2. Primacy of the trade unions over their collectively formed Labour Party (Great Britain).
3. Pluralism of workers' parties and trade unions with Communist domination of the biggest trade union and simultaneous rivalry with strong non-socialist forces in the trade unions, or even continued existence of Christian trade unions (Latin countries [like Italy, France, and Spain]).

Paradoxically, corporatism was best able to establish itself in the first model of cooperation.⁴⁵

This seems quite contrary to the autonomy that Lehmbruch suggests:

Political parties, their cooperative relationships with interest associations (in particular, labor unions) notwithstanding, continue *autonomously* to formulate their policies and, eventually, to select different alternatives. (...) On the other hand, organized interests have never simply acted as agencies to implement governmental policies. Rather, policy formation has been the result of a cooperative relationship including quite a lot of bargaining and mutual adjustment.⁴⁶

Nevertheless, Lehmbruch argues that there are functional and structural differentiations between parties and interest groups:

in liberal corporatist systems there exist strong links between interest associations and the party systems... [I]t seems... plausible to interpret the trends in the relationship of 'liberal corporatist' patterns and the party system as an instance of increasing *structural differentiation and functional specialization*.

⁴⁴ Lehmbruch, 1983: 162. However, as Goldthorpe argues, this is not a necessity: "corporatist tendencies... represent a response to growing problems of the management of modern capitalist economies which involves the deflection or redirection of the increased power of organized labour away from the labour market into the political arena. In this interpretation... the fact that the countries in which such tendencies have been most sustained are ones in which social-democratic parties have played a dominant role in government is readily intelligible: union movements will be more prepared to enter into political bargaining, and will have greater confidence of eventual gains from it, where they possess close ideological as well as organizational ties with the ruling parties. But one has also to recognize, in addition to these instances of relatively stable corporatist arrangements existing under social-democratic hegemony, those further cases—as, for example, the Netherlands and West Germany—in which unions have judged it to their advantage to participate in such arrangements, at certain times and to a certain extent, in clearly less favourable political circumstances; and, at the same time, cases—such as that of Britain—in which, even under Left governments, the effective involvement of unions in political bargaining has proved difficult to establish (Goldthorpe, 1984c: 328 - 9)."

⁴⁵ Von Beyme, 1983: 191.

⁴⁶ Lehmbruch, 1983: 161. Emphasis added.

tion of the political system brought about by certain requirements of consensus-building specific to economic policy-making.⁴⁷

2.4 *Neo-Marxist Critique*

As Regini has noted, according to the neo-Marxist 'interventionist state model', the "... main goal of its interaction is to avoid the cyclical recurrence of crises that have characterized capitalist development. To accomplish this end, the state needs to support capital accumulation by representing the interests of the capitalist class as a whole even against the interests of particular capitalists. At the same time, ... it must try to secure a certain degree of consensus from the other classes (i.e. it must perform a 'legitimation function'), particularly with regard to those groups that are either damaged by or excluded from capital accumulation."⁴⁸ Labor unions "play basically a passive role... they usually confine themselves to demanding a larger share of the benefits produced by capital accumulation and better social policies as the price for legitimation."⁴⁹

In introducing the neo-Marxist perspective, von Beyme states that, according to neo-Marxists, the "system did not break down because neo-corporate structures delayed a further, overdue out-

⁴⁷ Lehbruch, 1979b: 155. "I propose... a... hypothesis... [that] the relationships of corporatism and party government, in highly developed capitalist countries with liberal constitutional governments, tend to develop toward a *structural differentiation* into subsystems which permits them to absorb higher problem loads. Instead of being rivals, both subsystems are interconnected by a sort of symbiosis which may take varying forms. This relationship, however, may not be a stable one. In some cases there seems to exist a trend toward a corporatist 'spillover' (Lehbruch, 1979b: 149. *Emphasis added*)." Further, he argues that "there is a *functional differentiation* of, on the one hand, a party system retaining competitive mechanism for generating and, at the same time, confining the exercise of political power—and, on the other hand, an interest group-administration compound concerned with economic and social policies that cannot be handled by a competitive party system... (Lehbruch, 1983: 161. *Emphasis added*)."

⁴⁸ Regini, 1982: 109-10.

⁴⁹ Regini, 1982: 110.

break of fierce class conflicts.⁵⁰ Further, he states that it was "... a social-democratic, reformist strategy, dating from World War I, which has saved capitalism..."⁵¹

Panitch suggests that "... whereas many scholars have used the term one-dimensionally to apply only to interest group *representation*, corporatism ... focuses as well on the state's *reciprocal* influence on interest groups..."⁵² In referring to Miliband and Poulantzas, he argues that

we employ a theory of the state which permits it to respond *only* to the needs and demands of the capitalist class, our location of the origin of corporatist planning and incomes policy developments... makes little sense. If we employ a theory of the state... which sees the state as relatively autonomous from this class, acting on its behalf but not necessarily at its behest, we can discern how the state responds directly to various class pressures. (...) At times, the state will intervene against the short-term interest of the capitalist class as a whole, or even against the long-term interests of a fraction of that class to the end of engaging in compromises and sacrifices which will maintain the long-term interests of the whole class. This was precisely the basis for the introduction of successful reforms in the postwar era; they were reforms in the true sense—i.e., they left untouched the fundamental structure of capitalist society, but nevertheless constituted material economic and social gains for the working class.⁵³

Panitch regards corporatism as a "political structure within advanced capitalism which integrates organized socioeconomic producer groups through a system of representation and cooperative mutual interaction at the leadership level and of mobilization and social control at the mass level."⁵⁴ This leads to the following question: whom of the different actors do corporatist arrangements help most?

⁵⁰ Von Beyme, 1983: 175.

⁵¹ Von Beyme, 1983: 175. Compare the 'Schisms between the Left', i.e. the ideological differences between communist and social-democratic/socialist parties that Cameron (1984: 145) describes: "... between those who deny, and those who believe in the possibility of a reformist, revisionist, parliamentary path to socialism,... [and] between those who believe that leftist parties are incapable of doing anything other than administering, reforming, and legitimizing capitalism, and those who believe that such parties represent the interests of the working class and are capable of engineering a transition from capitalism to socialism."

⁵² Panitch, 1979: 123. Interest intermediation "encompasses both the means through which interests are transferred from, aggregated over, and articulated for members to collective decision-making bodies, public or private (*representation*), and the ways in which interests are taught to, transmitted to, and imposed on members by associations (*social control*). The concept 'intermediation' is also meant to convey the likelihood that interests may be generated from within formal associations themselves, independent of member preferences and authoritative commands (Schmitter, 1981: 295)."

⁵³ Panitch, 1979: 136.

⁵⁴ Panitch, 1979: 123.

2.5 *Winners or Losers?*

I will show in this section that there are opposite views on whom these arrangements might help. Some students of corporatism, especially neo-Marxists, argue that corporatism benefits *capital*, while others suggest that corporatist arrangements benefit the *working class*. In addition, there are scholars who think corporatism helps both employers and employees. There are basically two views, which we could compare with a 'variable-sum' and a 'negative-sum' game. According to the former, any outcomes of such a game can help *both* 'players', while according to the latter, wins and losses cancel each other out: whatever labor unions win, business organizations lose, and vice versa.

- Corporatism as a 'variable-sum game'

According to this view, these arrangements help both the labor unions and the employer associations. Johansen and Kristensen state that

deliberations in the corporatist channel are most often carried out in non-ideological and technical terms. This context of bargaining prevents zero-sum-game situations from occurring. The participating interest groups, vulnerable to discernible defeats, do not run the risk of becoming 'winners' or 'losers': instead, they are 'sharers' in compromises where all parties gain something, and for which they take common responsibility.⁵⁵

"Corporatism—both authoritarian and liberal—marks an attempt to *reconcile* conflicting interests with aid from the state. Corporative policy exists only where a lasting conflict develops between interest groups, such that the state intervenes to mediate."⁵⁶

Although the varieties of corporatist theory are many, the common premise was that class harmony and organic unity were *essential to society* and could be secured if the various functional groups, and especially the organizations of capital and labour, were imbued with a conception of mutual rights and obligations...⁵⁷

⁵⁵ Johansen and Kristensen, 1982: 193, referring to Heisler, "Patterns of European Politics: The 'European Polity' Model," pp. 27 - 89 in M. O. Heisler (ed.), *Politics in Europe: Structures and Processes in Some Postindustrial Democracies*. New York, 1974.

⁵⁶ Von Beyme, 1983: 187.

⁵⁷ Panitch, 1979: 119. Emphasis added.

In describing the Swedish experience, Korpi and Shalev argue that it is possible to “move from a ‘zero-sum’ type of conflict to a ‘positive-sum’ type, where both parties could expect to gain from cooperation to increase economic growth... [E.g.] for the labour movement, having a hold on political power offered great advantages. The level of employment... could now be raised and maintained at a high point.”⁵⁸

- Corporatism as a ‘zero-sum game’

Here we have two possible winners, the ‘working class’ and the ‘capitalist class’.

- favoring the ‘working class’

Schmitter suggests that corporatist practices help the working class; he questions the assumption that “the practices of neo-corporatism have so asymmetrically benefited capitalists at the expense of workers, “... especially when one considers not just nominal wages but also employment, price stability, welfare benefits and workplace citizenship.”⁵⁹ Marks states that “as [Cameron, Castles and Korpi] have shown, stable left-wing party control of government has consistently paid off for unions in terms of low levels of unemployment, extensive welfare systems, and, arguably, greater equality of incomes.”⁶⁰

- favoring the ‘capitalist class’

⁵⁸ Korpi and Shalev (1979: 172, 177). Cited in Cameron, 1984: 147. Further, they argue that “... with more extensive organizational power resources, the political arena will become increasingly important for labour. To the extent that labour is successful in acquiring control over political institutions, it can exercise its power through these means and will not be limited to the industrial arena. On the other hand, the possibilities for employers to exercise political power will decrease. (Korpi and Shalev, 1979: 170). Cited in Cameron, 1984: 146.”

⁵⁹ Schmitter, 1982: 270 - 1. Further, Schmitter argues that “those who are supposed to have received the disproportionate share of benefits—industrial capitalists, agricultural producers and specialized professionals—will be most likely to resist further extensions of corporatism, or even to attempt to ‘roll back’ those that already exist—especially under conditions of scarcity.”

⁶⁰ Marks, 1986: 258.

Lehmbruch, however, argues the other way: "... wage restraint... may easily be perceived by labour as asymmetrically favourable to capital."⁶¹ Because of this perceived asymmetry, "union leaders ready to cooperate with the government in a 'voluntary' incomes policy may come under heavy pressure from their rank and file."⁶² Panitch thinks that

corporatism within liberal democracies has become a powerful vehicle for reinforcing class dominance.

But it is also in this light that the instability of corporatism within liberal democracies must be understood. For in accepting the one-dimensional rationality entailed in its decision-making, trade union leaders become unable to promote the interests of their membership. Moreover, since their primary involvement in the system relates to the economy's problem with wage pressure, rather to a mere legitimizing role they might play, they are forced to carry this rationality back to their members in the concrete, if unpalatable, form of wage restraint. Not surprisingly, in the absence of extensive price and profit controls and a redistributive fiscal policy, union leaders eventually come under heavy pressure from their membership to withdraw from the incomes policy structures and abstain from cooperative behavior in broader economic planning structures. The legitimization and union action which the state needs, in other words, delegitimizes the union leadership in the eyes of their base.⁶³

In this paper I do not attempt to answer the question whom corporatist arrangements help more, although this is an important question and worth some analysis. But I am not primarily concerned with which groups *within* a nation profit most by corporatist arrangements. My main concern is to compare nations, and find out whether those which adopt corporatist arrangements achieve higher levels of economic performance as 'a whole' than more 'pluralist' nations, where the emphasis is on 'conflict' or competition rather than on 'cooperation.' To answer this question, I think it is helpful to introduce the concept of the 'logic of collective action'.

⁶¹ Lehmbruch, 1979c: 303.

⁶² Lehmbruch, 1979c: 303.

⁶³ Panitch, 1979: 139 - 40.

3.0 Olson's "Logic of Collective Action"

In this chapter I want to present Olson's *Logic of Collective Action*, and apply this microeconomic theory of groups to the interaction of political interest groups, especially between labor unions and employer associations, and with the state. Olson remarks that "... when one looks in the literature of neo-corporatism for a theory..., the results could hardly be more disappointing... sometimes there is a suggestion [that] neo-corporatist interest groups exercise restraint in pursuing their goals in return for their official recognition and privileges."¹ So, according to Olson, what "is needed ... is a theory of the incentives confronting organizations that are wholly or substantially political."²

Why at all is the author of the *Logic of Collective Action* concerned with corporatism? Olson has found a high degree of "overlap between the countries that the neo-corporatists describe as prototypically corporatist and those with what [he has] called 'encompassing' interest organizations."³ Therefore,

one of [his] purposes here is to assist neo-corporatist political scientists in advancing from the erudite historical or descriptive studies and suggestive taxonomies, which they have already achieved, to a full-fledged hypothetico-deductive theory.

¹ Olson, 1986b: 178.

² Olson, 1986b: 166 - 7.

³ Olson, 1986b: 179.

This is a high goal, and, as I will demonstrate, there has been criticism of both the validity of Olson's arguments, and the applicability of his theory.

3.1 *Two Strategies of Interest Organizations*

In his microeconomic *Logic of Collective Action*, Olson argues that, depending on their *size*, interest organizations use different strategies to satisfy their members.⁴

- *strategy of collective gain*: especially *large* organizations try to increase the societal output ('collective good'); they will only engage in political action (e.g. making it more efficient) if the total benefits exceed the total costs many times over, since the group has to pay a high share of the costs, but receives only a *part* of the benefits.
- *strategy of redistribution*: *small* special interest groups are willing to make demands to society, even if total costs outweigh the total benefits, since they can receive a relatively high share of the benefits, while only paying a minor share of the costs. Therefore, the society itself is becoming less efficient, since it pays almost *all* costs. Olson states that "a society dense with organizations for collective action is like a china shop filled with wrestlers battling over the china and breaking far more than they carry away."⁵

To put it in a different way, according to Olson, depending on the size of organizations, the smaller ones are more interested in getting a *higher share of essentially the same pie*, while larger

⁴ Olson, 1965.

⁵ Olson, 1986a: 257.

organizations generally prefer "more or less the *same proportion of a bigger pie*, where 'pie' stands for the total economic output of the nation.

With one notable exception, Olson expects *redistributional* strategies. Or, as Maitland puts it while in principle all interests in a society have a stake in its economic efficiency, an efficient national economy is a common interest or common good and so no interest has a *rational* incentive to make sacrifices in its behalf or to abstain from actions that injure it. On the contrary, organized interests can often gain substantially from a policy that reduces the output of society as a whole because they obtain all or most of its benefits while paying an infinitesimal share of its costs.⁶

The exception, according to Olson, are "[e]ncompassing organizations, [which] have incentives that are to some degree consistent with social efficiency and national progress, whereas narrowly based organizations for collective action do not."⁷ Olson suggests that 'encompassing organizations' do have a positive influence on the 'societal pie':

When nearly all of the major businesses in a country are effectively united in a single employer's federation, or if most of the workers... are effectively united..., that federation or union will have an incentive to take account of the stake its members have in the propensity of the society.⁸

Or, as Olson states in his *Rise and Decline of Nations*:

The members of the highly encompassing organization own so much of the society that they have an important incentive to be actively concerned about how productive it is... The encompassing organization, if it has rational leadership, will care about the excess burden arising from distributional policies favorable to its members and will out of sheer self-interest strive to make the excess burden as small as possible.⁹

I will now introduce the 'narrow' and the 'encompassing' groups and their probable strategies.

3.1.1 'Narrow' Interest Groups

Narrow interest groups, which pursue a strategy of redistribution, can have a negative impact

⁶ Maitland, 1985: 46. Emphasis added.

⁷ Olson, 1986b: 173.

⁸ Olson, 1986b: 176.

⁹ Olson, 1982: 48. Cited in Lange and Garrett, 1985: 795.

on society in several ways, but especially through cartelization and lobbying:¹⁰

- *cartelization*: "combination of firms and individuals in the marketplace that can maintain noncompetitive prices or wages, obstruct the free flow of resources, and slow down the innovation that brings more rapid growth."
- *lobbying*: "What a government actually does depends in large part on the extent of lobbying. A lobby-free democracy... is likely to operate much more efficiently than one that is under the thrall of special-interest groups," especially those that have an incentive to redistribute rather than to produce.

Olson on the influence of small interest groups:

If... firms and the union in an industry can cooperate to pressure the government to give them protection against imports, or to bail out firms losing money, they will both normally gain from this even though this means that less efficient industry is being preserved at the expense of more efficient industry.¹¹

Through these redistributive attempts the national economy can become less efficient; the 'pie' shrinks, even though the share of certain groups will increase.

3.1.2 'Encompassing' Organizations

What would happen if there were the extreme case of encompassing organizations, namely one organization for the employees, and one association for employers? According to Olson, "these two organizations would have an incentive to bargain with one another until they had maximized joint

¹⁰ See Olson, 1986a: 260-3.

¹¹ Olson, 1986b: 183 - 4.

gains and thus achieved what game theorists would call a 'core' allocation. and what in [the] field of economics would be called a 'Pareto-efficient allocation'.¹² So,

if a society constructs sufficiently encompassing interest organizations, it can not only avoid the profoundly perverse incentives that narrow distributional coalitions face, but... even achieve an efficient allocation of resources.¹³

Apart from Olson notion of 'state', which has been criticized, how could 'society' do that? The way I see it, Olson presupposes *social-democratic or socialist oriented*, or system sustaining labor unions for that 'construction', since this could hardly work with Marxist, conflict-oriented unions. Nevertheless, the idea behind this is that the state will achieve this construction through *legal* means:

[The] problem of insubordinate branches and independent coalitions could be controlled by appropriate by-laws for the encompassing neo-corporatist interest group or by government legislation or policies that discriminate against, or even outlaw, independent action by branches or other nonencompassing organizations. The neocorporatist literature often speaks of government licensing or other devices to give a monopoly to the corporatist pressure group.¹⁴

This licensing usually involves a trade-off for these large groups: it can help stabilizing the influence and power of e.g. labor unions, while the unions then have to consider the overall costs of their actions (such as wage demands), and might abstain from unreasonable demands. The economic situation in a country with such interest groups, thus, can improve in the long run.

3.2 Application of the 'Logic' to the Concept of 'Corporatism'

Ultimately, the 'logic of collective action' leads to the logic of the "exploitation of the great

¹² Olson, 1986b: 179 - 80.

¹³ Olson, 1986b: 180.

¹⁴ Olson, 1986b: 185.

by the small."¹⁵

[An] encompassing organization will have an incentive to make some sacrifices in the social interest, and thereby benefit the narrow distributional coalition members as well as itself, whereas the narrow distributional coalition will have an incentive to pillage society for all it can get even as it gets a free ride from the encompassing organization.¹⁶

So, if interest groups such as labor organizations are encompassing, a strategy of collective gain becomes more possible. But there is an inherent danger for those large groups of breaking down into smaller units. For Olson, not even legal procedures can solve this "fundamental problem for the neo-corporatist solution: Even when a neo-corporatist organization is given a legal monopoly, subsets of members... [may] lobby *within* the neo-corporatist organization to pressure it to serve the sectional interest at the expense of the encompassing interest organization (...)"¹⁷ Olson asks how, in the long run, "could a society prevent subsets of members of the neo-corporatist organizations... from being controlled in large by *internal lobbies* working on behalf of internal subgroups...?"¹⁸

It seems as if Olson sees a 'logical' tendency toward 'pluralism', which seems economically inefficient. Does Olson's theory provide a political or 'societal' equivalent to the 'second law of thermodynamics', which states that (in the physical world) ordered things tend to become unstable, or chaotic? The important point in Olson's discussion for my paper is his logic of the 'exploitation of the great by the small'. This logic should make 'pluralistic' societies less efficient than 'corporatist' ones, at least in terms of economic output, since competing interest groups might "break far more than they carry away." Olson prophesies 'corporatist' societies will experience a gradual economic decay as well.¹⁹ This conclusion of Olson's theory is interesting, since many

¹⁵ Olson, 1986b: 184.

¹⁶ Olson, 1986b: 184.

¹⁷ Olson, 1986b: 185 - 6.

¹⁸ Olson, 1986b: 186.

¹⁹ Olson's hypothesis is that *age of democracy* of a nation has a negative effect on economic output: "long stable societies ought to be doing less well economically than would usually be expected (Olson, 1986a: 257)." Further, he states "If the organization of collective action is difficult and problematical because selective incentives are required, and if only some groups have access to the necessary selective incentives or gimmicks, then one should expect that societies will take a long time to organize for collective action."

scholars also the the inherent instability of corporatist arrangements. If we want to compare economic performance indicators of different nations, we have to consider the *size* of major interest organizations, i.e. whether a polity is more 'pluralist' or 'corporatist'.

3.3 *Criticism*

However, the assumption Olson's that the size of organizations is so important in determining strategic considerations of economic interest groups has been criticized by Lange and Garrett, who argue that some of Olson's assumptions are unwarranted. They identify two major problems, one of which is concerned with strategic considerations of organizations, and the other one is concerned about Olson's view of the state as actor.

(1) Since the "decision by associations about when to switch from a redistributive to a collective gains strategy is explained as a function of the group's relative size in society,... [and] is thus treated as relatively automatic and unaffected by expectations about the behavior of other actors in the organization's environment," there is "little room for strategy and interactive decision making."²⁰

(2) Lange and Garrett's second point of critique is Olson's "failure to recognize any role (other than negative) for politics and the state. Olson perceives government as little more than an arena in which groups compete, through the political process, to use government authority to raid the collective good for their private benefit."²¹ Lange and Garrett argue that

In other words, quite some time will pass before many groups will have had the good luck and the good leadership needed to organize for collective action. These societies should be expected to be less efficient and dynamic than otherwise similar societies that have had less time to accumulate organizations for collective action." This proposition has been criticized e.g. by Lehmbruch (1986), but I will not further discuss it, since it is not of immediate relevance for my paper.

²⁰ Lange and Garrett, 1985: 795 - 6.

²¹ Lange and Garrett, 1985: 797.

the expected behavior of the state is considered as a relatively autonomous actor interested in promoting economic growth... [and] can become an essential element in reducing unions' uncertainty, and thus increasing the probability that they will regulate their militancy... Through its policy instruments, government can influence both the investment behavior of capital and the distribution of economic growth among social classes. It can, therefore, affect the magnitude of the risks involved in the adoption of a collective growth strategy on the part of labor. This potential role of government as 'guarantor' reduces the risks of wage restraint by improving union's expectations that economic outcomes resulting from their self-regulation will at least satisfy their interest in a stable portion of increased national product.²²

Lange and Garrett suggest two political conditions that seem likely to promote labor self-regulation: "an historically strong political Left, and prospects for direct control of government by a party of the Left closely linked to the union movement."²³ So, unlike Olson who regards only size of organizations as relevant for economic growth, Lange and Garrett suggest another variable, political strength of the left. They expect

both the organizational characteristics and political strength of the labor movement to be associated with economic growth. More specifically, the extent to which the union movement is encompassing affects the likelihood that it will be inclined to pursue a collective gain strategy by reducing the attractiveness of organizational 'free riding' as strategies of redistribution. Where unions are encompassing, a strategy of collective gain becomes more possible. Such a strategy, however, involves risks for unions, and politics is a prime means by which such risks can be reduced. Powerful left political parties reduce labor's uncertainty that a collective gain strategy—in the form of labor self-regulation—will be translated into economic gains for workers in the medium term. If encompassing labor movements coincide with powerful left parties, therefore, regulation and higher rates of economic growth is expected.²⁴

So, Lange and Garrett consider the relationship between the organizational and political variable as *conditional* upon each other. This proposed relation is shown in Figure 4 on page 36. Their findings are that

encompassing labor organization is only positively associated with growth when accompanied by Left control of government, and Left governments only have a positive impact on economic growth when labor is highly and centrally organized. Conversely, when either variable is only weakly present, the impact of the other on economic growth is negative.²⁵

²² Lange and Garrett, 1985: 797.

²³ Lange and Garrett, 1985: 798.

²⁴ Lange and Garrett, 1985: 798 - 9.

²⁵ Lange and Garrett, 1985: 792.

Organization of Labor Movement	Political Strength of the Left	
	Weak	Strong
Encompassing	-	+
Not encompassing	+	-

+ : positive contribution to economic growth
- : negative contribution to economic growth

SOURCE: Lange and Garrett, 1985: 799.

Figure 4. Political Strength of the Left, Labor Organization and Economic Growth

4.0 Research Design

In this chapter, I will present the countries, and the independent, intervening, and dependent variables I will be using. Then, I briefly discuss the data used, discuss the method of LISREL, and, finally, present the models and derive some hypotheses about the causal links between the concepts.

4.1 Cases

I would have preferred to use *all* OECD-countries in order to make more credible inferences, and to use recent time periods, but since my data rely on Cameron's 'corporatism' indicators and I have not been able to find them for the desired countries and years, I restrict myself to Cameron's selection of countries and time periods. Cameron used 18 OECD-countries in his analysis, without giving a reasoning for his selection: Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Ireland, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The time period generally is 1960 to 1980.

4.2 *Independent Variables*

As I have shown in chapter 2, there are some problems with 'corporatism', both conceptually and empirically. How do we operationalize and measure corporatism? The fact that the literature is so diverse and that scholars cannot even agree on a single definition makes it quite difficult to establish generally accepted indicators. I will first present some objections against a quantification of 'corporatism'.

Schmitter himself suggests that there are "some serious 'operational' problems which impede the development of a systematic theory of specialized interest intermediation..."¹ He lists 'structural and legal heterogeneity' of interest associations, and argues that 'interest systems' are "peculiarly historical constructions, [which] are laid down... in distinct time periods, for divergent purposes, and under different legal and political circumstances."² Lehmbruch wonders whether "the concept [of corporatism] can be fruitfully employed in systematic and cumulative empirical research."³ He cites Heisler, who suggests that

there are no discernible clues to deriving overarching (i.e., in case or sector-linking) concepts, variable weights, comprehensive flow models and... an explanation of what difference the activities of organized interests make for outputs and outcomes of political systems—and how and why.⁴

Lehmbruch is concerned with problems of valid indicators for the concept of corporatism as well as with appropriate data bases:

[An empirical] test presupposes measurement. And an important step towards measurement is of course the development of typologies that may be cast in operational terms and permit us to classify nations... in cross-national and longitudinal comparison... Schmitter's typological distinction of 'corporatism' and 'pluralism' until now is the only conceptualization that fulfills these conditions and could serve as the basis for a developmental model of interest intermediation. These two concepts can best be characterized as 'extreme' or 'pure' types...; that is, as hypothetical constructs that permit the establishment of a continuum on which concrete empirical cases may be rank-ordered (or even interval-scaled).⁵

¹ Schmitter, 1979b: 68

² Schmitter, 1979b: 69 - 70.

³ Lehmbruch, 1982: 1.

⁴ M.O. Heisler, "Corporate Pluralism Revisited: Where is the Theory?" *Scandinavian Political Studies*, 1979, 2(3): 288. Cited in Lehmbruch, 1982: 1 - 2.

⁵ Lehmbruch, 1982: 6 - 7.

However, Lehbruch remarks that "whether [the typologies] can fruitfully be employed depends on the availability of appropriate indicators and a sufficient data base."⁶ He concludes "that not only interval measurement but even rank-ordering of nations on a scale of 'organizational participation in government' is rather difficult."⁷ Lehbruch is concerned that the "... high variability and complexity of national configurations make it rather difficult to arrive at a composite index combining (and weighting!) different dimensions... Intricacies of measurement are... further complicated by difficulties in establishing the appropriate data base."⁸ Whether we can use valid indicators for the concept 'corporatism' depends on which approach we are choosing: while it is extremely difficult to obtain comparable indicators for the 'functional' approach, and I do not know any study which attempted to do so, it is relatively easy to use indicators for the 'structural' approach, such as extent of unionization or the scope of collective bargaining among interest groups. Lehbruch, who stresses the functional approach, classified six countries according to whether their corporatist arrangements are strong, medium, or weak.⁹ Schmitter, choosing the structural approach measuring labor union characteristics, was able to rank 15 nations.¹⁰ I will use Cameron's indicators of *organization* of interest groups (i.e. labor unions), applying Schmitter's 'structural' definition.

Cameron tried to quantify each single indicator, while explicitly stating that it is not 'corporatism' that he measured, but 'organized power of labor'. However, Cameron admits that "two of the characteristics included in the composite measure of the organized power of labour... are virtually identical to those with which Schmitter... measures 'societal corporatism' in fifteen nations. (...) we have developed an indicator that is virtually identical to one used to define

⁶ Lehbruch, 1982: 8.

⁷ Lehbruch, 1982: 10.

⁸ Lehbruch, 1982: 11. Dilemma: 12.

⁹ Lehbruch, 1982: 16 - 23.

¹⁰ Schmitter, 1981: 294.

corporatism without using the term."¹¹ In order to approximate indicators to measure 'corporatism', I use Cameron's indicators.

LEFT Control of government by leftist parties, 1965-82. The index is the product of the percentage of cabinet portfolios held by leftist parties and the percentage of minimum parliamentary majority held by leftist parties.¹² Cameron does not explicitly state what the criteria for being a 'leftist' party, but in the sources refers to *Keesing's Contemporary Archives* and to Thomas Mackie and Richard Rose, *The International Almanac of Electoral History*, New York, 1982.

UNION Extent of union membership, relative to the size of the total labor force, averaged for 1965 and 1980;¹³

ORGANIZ "The organizational structure of the labour movement—specifically the unity or fragmentation of organized labour at the confederation level. Nations were assigned scores between 0 and 1.0 depending on the number of confederations and number of unions affiliated with the confederations. The highest scores were assigned to those nations (Austria, for example) in which one confederation dominated the labour movement and in which there were relatively few industrial unions. The lowest scores were assigned to those nations (such as France) in which a multiplicity of confederations organized wage earners and

¹¹ Cameron, 1984: 168.

¹² "The measure was calculated by obtaining the partisan composition of all governments in all nations over the eighteen years, calculating the proportion of cabinet seats held by each party for each month of each year. These data were then multiplied by the proportion of all seats in parliament held by the governing leftist parties divided by 50 per cent. The values for each year were then summed and divided by thirteen [??] to yield an average measure of leftist party control of government (Cameron, 1984: 159)."

¹³ For coding of this and the next 3 variables, see Cameron, 1984: 164 - 5.

in which there were numerous unions.” Unfortunately, Cameron does not reveal on what basis these values get assigned.

CONFED

“The power of labour confederations in collective bargaining. Nations were assigned values between 0 and 1.0 on a four-item scale depending on whether the confederation (a) consults with unions about wage negotiations prior to collective bargaining; (b) participates itself in collective bargaining; (c) possesses the right to veto negotiated settlements; and (d) controls the distribution of strike funds for unions, thereby effectively controlling the ability of unions to call strikes.” Again, Cameron is not very elaborate in presenting his operationalizations.

BARGAIN

“The scope of collective bargaining, ranging from restrictions on collective bargaining on the one hand to economy-wide bargaining on the other. Nations were assigned values between 0 and 1.0 on a seven-point scale that, in ascending order, moves from restricted collective bargaining (as in Spain in the Franco era), to highly decentralized company-level bargaining with company unions, to decentralized bargaining with national unions, to partially centralized bargaining with company and regional or multi-employer negotiations, to partial industry-wide bargaining, to full industry-wide bargaining, and finally to industry-wide bargaining with economy-wide formally negotiated agreements.” Although he suggests that Cameron “overrates the formal decentralization of the German system of collective bargaining”, Lehbruch basically seems to agree with Cameron’s assigned values for the other nations, and uses them in an analysis.¹⁴

¹⁴ Lehbruch, 1984.

Table 1. Government Control of Leftist Parties, 1965 - 1981

	<i>Share of Cabinet Portfolios held by Leftist Parties</i>	×	<i>% of Minimum Parliamentary Majority Held by Leftist Parties</i>
Australia			17
Austria			76
Belgium			16
Britain			62
Canada			0
Denmark			69
Finland			45
France			3
Germany			61
Ireland			10
Italy			21
Japan			0
Netherlands			22
Norway			61
Spain			0
Sweden			69
Switzerland			29
United States			0

Source: Cameron (1985). Based on the proportion of cabinet seats held by each party for each month of each year.

Table 2. Structural Attributes and 'Loci' of Activity of Labor Movements in 18 OECD-Nations, 1965 - 1980

	<i>UNION</i>	<i>ORGANIZ</i>	<i>CONFED</i>	<i>BARGAIN</i>
	<i>Average % of Total Labor Force Unionized</i>	<i>Organiz- ational Unity of Labor</i>	<i>Confederation Power in Collective Bargaining</i>	<i>Scope of Collective Bargaining</i>
Australia	40	0.4	0.3	0.6
Austria	50	1.0	0.8	1.0
Belgium	55	0.6	0.6	0.8
Britain	45	0.4	0.3	0.6
Canada	27	0.4	0.0	0.4
Denmark	54	0.8	0.4	0.9
Finland	47	0.8	0.6	1.0
France	24	0.2	0.0	0.5
Germany	32	0.8	0.2	0.6
Ireland	32	0.4	0.4	0.9
Italy	41	0.2	0.2	0.6
Japan	16	0.2	0.1	0.2
Netherlands	28	0.6	0.6	0.8
Norway	65	0.8	0.7	1.0
Spain	14	0.2	0.0	0.3
Sweden	70	0.8	0.7	1.0
Switzerland	24	0.6	0.4	0.8
United States	21	0.4	0.0	0.5
Mean	38.06	0.53	0.35	0.69
s.d.	16.48	0.26	0.27	0.25

Source: Cameron (1984: 165); own calculations.

4.3 *Dependent and Intervening Variables*

The following variables are meant to operationalize the concept of economic performance and strike activity. They are quite reliable, and easily to obtain. Nevertheless, they pose a theoretical problem. Which measures do I want to take? Should I use *level* of unemployment rates, or (absolute or relative) *changes* in unemployment rates; which time periods should I use, and so forth. Unfortunately, the relevant researchers do not use the data consistently, and therefore, unavoidably, the results are at times contradictory. The selection of indicators leaves a lot of space for manipulation of data. I will use the following variables for my analysis:¹⁵

UNEM6080	Unemployment rate as percentage of total labor force, averaged from 1960 to 1980. ¹⁶
INFL6080	Inflation rate (Consumer price indices), year to year percentage changes, averaged from 1960 to 1980.
GDP6080	Average of yearly increase in gross domestic product, 1960 to 1980.
STRIKE	Working days lost in industrial disputes per 1,000 in total labor force, 1965 - 1981. ¹⁷

¹⁵ Wharton, 1987. See appendix for data.

¹⁶ The Wharton database incorporates, as far as possible, the OECD standardized unemployment rates. These standardized rates are calculated for 15 countries and are "more comparable across countries and more consistent over time than national rates, which may exclude self-employed persons in the numerator and deal with the more restricted population of registered or insured workers in the denominator (Wharton, 1987: 314)."

¹⁷ Cameron, 1984: 153.

Table 3. Strike Activity in 18 OECD-Nations, 1965 - 1981

<i>Working Days Lost in Industrial Disputes per 1,000 in Total Labor Force</i>	
Australia	427
Austria	10
Belgium	156
Britain	375
Canada	707
Denmark	148
Finland	358
France	278
Germany	28
Ireland	484
Italy	849
Japan	71
Netherlands	22
Norway	28
Spain	334
Sweden	95
Switzerland	1
United States	411

Source: Cameron (1984).

4.4 Methodology of LISREL

In this section I will briefly introduce the methodology of LISREL, and discuss its advantages and its disadvantages. LISREL can be described as a combination of both 'factor analysis' and 'causal modeling' in one software package.¹⁸ Many concepts in social sciences cannot be measured *directly* through observable variables. Whenever we are not able to measure a concept directly, we have to measure observable variables which are supposed to 'represent' the underlying variable, and then create an index from multiple indicators. So, for example, for 'corporatism' we might want to use measures along several dimensions, such as extent of union membership, organizational structure of labor movement, and power of confederations. The problem is that with conventional methods we have to create an unweighted or weighted index more or less arbitrarily, as Cameron does. LISREL, like regular factor analysis, is able to factor-analyze variables, that is measure factor loadings of different variables to check whether they are 'driven' by just one underlying factor, or several. I will use LISREL VI to estimate the factor loadings of several observable variables (such as strength and centralization of labor unions, and the scope of collective bargaining between labor unions and employers' associations), which are supposed to be a good indicator for corporatism.

The advantage of LISREL is that it can simultaneously calculate standardized path coefficients between the independent and dependent variables. These coefficients not only reveal whether there is a direct or inverse relationship between two variables, but allows also to compare the magnitudes of the effects of several variables on a dependent one, holding constant the effects of third variables. It is possible to introduce reciprocal links within one model. In addition to estimating both measurement models and structural equation models, LISREL has the advantage that it "provides both

¹⁸ "The LISREL model consists of two parts: *the measurement model and the structural equation model*. The measurement model specifies how the latent variables or hypothetical constructs are measured in terms of the observed variables and is used to describe the measurement properties (validities and reliabilities) of the observed variables. The structural equation model specifies the causal relationships among the latent variables and is used to describe the causal effects and the amount of unexplained variance (Jöreskog, 1.3)."

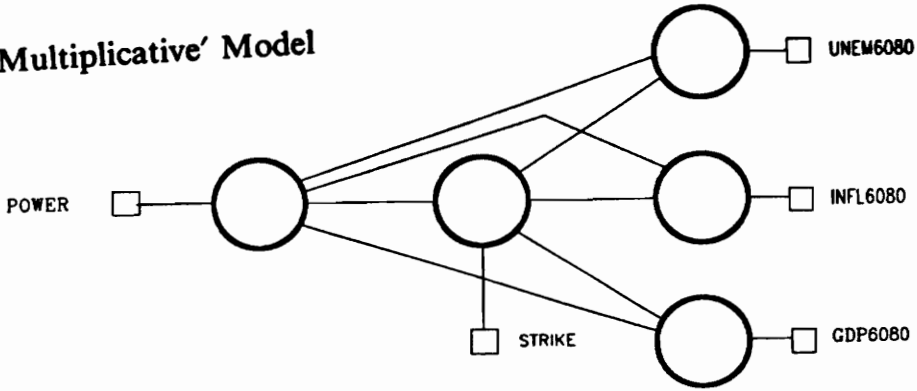
an efficient estimation procedure and a test of the model at the same time.”¹⁹ It offers goodness of fit indices like chi-square, which is the result of a comparison between the estimated model and the best fitting model. Further, LISREL offers modification indices, which can be quite useful for improving the fit of a model.

4.5 The Models and Hypothetical Links

In this section I will present the causal models (see Figure 5 on page 48), and introduce hypotheses for causal links between corporatism, and intervening and dependent variables. Since it is sometimes argued that the effects of corporatism on economic performance are dependent on the political influence of left parties, I will introduce two competing models: (1) an ‘additive’ model, and (2) a ‘multiplicative’ model. In the former, effects of an independent variable on dependent variables are independent from the score of other variables, i.e. the strength of leftist parties in a given country does not effect the influence of corporatist arrangements on economic performance. In the latter, the effect of one independent variable on economic performance depends on the score of another independent variable, i.e. Lange and Garrett suggest that the extent to which a country with encompassing organizations effects economic performance depends on the strength of leftist parties: when a country scores high on both variables, the economic performance is supposed to be good; when a country scores weak on one variable, then the total effects are weak, too.

¹⁹ Saris and Stronkhorst, 1984: 298.

'Multiplicative' Model



'Additive' Model:

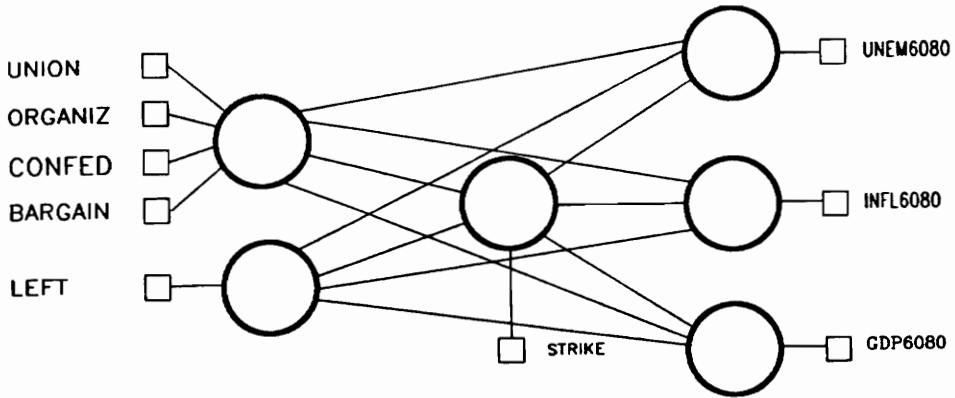


Figure 5. LISREL Model for Observable and Latent Variables

4.5.1 Corporatism, Strength of Left Parties, and Inflation

The argument of wage restraint of labor unions is cited most often by scholars when they discuss possible effects of corporatist arrangements on inflation. Panitch, for example, argues that "corporatist structures, in the form of economic planning and incomes policy bodies, involved the integration of trade unions in economic policy making in exchange for their incorporation of capitalist growth criteria in union wage policy and their administration of wage restraint to their members."²⁰ Or, in Cameron's words, "corporatism can be seen as a system of institutionalized wage restraint in which labor, acting 'responsibly', voluntarily participates in and legitimizes the transfer of income to capital."²¹ However, as I have already mentioned in the introductory chapter, Lange and Garrett criticize this explanation of acts of 'responsibility': "... understanding of relationship between the conditions associated with concertation and labor self-regulation is theoretically undeveloped. It is simply argued that when these conditions exist, labor will recognize its enlightened self-interest and thus regulate its behavior"²² Lange and Garrett suggest two political conditions that seem likely to promote labor self-regulation: "an historically strong political Left, and prospects for direct control of government by a party of the Left closely linked to the union movement."²³ In the additive model, the more corporatist a country is, the less inflation it should experience. According to the multiplicative model, more corporatist countries should have lower inflation rates, but only if they have are strong left parties.

²⁰ Panitch, 1980: 174.

²¹ Cameron, 1984: 146.

²² Lange and Garrett, 1985: 793.

²³ Lange and Garrett, 1985: 798.

4.5.2 Corporatism, Strength of Left Parties, and Unemployment Rates

"Stable corporatism presupposes successful political exchange. Trade unions tend to be more moderate in their wage-demands when employers pursue moderate price policies and the state offers unions compensation in other policy areas. Two classes of compensation seem to be particularly important: first, those that strengthen the trade unions' ability to recruit new members and control rank-and-file demands; and second, those that favor the social base of the trade unions (for example, active labour market measures)."²⁴ Thus, it might be argued that strong corporatist states are characterized by patterns of 'equal political exchange', and that the "stronger the corporatist mode of regulating class conflict, the lower the rate of unemployment."²⁵ Schmidt finds corporatism to be the "best single predictor for differential rates of unemployment... All the countries with low rates of unemployment during the crisis in the 1970s are characterized by either very strong or moderately strong modes of regulating the class conflict. Strong corporatism is a sufficient but unnecessary condition for low rates of unemployment."²⁶ Leftist parties might be more inclined to use Keynesian active labor market policies than parties on the right side of the political spectrum, and, therefore, help reducing the unemployment rates. Overall, I would expect negative relationships between corporatism and unemployment rates, and between strength of left parties and corporatism. For the multiplicative model, I would also expect an inverse relationship.

4.5.3 Corporatism, Strength of Left Parties, and Economic Growth

Olson argues that encompassing organizations like large labor unions (or confederations) have a positive effect on economic growth rates of a country, since they would apply a strategy of col-

²⁴ Schmidt, 1982a: 241 - 2.

²⁵ Schmidt, 1982a: 242.

²⁶ Schmidt, 1982a: 251.

lective gain. Olson, however, does not leave any place for a possible role of the state. Unlike Olson, who regards only size of organizations as relevant for economic growth, Lange and Garrett suggest another variable, political strength of the left. As discussed in chapter 3, they expect

both the organizational characteristics and political strength of the labor movement to be associated with economic growth. More specifically, the extent to which the union movement is encompassing affects the likelihood that it will be inclined to pursue a collective gain strategy by reducing the attractiveness of organizational 'free riding' in the form of strategies of redistribution. Where unions are encompassing, a strategy of collective gain becomes more possible. Such a strategy, however, involves risks for unions, and politics is a prime means by which such risks can be reduced. Powerful left political parties reduce labor's uncertainty that a collective gain strategy—in the form of labor self-regulation—will be translated into economic gains for workers in the medium term. If encompassing labor movements coincide with powerful left parties, therefore, regulation and higher rates of economic growth is expected.²⁷

So, Lange and Garrett consider the relationship between the organizational and political variable as *conditional* upon each other: the effect of one variable on another depends on a third variable. They assume that countries with either high values or low values in both LEFT and CORPORATISM tend to experience higher economic growth, while the countries which score somewhere in between should have lower growth rates. This suggests the use of a 'multiplicative' term, where we multiply LEFT with CORPORATISM. Lange's and Garrett's argument is relevant in the sense that, if it is true, stronger corporatist arrangements might be only desirable for countries where there are strong and institutionalized labor movements, i.e. strong and well organized labor unions and strong left parties. Together they could have a positive impact on the economic performance. However, in countries without strong left parties, corporatism then might impede rather than promote economic growth.²⁸ Figure 6 on page 52 shows the hypothetical links for both the additive and the multiplicative model.

²⁷ Lange and Garrett, 1985: 798 - 9.

²⁸ See the article "One Hump or Two" in *The Economist*, February 13, 1988, p. 66., which refers to a study done by L. Calmfors and J. Drifill: "Centralisation of Wage Bargaining and Macroeconomic Performance", *Economic Policy*, No. 6 (April 1988), Cambridge University Press. Calmfors and Drifill have found that both countries with highly centralized and highly decentralized wage bargaining systems have performed better economically than countries that have systems which are somewhere in between.

<i>Effect on</i>	<i>Effect from</i>	<i>Theoretical Relationship</i>	<i>Expected Sign</i>
'Additive' Model:			
STRIKE	Corporatism	Restriction of strike weapon in exchange for wage negotiations	-
	LEFT	Hope for 'political' solution to achieve goals	-
UNEM6080	Corporatism	demand-oriented (Keynesian) labor-market policies	-
	LEFT		
INFL6080	STRIKE	cost push leads to decreased labor demand	+
	Corporatism	reduced wage demands slow down price increase	-
GDP6080	LEFT	demand-induced inflation through Keynesian policies	+
	STRIKE	wage push leads to general price increase	+
	Corporatism	Olson's theory: positive influence	+
	LEFT	decreased productivity leads to slowdown of economy	-
	STRIKE		
'Multiplicative' Model:			
STRIKE	POWER	Restriction of strike weapon in exchange for wage negotiations, in combination with hope for medium- and long-term 'political' solution to achieve their goals	-
UNEM6080	POWER	demand-oriented (Keynesian) labor-market policies, in combination with cooperative labor movement	-
	STRIKE	cost push leads to decreased labor demand	+
INFL6080	POWER	reduced wage demands slow down price increase	-
	STRIKE	wage push leads to general price increase	+
GDP6080	POWER	Lange's and Garrett's theory: positive influence	+
	STRIKE	decreased productivity leads to slowdown of economy	-

Figure 6. Expected Relationships between the Variables for the 'Additive' and the 'Multiplicative' Model

5.0 Findings

Since LISREL is not able to calculate multiplicative terms between two variables, but I will have to use a multiplicative term in one of the models, LISREL will not be able to calculate all parameters *simultaneously* I have to break down the analysis in two steps: In the first section I will do a factor analysis on 'corporatism', and in the following section use the results for further LISREL analysis.

5.1 *Factor Analysis of 'Corporatism' with LISREL*

As discussed before, 'corporatism' is a theoretical construct and not directly measurable. Nevertheless, 'corporatism' can be treated as a combination of several observable variables. The selection of the variables depends on theoretical considerations, as well as, unfortunately, on *practical restraints*. I would have preferred to use multiple indicators representing both the 'structural' and the 'functional' approach to corporatism. Practical limitations—especially the lack of adequate indicators and comparable data—forced me to confine myself to *structural* variables. The variables

which I consider to be indicators of corporatism are (1) extent of union membership (UNION); (2) organizational structure of the labor movement (ORGANIZ); (3) the power of labor confederation in collective bargaining (CONFED); and (4) the scope of collective bargaining (BARGAIN). Figure 7 on page 55 shows the model. The lambdas (λ) are the factor loadings of the underlying factor, which I assume to be 'corporatism'.

Table 4 on page 56 presents the results of the factor analysis, which has been done with LISREL. The data show that UNION, ORGANIZ, CONFED, and BARGAIN are good indicators for some common underlying factor: I assume this factor to be *structural* corporatism. The lowest factor loading (on UNION) is higher than .80, while two variables have a score of .94 and .95, respectively (CONFED and BARGAIN). Further, we can be quite confident in our results, since all loadings are highly significant (with t-values of at least 4.0). The total coefficient of determination of the four independent variables is .957, indicating that about 95 percent of the variance in the 4 variables can be attributed to CORPORATISM. The factor scores, which are also presented in Table 4 on page 56, take into account differences of scales in which the variables were measured. To calculate an index for corporatism for each country we need an additional variable, which I have obtained with SPSSX. I have calculated the Z-scores for each country and variable (see Table 14 on page 92), standardizing each variable by giving it a mean value of 0 and a standard deviation of 1.¹ Finally, I have calculated the corporatism-index: it is the sum of the product of factor scores multiplied by Z-scores for each of the variable.

$$\begin{aligned} \text{CORPORATISM} = & (.102 \times \text{Z-UNION}) + (.127 \times \text{Z-ORGANIZ}) \\ & + (.365 \times \text{Z-CONFED}) + (.444 \times \text{Z-BARGAIN}) \end{aligned}$$

The countries with the highest scores are the most corporatist countries. The results are presented in Table 5 on page 58. In order to verify their validity, I present the results together with Schmitter's rankings, and Lehbruch's and Crouch's classifications.² A comparison of the rankings

¹ The Z-scores for each country therefore give the distance in standard deviations from the mean.

² Schmitter, 1981: 294; Lehbruch, 1982: 16 - 23; Crouch, 1985: 117. Schmitter's ranking of nations is

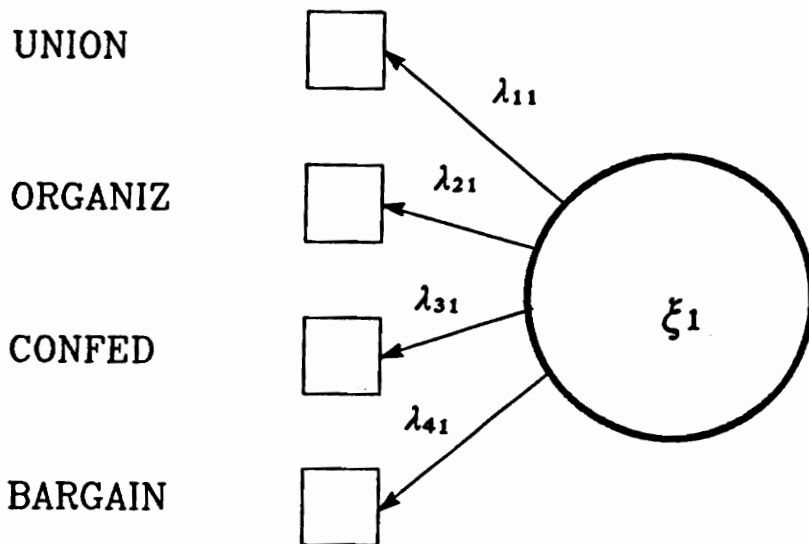


Figure 7. Model for the Factor Analysis of Corporatism

Table 4. Factor Analysis of 'Corporatism' with LISREL

<i>Factor</i>	<i>Variable</i>	<i>Loading</i>	<i>T-value</i>	<i>Factor Score</i>
Corporatism	UNION	0.81	4.03	0.102
	ORGANIZ	0.85	4.29	0.127
	CONFED	0.94	5.15	0.365
	BARGAIN	0.95	5.25	0.444

Note: Chi-square = 0.06, df = 2, prob = 0.97

can be helpful and alert us in case the rankings and classifications are not roughly similar, although, due to different procedures and definitions a certain inconsistency would be expected.³

It is no surprise that the highest ranking and most corporatist cluster with corporatism-scores larger than 1.0 consists of Austria, and the Scandinavian countries of Sweden, Norway, and Finland. Especially Austria and Sweden have been reported on extensively as being corporatist 'model' nations. Table 5 on page 58 reveals that my rankings almost agree perfectly with Schmitter's, Lehbruch's, and Crouch's results. For the higher scoring countries, Schmitter's and my rankings are very close, although Denmark scores lower in my data, a finding which is supported by Lehbruch, who classifies Denmark as 'medium' corporatist. On the other end of the ranking it is rather difficult to compare the results with other studies, since Spain is not included in either study, and Japan only in Crouch's. The lowest scoring nations are the US, France, Canada (and Spain and Japan, in my data). In my opinion, Japan's low value (the smallest of all countries) seems underestimated, at least when compared to the literature on Japan.⁴ In the intermediate range there are some surprises: Germany ties with Australia and Britain, and scores lower than Ireland.

derived from measures "only from data on the institutional structure of interest intermediation. They contain no data and make no presumptions about the extent of policy concertation that may be simultaneously or concomitantly present in these countries. They do not include (for lack of information) the one 'policy' dimension that was stressed in its formal definition, that is, the extent to which interest associations are recognized by the state and, in exchange, exercise certain restraints in their selection of leaders and articulation of demands (Schmitter, 1981: 296)."

³ Again, I want to cite Lehbruch who suggests that "whether [the typologies] can fruitfully be employed depends on the availability of appropriate indicators and a sufficient data base (Lehbruch, 1982: 8)." He concludes "that not only interval measurement but even rank-ordering of nations on a scale of 'organizational participation in government' is rather difficult (Ibid.)." Lehbruch is concerned that the "... high variability and complexity of national configurations make it rather difficult to arrive at a composite index combining (and weighting!) different dimensions... Intricacies of measurement are... further complicated by difficulties in establishing the appropriate data base (Ibid.: 11.)"

⁴ Some scholars even judge Japan as corporatist, but in a different sense. Pempel and Tsunekawa (1979) call the Japanese case as "corporatism without labor."

Table 5. CORPORATISM-Index and Rankings for 18 OECD-Nations, and Schmitter's Rankings and Crouch's and Lehbruch's Classifications

<i>Rank</i>	<i>Country</i>	<i>Corporatism Index</i>	<i>Schmitter's Ranking</i>	<i>Lehbruch's Strength of Corporatism</i>	<i>Crouch's Classification</i>
1	Austria	1.45	1	strong	neo-corporatist
2	Sweden	1.34	4	strong	neo-corporatist
2	Norway	1.31	2	-	neo-corporatist
4	Finland	1.06	4	-	neo-corporatist
5	Denmark	.66	4	medium	neo-corporatist
5	Belgium	.66	7	-	liberal
7	Netherlands	.49	6	-	neo-corporatist
8	Ireland	.32	11	-	liberal
9	Switzerland	.20	9	-	neo-corporatist
10	Britain	-.26	14	medium	liberal
10	Germany	-.27	8	medium	neo-corporatist
10	Australia	-.29	-	-	liberal
13	Italy	-.51	15	-	liberal
14	US	-.98	11	-	liberal
15	France	-1.07	13	weak	liberal
16	Canada	-1.12	11	-	liberal
17	Spain	-1.48	-	-	-
17	Japan	-1.51	-	-	liberal

Note: CORPORATISM is the sum of the products of factor scores and Z-scores for each of the 4 observable variables.

5.2 *The Model Estimated with LISREL*

In the first section of this chapter, I have discussed how I created an index to represent 'corporatism'. The model is very successful in the sense that one factor captures a high percentage of the variances of the independent variables UNION, ORGANIZ, CONFED, and BARGAIN—and I assume this one factor to be 'corporatism'. The obtained corporatism-index yields a slightly different picture as it is presented in the literature: especially Germany and Japan score lower than generally would be expected, while Ireland scores higher. But overall, my rankings come quite close to Schmitter's rankings, and is supported by Lehmbruch's and Crouch's classifications. The four independent variables thus seem to be excellent indicators for corporatism.

In the following sections, I will compare two competing models: (1) an 'additive' model, which assumes that the effects of independent variables on dependent ones are independent from each other; and (2) a 'multiplicative' model, which assumes that the effect of one variable on another one depends on the values of a third variable.

5.2.1 **The 'Additive' Model: Independent Effects of CORPORATISM and LEFT**

In this first model I compare the *independent* effects of CORPORATISM and LEFT on strike activity and some variables measuring economic performance. To my surprise, as Table 6 on page 61 shows, many links turned out to be statistically insignificant, especially the ones between independent and dependent variables. This might have several implications, as I will elaborate later. The usual procedure is to include additional links based on theoretical reasoning (although LISREL

tells which potential links between variables might help improve the model⁵) or exclude non-significant links (LISREL can help again by calculating t-values, which indicate the significance of given links). If I had followed this procedure, I would have had to take out almost all links from independent to dependent variables (gammas), and, therefore, would be stripped of my initial model. For sake of comparability, I have included all links in the model. Table 6 on page 61 shows a strong positive effect of strike activity on the rate of unemployment ($\beta_{21} = .85$): the more working days a country lost between 1960 and 1980, the higher was its average unemployment rate relative to other countries. Strike activity also has a positive impact on inflation rates ($\beta_{31} = .46$): countries with higher strike rates tend to experience higher rates of inflation. The effect on the overall economic growth is negative ($\beta_{41} = -.34$), but it is not significant. According to Olson, we should expect a positive relationship. Since the result is not significant, we cannot reject the null-hypothesis that the effect is 0, i.e. that there is no relationship between CORPORATISM and GDP6080, but we would be quite safe to reject Olson's hypothesis that it is *positive*. The results suggest that more corporatist countries seem to have smaller economic growth rates than countries with many and competing interest groups.

Overall, we find that strike activity has a strong influence on economic performance. Whatever variable has a strong impact on STRIKE could have a relatively strong *indirect* impact on these variables. Both independent variables have negative values ($\gamma_{11} = -.22$, $\gamma_{21} = -.32$), suggesting that both more corporatist countries and countries with strong left parties tend to experience less strikes. However, these results are not reliable, since they are insignificant: we cannot reject the null-hypothesis that there is no relationship between variables with insignificant links. Due to these small and insignificant links, STRIKE and the other economic performance variables except UNEM6080 have all high disturbance terms. Disturbance terms (Psi) may represent: (1) the effect of unknown variables; (2) the effect of known but omitted variables (like, e.g. economic explanations); (3) the randomness of human behavior; and (4) measurement error. Psi is measured as proportion on of unexplained variance of the dependent variables, and turns out to be rather high (e.g. $\psi_{33} = .79$).

⁵ This procedure, however, is purely statistical, and cannot be used as substitute for substantive, theoretical reasoning.

Table 6. Parameter Values Estimations with LISREL for the 'Additive' Model

<i>Effect on</i>	<i>Effect from</i>	<i>Notation</i>	<i>Parameter</i>	<i>T-value</i>
STRIKE	Corporatism	λ_{11}	-.22	-.74
	LEFT	λ_{21}	-.32	-1.06
	Disturbance	ψ_{11}	.76	2.92
UNEM6080	Corporatism	λ_{12}	.11	.64
	LEFT	λ_{22}	-.14	-.86
	STRIKE	β_{21}	.85	6.45
	Disturbance	ψ_{22}	.23	2.92
INFL6080	Corporatism	λ_{31}	-.11	-.34
	LEFT	λ_{32}	.12	.38
	STRIKE	β_{31}	.46	1.87
	Disturbance	ψ_{33}	.79	2.92
GDP6080	Corporatism	λ_{41}	-.24	-.87
	LEFT	λ_{42}	-.50	-1.78
	STRIKE	β_{41}	-.34	-1.53
	Disturbance	ψ_{44}	.64	2.92

Even strike activity, which seems heavily influenced by corporatist arrangements and political parties in government which are close to the labor movement, has a vast disturbance term ($\psi_{11} = .76$), indicating that only about 25 percent of the variance in STRIKE can be attributed to CORPORATISM and LEFT. Nevertheless, the overall fit of model 1 to the data is quite good, with a Chi-square = 3.69 and a degree of freedom of 5, leading to a high probability that there is no significant difference between the observed parameters and the ones estimated by LISREL: the model does fit the data well, even though it does not confirm Olson's hypothesis.

5.2.2 The 'Multiplicative' Model: Conditional Effects of CORPORATISM and LEFT

Lange and Garrett have argued that the effects of corporatism on economic performance depend on the strength of left parties, and vice versa. If a country scores high on both indicators, they assume that the combined effect of CORPORATISM and LEFT is positive, leading to relatively high growth rates in that given country. Figure 4 on page 36 shows that Lange and Garrett assume that if a country scores *low* on both indicators, its growth in gross domestic product (GDP) can indeed be *high*: if labor unions are not well organized and labor movement is politically weak, chances are high that employers are in a strong enough position that they can cut down on the cost side of their businesses: lower wages, less security regulations, or less codetermination at the workplace might help the companies of a given nation to be more competitive compared to companies from other nations: GDP, therefore, might increase, too. The 'correct' model, therefore, would have to include that countries with very low scores and countries with very high scores can perform better in terms of growth of GDP than nations with medium scores: the resulting function, however, would not be linear anymore. An assumption which I will make throughout this section is that weak labor unions and weak left parties have a neglectable impact on growth of GDP. I will

discuss later whether this assumption is unwarranted. For now, however, I can build a *linear* function. I multiplied the corporatism-index by two modified variables: strength of the base of leftist parties (LEFT), and extent of corporatist arrangements (CORPORATISM), which can be regarded as a measure of the 'power of labor movements'.

$$\text{POWER} = (\text{CORPORATISM} + 2) \times (\text{LEFT} + 1)$$

The rationale behind the transformation is that both variables are always positive if I add these constants to either variable. Without transformation, the simple product of LEFT and CORPORATISM would have been distorted, since there are countries which score negative or zero on one of the variables. This might have led to strange results: e.g. Japan and the USA scored 0 in LEFT, which would have led to a POWER-score of 0, independent of the score on CORPORATISM. Conversely, Great Britain and Germany have a small, negative CORPORATISM-score, but strong, well-organized labor unions, and, therefore, a high LEFT-score. The resulting products, therefore, would have yielded strong, *negative* POWER-scores. Comparison of the POWER-scores would lead us to the wrong conclusion that the combined strength of labor unions and leftist parties is stronger in Japan and the USA than in Great Britain and West Germany. A transformation can eliminate this problem: high scores in both indicators lead to high POWER-scores, and low scores to low POWER-scores. The results are presented in Table 7 on page 64. Austria and the Scandinavian countries again have the highest scores, while Japan, Spain, Canada, and the USA have the lowest combined power of labor movements. I will now present the findings for the whole model, where all links are included, i.e. all effects between variables account for the other variables in the model.

The effects of strike activity on the economic performance variables is very similar to the ones in the 'additive' model (see Table 8 on page 65). Strike activity has a very strong and positive effect on unemployment rates ($\beta_{21} = .86$) and a medium strong one on inflation rates ($\beta_{31} = .48$): The more working days that are lost in a given country, the higher are the unemployment and the inflation rates. Effects of strike activity on GDP are smaller than in Model 1, but are still negative

Table 7. POWER-Index for Strength of Labor Unions and Left Political Parties

<i>Country</i>	<i>CORPORATISM</i>	<i>LEFT</i>	<i>POWER</i>	<i>Rank</i>
Austria	1.45	76	265.65	1
Sweden	1.34	65	220.44	2
Norway	1.31	53	178.74	3
Denmark	.66	53	143.64	4
Finland	1.06	38	119.34	5
Britain	-.26	63	111.36	6
Germany	-.27	55	96.88	7
Belgium	.66	16	45.22	8
Switzerland	.20	15	35.20	9
Netherlands	.49	13	34.86	10
Australia	-.29	17	30.78	11
Italy	-.51	7	11.92	12
Ireland	.32	4	11.60	12
France	-1.07	10	10.23	14
United States	-.98	0	1.02	15
Canada	-1.12	0	.88	16
Spain	-1.48	0	.52	17
Japan	-1.51	0	.49	17

Note: $POWER = (CORPORATISM + 2) \times (LEFT + 1)$

Table 8. Parameter Values Estimations with LISREL for the 'Multiplicative' Model

<i>Effect on</i>	<i>Effect from</i>	<i>Notation</i>	<i>Parameter</i>	<i>T-value</i>
STRIKE	POWER	γ_{11}	-.49	-2.32
	Disturbance	ψ_{11}	.76	2.92
UNEM6080	POWER	γ_{21}	-.04	-.28
	STRIKE	β_{21}	.86	6.36
	Disturbance	ψ_{22}	.23	2.92
INFL6080	POWER	γ_{31}	.06	.24
	STRIKE	β_{31}	.48	1.95
	Disturbance	ψ_{33}	.79	2.92
GDP6080	POWER	γ_{41}	-.50	-1.99
	STRIKE	β_{41}	-.25	-.98
	Disturbance	ψ_{44}	.81	2.92

($\beta_{41} = -.25$): the more strike activities there are in a nation, the lower is the growth of the overall economy. Interestingly, some of the effects of independent on dependent variables have become significant in the 'multiplicative' model. I have found a medium-strong, negative effect from POWER on STRIKE, which means that countries with strong leftist parties and strong, cooperative unions tend to have comparably low strike rates ($\gamma_{11} = -.49$). This result is significant (t-value = -2.3). Since strike rates have a very strong and significant influence on the average unemployment rates in a country, POWER has a strong *indirect* effect on unemployment rates via strike activity. The direct effects of POWER on UNEM6080 and INFL6080 are neglectable, but via STRIKE, their effects are stronger, especially on unemployment rates. The results yield an interesting relationship between POWER and GDP6080: there is a strong, *negative* relationship ($\gamma_{41} = -.50$), which is contrary to Lange's and Garrett's hypothesis! Countries with a strong combined power-index of labor unions and left parties tend to experience *less* growth than other countries. Overall, the model fits the data quite well, leading to a chi-square of 2.67 (df= 4): the parameters do not differ significantly from the estimated ones. Nevertheless, only the unemployment rates are explained sufficiently well with our theory, since its disturbance is low: $\psi_{22} = .23$, indicating that about 75 percent of the variance in UNEM6080 is explained by the variables in this model. The other dependent variables have very high disturbance terms, indicating that there are variations which we cannot explain with this model.

5.2.3 Possible Reasons for Insignificant Parameters and High Disturbance

Terms

Possible causes for insignificant parameters and high disturbances might be: (1) selection and size of samples; (2) selection of variables; (3) measurement of indicators; (4) invalid assumptions

like possible non-linear relationships between variables; and (5) wrong theory. Let me consider the first four of these in turn.

5.2.3.1 Sample Size and Selection of Cases

Since the universe of advanced capitalist democracies is rather small, the best solution would be to use all countries which qualify into that group. However, there are some practical limitations, since reliable data are not available for all countries. Comparative research is often done only with the most important or extreme nations. My sample selection is limited to the 18 countries which Cameron (1984) used in his analysis, since I use his data for my 'corporatism' variables. There is another factor which can compound the problems of small samples: outliers. Even if the theory is well founded, the results might be surprisingly weak or insignificant due to 'abnormal' scores on the part of some cases: these outliers can especially distort smaller samples due to their stronger relative importance. Spain should clearly be treated with caution, since it has become a democratic nation only after Franco's death in 1975, and processes of policy formation were probably different from the ones of other countries. Japan, as I have already mentioned, might be another candidate for an outlier. Nevertheless, to increase the sample size, I have included Spain and Japan in this analysis.

5.2.3.2 Invalid Assumptions: Non-Linearity and Heteroskedasticity

One of the assumptions of the LISREL approach is that relationships between variables are linear, and that residuals have a constant variance, i.e. deviations from the prediction line should be roughly constant (and never a function of one of the variables). The relationship between CORPORATISM and STRIKE (Figure 8 on page 69) could be a possible candidate for invalidating these assumptions: There are countries with relatively low scores on corporatism which have low strike volumes (Japan) and others which have high strike activities (like Canada and Italy), while

countries with high corporatism scores all have relatively low strike volumes. The predictive power of regression line, thus, would depend on the corporatism score. As Saris and Stronkhorst note, "in the past, the strong assumptions made have been the major disadvantage of the LISREL approach (...) [But] recently several... assumptions have been relaxed as a result of new developments."⁶ In addition, despite the seeming heteroskedasticity, the correlation coefficient is quite high: -.44. Therefore, I do not regard these possibilities as a potential reason for the bad fit of the model.

5.2.3.3 *Indicators*

There should be no doubt that data for the intervening and dependent variables are quite valid and reliable.⁷ But with my independent variables, there might be some problems.

Corporatism: Factor analysis on the independent variables has yielded very good results (the lowest factor loading is higher than .80), and the country rankings are very quite close to Schmitter's results. However, there are potential problems of reliability and validity. For some of his variables Cameron did not reveal how he assigned values to the nations—therefore, a repeated study might lead to different results.⁸

My main concern is not reliability, but the *validity* of the data: Do the 4 variables which score so high in a factor analysis and which are therefore used to create the index CORPORATISM really measure the extent to which there are corporatist arrangements in a given nation? Figure 9 on page 70 presents an overview over the two approaches to corporatism (structural vs. functional), and the two main economic interest groups (labor unions vs. employers association). Since there are hardly any comparable data on the functional approach, I explicitly stated in my research design that I would confine myself to the *structural* approach. In the next step, I excluded characteristics of

⁶ Saris and Stronkhorst, 1984: 301.

⁷ Although, as Crouch remarks, the strike data reported do not distinguish between strikes and lockouts.

⁸ Some of the indicators have been examined and criticized by Lehbruch (1984), who suggested minor changes for some of the assigned values, but who himself used them for his analysis.

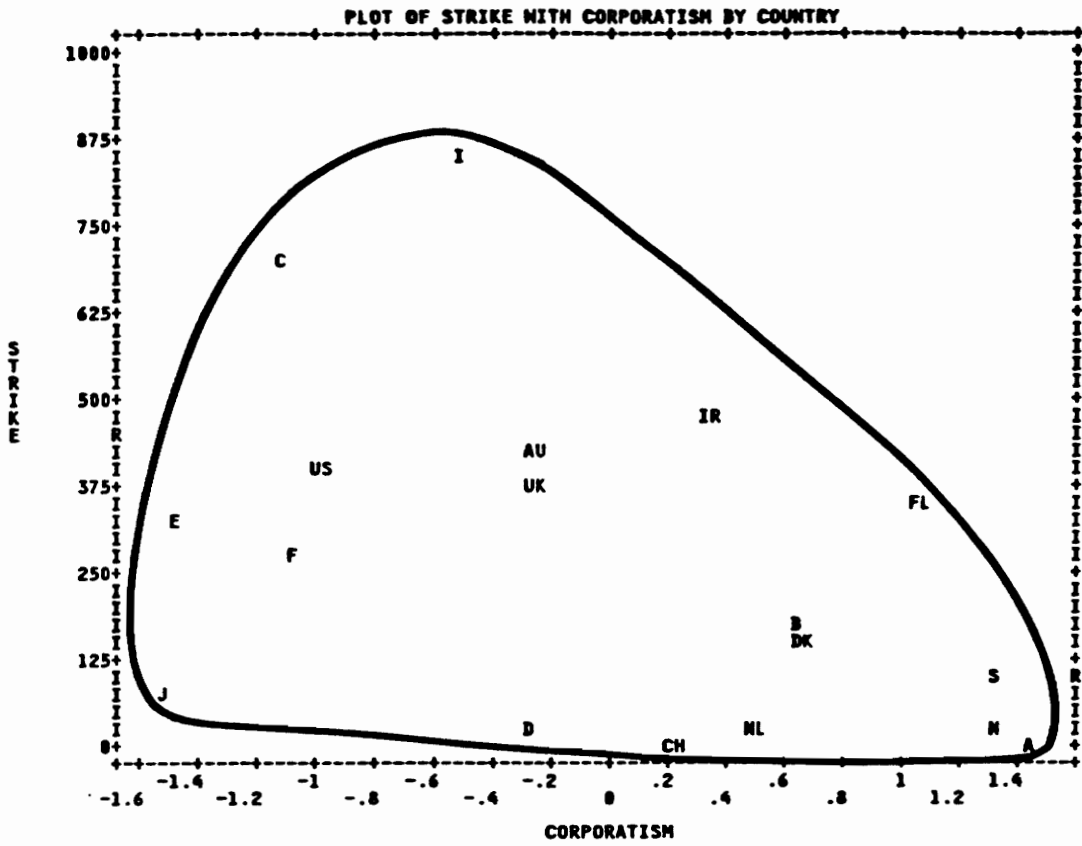


Figure 8. Plot of Corporatism-Index and Strike Activity

Actors	Approach	
	Structural	Functional
Labor Unions	+	-
Employers Associations	-	-

+: used in my study
 -: not used in my study

Figure 9. Two Approaches to Corporatism and Main Interest Groups

employers associations, since the importance of these groups is hardly discussed in the literature, and for whom I have not found any comparable data. Schmitter suggests that “the institutional indicator... makes the assumption that the institutional configuration for worker’s interests will somehow ‘mirrored’ in that of other classes, sectors, and professions.”⁹ However, he admits that the presumption of organizational symmetry between organized interests is “demonstrable false with regard to capital and labor in certain cases.”¹⁰ Since I have only used *labor union* characteristics, the index might be biased: countries with strong labor unions and relatively weak employer’s associations might score too high, while in the reversed case a country such as Japan might be underestimated. But even if I had included characteristics of employers associations, the functional approach of corporatism is still missing (see Figure 3 on page 18). Schmitter suggested the importance of the distinction between the two approaches:

corporatism as interest intermediation and corporatism as policy formation are neither theoretically nor empirically synonymous. One can exist without the other. For example, a regime may incorporate multiple, overlapping, competing, autonomous interest associations into policymaking and implementation. Inversely, a regime may tolerate and license singular, monopolistic, functionally differentiated, hierarchically ordered associations but deny them the access or capability to do more than ‘pressure’ for their preferred outcomes from without and refuse to rely on them for implementation purposes.¹¹

It is important whether interest groups become incorporated within the policy process (concertation), or whether they remain outside of the policy process (pressure). My index, CORPORATISM, however, does not measure this. It measures only part of the whole concept corporatism, which might be called *structural corporatism*.

⁹ Schmitter, 1981: 296.

¹⁰ Schmitter, 1981: 296, referring to Pempel and Tsunekawa (1979) who discuss the case of Japan, which has been described as ‘corporatism without labor’: “Economic policymaking... in Japan is characterized by intimate cooperation of government..., the banking sector, and big industry (Lehmbruch, 1983: 164).”

¹¹ Schmitter, 1981: 296.

6.0 Conclusion

In this paper I have tried to explain differences in the *economic* performance of selected advanced capitalist countries between 1960 and 1980 (such as rates of unemployment, level of inflation rates and economic growth rates) with the presence or absence of corporatist arrangements between major interest groups as well as the State in these countries. Comparative analysis of economic indicators reveals that especially since the mid-1970s, some countries have had both high inflation and unemployment rates (such as Italy or Great Britain), while other nations (like Switzerland and Japan) have been able to control the so-called 'stagflation'. What accounts for these differences? There are many possible reasons for these differences, but I have been most interested in a political model. Among others, Cameron (1984), Schmidt (1982a-c), Lange and Garrett (1985), Lehmbruch, Schmitter, and von Beyme (1981, 1983) have suggested that countries with corporatist arrangements between major interest groups and the 'State' can perform better economically than countries without these arrangements.

I have introduced several concepts of *corporatism*, since there is little clarity about what corporatism is. Basically, what I have found is two analytically distinct approaches to corporatism: a *structural* one and a *functional* one.¹ Streeck and Schmitter find that

¹ Lehmbruch, 1983: 166 - 7.

'corporatism' always referred to two different but interrelated dimensions of interest politics....: the way in which group interests in a society are *organized* and the way in which they are *integrated into the policy process* so as to make for better accommodation of interest conflicts.²

The sociological approach emphasizes *characteristics of the interest associations*, especially labor and employers' organizations. Schmitter gave the following, very influential, ideal-type definition,

Corporatism can be defined as a system in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.³

The functional approach is not so much concerned with the 'input' side or articulation of interest of relevant groups, but more with the way these organizations interact with each other, and the way these policies are formulated and implemented. Marks notes about the relationships between major interest groups: "Neocorporatist policymaking presupposes *consensus rather than conflict* among the major groupings in society. It is, essentially, an approach to problem-solving that demands cooperation between the state and functional interest groups, especially those representing capital and labor, in the formulation and implementation of public policies."⁴ We can leave the 'functional' definition to Lehmbruch:

Corporatism is more than a peculiar pattern of articulation of interests. Rather, it is an institutionalized pattern of policy-formation in which large interest organizations cooperate with each other and with public authorities not only in the articulation (or even 'intermediation') of interests, but... in the 'authoritative allocation of values' and in the implementation of such policies.⁵

However, researchers have not been very successful in creating a a cohesive theory which explains *why* corporatist arrangements in a nation should have a positive effect on the economic performance. Therefore, I have included a model representing some implications from Mancur Olson, who has an economic view of politics, and who suggests that his 'Logic of Collective Action' is the missing theory to explain why corporatist countries should do better economically (in terms of growth rates) than pluralist countries. In addition, I have included a model by critics

² Streeck and Schmitter, 1985: vii. Emphasis added.

³ Schmitter, 1979b: 13.

⁴ Marks, 1986: 253. Emphasis added.

⁵ Lehmbruch, 1979b: 150.

of Olson, Peter Lange and Geoffrey Garrett. Olson argues that corporatist arrangements help improve the economic performance of a given nation, while Lange and Garrett argue that this effect depends on an additional variable: the strength of left parties. They suggest that countries with corporatist arrangements only have a positive effect on growth rates if there are strong left parties. The relevance of these two approaches is that, depending on who is correct, the policy implications are different: if Olson is right, *all* countries might want to pursue corporatist strategies to improve their economic performances; if Lange and Garrett are right, only those countries with strong left parties should pursue these strategies, since absence of strong labor-based parties might impede rather than promote economic growth.

Olson's theory suggests that, depending on their size, interest groups would use different strategies to satisfy their members:

- *strategy of redistribution*: *small* special interest groups are willing to make demands to society, even if total costs outweigh the total benefits, since they can receive a relatively high share of the benefits, while only paying a minor share of the costs. Therefore, the society itself is becoming less efficient, since it pays almost *all* costs. Olson states that "a society dense with organizations for collective action is like a china shop filled with wrestlers battling over the china and breaking far more than they carry away."⁶
- *strategy of collective gain*: especially *large* organizations try to increase the societal output ('collective good'); they will only engage in political action (e.g. making it more efficient) if the total benefits exceed the total costs many times over, since the group has to pay a high share of the costs, but receives only a *part* of the benefits.

According to Olson's theory, nations with corporatist arrangements (large and centrally organized interest groups) should do better economically (in terms of growth rates) than nations

⁶ Olson, 1986a: 257.

without these arrangements. However, this application has been criticized, since economic growth would be a relatively automatic function of size and degree of organization of interest groups. It does not leave any room for strategic considerations, which are influenced by the expectations of actors. It has been argued that governments can influence these expectations positively or negatively, depending on who is in charge of the government. Labor unions, as important representatives of major interest groups, might moderate their behavior (e.g. wage restraint and strike activity) when leftist parties are strong or even in charge of the government. Therefore, in trying to explain differences in the economic performance of selected countries of the Organization for Economic Cooperation and Development (OECD) with the presence or absence of corporatist arrangements between interest groups, I have included a variable which measures the strength of leftist parties. Nations with strong leftist parties and centrally organized (encompassing), strong labor unions should do better in terms of economic performance.

Practical limitations—especially the lack of adequate indicators and comparable data for functional variables—forced me to reduce the level of complexity of the concept of corporatism and do the following reductions: (1) to confine myself to *structural* variables, therefore excluding the functional approach, which stresses the 'output' side of corporatist arrangements, i.e. the policy formation and implementation; and (2) to reduce the sociological account to only one of the major economic interest groups, labor unions. The variables which I have then considered to be indicators of that 'reduced' corporatism are (1) extent of union membership; (2) organizational structure of the labor movement; (3) the power of labor confederation in collective bargaining; and (4) the scope of collective bargaining. Due to these limitations, the resulting index of corporatism might not represent the extent of *true* corporatism but be biased towards nations with strong labor unions compared to employers associations. Such an approach can be criticized, of course. Von Beyme, for example, criticized Schmitter, who used an approach quite similar to what I have done

[Schmitter's] choice of indicators reveals the danger inherent in many attempts at quantifying complex factual matter. No account has been taken here of internal fragmentation within the groups, the extent of the division between blue-collar and white-collar trade unions, the power held by central offices in the umbrella organizations enjoyed by the individual trade unions, labor disputes practices, the level of cooperation in codetermination at company level and above, or other less easily quantified factors.

He argues that

This attempt at an organizational sociological explanation does have its merits, ... [but will eventually fail] due to the minimization of factors pertaining to historical tradition, ideology, and alternative organization models... once a study... attempts a transnational comparison of all the major capitalist countries.⁷

The factor loadings have revealed that these four variables are good indicators for one underlying concept, which I assume is structural corporatism, with the lowest factor loading for labor unions (.81), and the highest ones for the power of labor confederation in collective bargaining and the scope of collective bargaining (.94 and .95, respectively). More than 95 percent of the variance in these four variables can be attributed to the corporatism-factor.

I have constructed an index for each country, and compared the results with Schmitter's rankings, and Lehmbruch's and Crouch's classifications. Schmitter, who used a similar approach (mainly characteristics of labor unions), reports rankings which are quite close to my results. The most corporatist nations are, as expected, Austria, and the Scandinavian countries Sweden, Norway, and Finland. The countries which rank lowest are the United States, France, Canada, Spain, and Japan. Among the surprises: Germany has the same rank as Australia and Britain, and scores lower than Ireland, although all three countries are considered liberal (or pluralist) by Lehmbruch. Some scholars suggest that Switzerland and Japan should be considered as corporatist. However, in my study, Switzerland gets a rank of 9, while Japan is the least corporatist nation. These results could indicate that my corporatism indicator has a certain bias, since I have limited the corporatism-index twice: first I excluded the functional approach and have used only characteristics of interest groups, and then I excluded employers associations and have used only characteristics of labor unions. Therefore, countries with weak national labor unions score low on this indicator, although 'functionally', they might be regarded as corporatist (such as Japan, whose policy formation has been labeled as 'corporatism without labor', where business and the banking sector are very strong and have strong links to the ruling, conservative LDP party). Despite this outlier, my rankings are supported by a comparable study done by Schmitter, and also by findings from Lehmbruch and Crouch.

⁷ Von Beyme, 1983: 178-9.

One of the goals of this study has been to examine whether organizational structure and political power of labor unions, and strength of leftist parties in governments explain a large portion of the variation in economic performance among the advanced industrial nations between 1960 and 1980. I have done LISREL analyses for two competing models, estimating the parameters of all links between independent and dependent variables: (1) an 'additive' model, where I have compared the *independent* effects of corporatist arrangements and leftist parties on strike activity, unemployment rates, inflation rates, and GDP growth rates; and (2) a 'multiplicative' or *conditional* model, where the effects of corporatism on economic performance depend on the strength of left parties, and vice versa. In both models I have found that strike activity has a positive and rather strong influence on unemployment and inflation rates. This supports suggestions in the literature that countries with relatively high strike volumes tend to experience higher inflation rates as well as higher unemployment rates. If we want to know *why* certain countries were more successful economically in the time period between 1960 and 1980, we could try to find out what effects strike, since STRIKE is by far the single best predictor of unemployment and inflation rates.

The first 'additive' model, with which I have tried to find out whether Olson's theory is correct, is *not* very successful in explaining strike activity. Once the strength of left parties is taken into account (LEFT), the extent to which a country is corporatist does not help much determining strike activity and economic performance: CORPORATISM has a negative effect on STRIKE activity, suggesting that through this indirect link it has a positive impact on economic growth. The direct effect, on the other hand, is negative. These results, however, are not reliable, since all links are statistically insignificant. All the dependent variables have relatively high disturbance terms.

Lange's and Garrett's 'multiplicative' model is partly more successful. It yields a significant effect of POWER on GDP6080, but in the 'wrong' direction: the combined effect of leftist parties and extent of corporatist arrangements have a strong *negative* effect on economic growth. Nevertheless, POWER has strong, indirect, and negative effects via strike activity on unemployment rates and on inflation rates. My simplification of Lange's and Garrett's theory that only strong left parties and corporatist arrangements help economic growth in order to work with *linear* relationships might have been unwarranted. Lange and Garrett explicitly stated that countries that score low on

both indicators might nevertheless have high economic growth. Further research should include this non-linear relationship, or transform it into a linear one.

The relevance of Olson's 'additive' and Lange's and Garrett's 'multiplicative' approach is that depending on who is correct, the policy implications are different: my findings do not strongly support Olson, whose policy implications for countries that wish to be more successful economically in terms of growth of GDP would be to pursue more corporatist strategies. With the notable exception of economic growth rates, Lange's and Garrett's model is far more successful in explaining differences in economic performance among nations: one of the implications is that *those countries with strong left parties and already existing corporatist arrangements could pursue strategies to extend corporatist arrangements with the hope of gain, while countries without strong left parties and corporatist arrangements might abstain from a policy of becoming more corporatist, since absence of strong labor-based parties might impede rather than promote economic growth.* They might even try to reduce their extent of corporatism, as a review article in *The Economist* discussing the findings of a study on the impact of levels of wage bargaining on macroeconomic performance suggests.⁸

Future research might not easily expand the sample size, since the number of advanced capitalist democracies is limited. But the non-linear relationship between strength of left parties and extent of corporatist arrangements, which Lange and Garrett suggest, should be viewed and treated as one, and might be incorporated through a transformation in a linear model. Another suggestion for future research is that quantitative research should try to include (1) both structural and functional indicators; and (2) include labor unions as well as employers associations. The indicators which I have used for corporatism seem to be good approximations for corporatism, although they seem to have a certain bias towards a 'social-democratic' type of corporatism, as we find it especially in Northern and Central Europe. Future studies might want to apply the more general scope of corporatism, thus measuring the 'real' extent of corporatism, and yielding more valid results.

⁸ "One Hump or Two" in *The Economist*, February 13, 1988, p. 66., which refers to a study done by L.Calmfors and J. Drifill: "Centralisation of Wage Bargaining and Macroeconomic Performance", *Economic Policy*, No. 6 (April 1988), Cambridge University Press, which deals with this very problem.

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Appendix A. Tables

Table 9. Average Unemployment Rates, 1960 - 1967, 1967 - 1973, 1973 - 1980, 1980 - 1985, and 1960 - 1980

	<i>1960 to 1967</i>	<i>1967 to 1973</i>	<i>1973 to 1980</i>	<i>1980 to 1985</i>	<i>1960 to 1981</i>
	(%)	(%)	(%)	(%)	(%)
Australia	1.9	2.0	4.8	7.6	3.0
Austria	2.6	1.6	1.7	3.2	2.0
Belgium	2.1	2.3	5.5	11.8	3.4
Britain	2.1	3.3	4.9	11.0	3.5
Canada	5.1	5.1	7.0	9.9	5.9
Denmark	1.6	1.0	5.5	10.0	2.9
Finland	1.6	2.6	4.2	5.7	2.8
France	1.1	2.4	4.5	8.3	2.7
Germany	0.8	1.0	2.9	6.4	1.6
Ireland	4.9	5.6	6.6	12.4	5.7
Italy	5.0	5.7	6.6	9.2	5.8
Japan	1.3	1.2	1.9	2.4	1.5
Netherlands	0.7	1.5	4.7	11.1	2.4
Norway	1.4	1.7	1.8	2.5	1.6
Spain	2.5	2.7	5.6	16.6	3.8
Sweden	1.6	2.2	2.0	2.8	1.8
Switzerland	0.0	0.0	0.3	0.6	0.1
United States	5.1	4.6	6.6	8.1	5.6
Mean	2.3	2.6	4.3	7.8	3.1
s.d.	1.6	1.6	2.0	4.1	1.6

Source: Wharton (1987); own calculations.

Note: Database incorporates, as far as possible, the OECD standardized unemployment rate. Mean is an unweighted average.

Table 10. Consumer Price Indices, Average Annual Percentage Changes for 1960 - 1967, 1967 - 1973, 1973 - 1980, 1980 - 1985, and 1960

	<i>1960 to 1967 (%)</i>	<i>1967 to 1973 (%)</i>	<i>1973 to 1980 (%)</i>	<i>1980 to 1985 (%)</i>	<i>1960 to 1981 (%)</i>
Australia	2.4	4.9	11.6	8.6	6.3
Austria	3.5	4.7	6.5	5.2	4.8
Belgium	2.5	4.3	8.0	7.0	5.0
Britain	3.2	6.4	15.2	9.0	8.6
Canada	2.1	4.4	9.1	8.0	5.2
Denmark	5.2	6.9	10.8	8.7	7.5
Finland	4.9	6.3	12.4	9.0	7.9
France	3.5	5.5	10.6	10.2	6.7
Germany	2.5	3.8	5.0	4.2	3.7
Ireland	3.5	7.5	15.0	13.4	8.8
Italy	4.1	4.9	16.1	15.0	8.6
Japan	5.4	6.4	10.1	3.6	7.3
Netherlands	3.9	5.9	7.3	4.6	5.7
Norway	3.6	6.1	8.8	9.4	6.2
Spain	6.3	6.7	16.8	12.8	10.2
Sweden	4.1	5.2	9.9	9.8	6.5
Switzerland	3.3	4.9	4.6	4.3	4.0
United States	1.7	4.6	8.9	6.9	5.1
Mean	3.6	5.5	10.4	8.3	6.6
s.d.	1.2	1.0	3.5	3.2	1.7

Source: Wharton (1987); own calculations.

Table 11. Real Gross Domestic Product (GDP) Growth Rates, 1960 - 1967, 1967 - 1973, 1973 - 1980, 1980 - 1985, and 1960 - 1980

	<i>1960 to 1967</i>	<i>1967 to 1973</i>	<i>1973 to 1980</i>	<i>1980 to 1985</i>	<i>1960 to 1980</i>
	(%)	(%)	(%)	(%)	(%)
Australia	4.8 ¹	6.1	2.9	3.0	4.4
Austria	4.3 ¹	5.3	3.2	1.9	4.2 ²
Belgium	4.6 ¹	5.3	3.0	1.1	4.2 ²
Britain	3.2	3.3	1.8	1.2	2.5
Canada	5.5 ¹	5.3	3.8	2.5	4.8 ²
Denmark	4.7 ¹	4.0	2.0	1.7	3.5 ²
Finland	4.1 ¹	5.4	3.4	3.2	4.3 ²
France	5.5 ¹	5.5	3.2	1.1	4.6 ²
Germany	3.9 ¹	4.3	2.5	1.3	3.6 ²
Ireland	3.6 ¹	5.3	4.9	2.0	4.6 ²
Ital.	5.6 ¹	5.3	3.4	1.4	4.4 ²
Japan	10.3 ¹	9.7	4.5	4.2	7.8 ²
Netherlands	4.6 ¹	5.5	2.7	0.5	4.1 ²
Norway	4.9	4.1	4.7	2.9	4.5
Spain	7.7 ¹	6.4	3.1	1.6	5.6 ²
Sweden	4.4	3.8	2.1	1.7	3.4
Switzerland	6.4	4.2	0.7	1.8	3.8
United States	4.2	3.1	2.5	2.1	3.2
Mean	5.1	5.1	3.0	2.0	4.3
s.d.	1.6	1.4	1.0	0.9	1.1

Source: Wharton (1987); own calculations.

Note: Aggregates at 1980 Prices and 1980 Exchange Rates.

¹ Data from 1961 - 1967.

² Data from 1961 - 1980.

Table 12. Pearson's Correlation Coefficients between the 'Original' Variables

STRIKE	1.0000									
LEFT	-.4699	1.0000								
UNION	-.1951	.7386	1.0000							
ORGANIZ	-.5880	.7899	.6711	1.0000						
CONFED	-.5074	.6442	.7708	.7960	1.0000					
BARGAIN	-.3438	.6264	.7726	.8087	.8973	1.0000				
UNEM6080	.8747	-.4704	-.1948	-.4851	-.4415	-.2759	1.0000			
INFL6080	.4528	-.1712	-.0594	-.4798	-.2012	-.1762	.3884	1.0000		
GDP6080	-.0001	-.5096	-.4450	-.4426	-.2856	-.5105	-.0637	.2488	1.0000	
Mean	265.67	26.94	38.06	.53	.35	.69	.48	3.11	6.56	4.31
s.d.	249.21	26.67	16.48	.26	.27	.25	.41	1.69	1.80	1.12

Table 13. Pearson's Correlation Coefficients between CORPORATISM, POWER, and Selected Variables

	<i>CORPORATISM</i>	<i>POWER</i>
LEFT	.70	.66
STRIKE	-.44	-.42
UNEM6080	-.37	-.34
INFL6080	-.22	-.15
GDP6080	-.44	-.11

Table 14. Z-Scores for Observed Variables for 'Corporatism'

<i>CNTRY</i>	<i>CORPORATISM</i>	<i>ZUNION</i>	<i>ZORGANIZ</i>	<i>ZCONFED</i>	<i>ZBARGAIN</i>
Australia	-.29	.12	-.52	-.18	-.37
Austria	1.45	.72	1.82	1.66	1.21
Belgium	.66	1.03	.26	.92	.42
Britain	-.26	.42	-.52	-.18	-.37
Canada	-1.12	-.67	-.52	-1.29	-1.16
Denmark	.66	.97	1.04	.18	.81
Finland	1.06	.54	1.04	.92	1.21
France	-1.07	-.85	-1.30	-1.29	-.77
Germany	-.27	-.37	1.04	-.55	-.37
Ireland	.32	-.37	-.52	.18	.81
Italy	-.51	.18	-1.30	-.55	-.37
Japan	-1.51	-1.34	-1.30	-.92	-1.95
Netherlands	.49	-.61	.26	.92	.42
Norway	1.31	1.63	1.04	1.29	1.21
Spain	-1.48	-1.46	-1.30	-1.29	-1.56
Sweden	1.34	1.94	1.04	1.29	1.21
Switzerland	.20	-.85	.26	.18	.42
United States	-.98	-1.03	-.52	-1.29	-.77

Note: Z-score variable transformation standardizes variables with different observed scales to the same scale, where the mean is 0 and the standard deviation equals 1.

$$\text{CORPORATISM} = .102 * \text{ZUNION} + .127 * \text{ZORGANIZ} + .365 * \text{ZCONFED} + .444 * \text{ZBARGAIN}$$

Appendix B. LISREL Programs

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CORPORATISM AND ECONOMIC PERFORMANCE: THE ADDITIVE MODEL
DA NI=7 NO=18 MA=KM
LA
*
'CORPINDX' 'LEFT' 'POWER' 'STRIKE' 'UNEM6080' 'INFL6080' 'GDP6080'
KM SY
*
1.0000
.7043 1.0000
.8031 .9414 1.0000
-.4413 -.4699 -.4907 1.0000
-.3725 -.4704 -.4574 .8747 1.0000
-.2248 -.1712 -.1769 .4528 .3884 1.0000
-.4428 -.5096 -.3793 -.0001 -.0637 .2488 1.0000
SE
4 5 6 7 1 2 /
MO NY=4 NX=2 NK=2 NE=4 BE=SD PH=ST PS=SY,FI TD=ZE TE=DI,FI
FR PS(1,1) PS(2,2) PS(3,3) PS(4,4)
FI BE(3,2) BE(4,2) BE(4,3)
ST 1 LX(1,1) LX(2,2) LY(1,1) LY(2,2) LY(3,3) LY(4,4)
OU TV RS EF VA MI FS

```

Figure 10. LISREL Program for the 'Additive' Model

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CORPORATISM AND ECONOMIC PERFORMANCE: THE MULTIPLICATIVE MODEL
DA NI=7 NO=18 MA=KM
LA
*
'CORPINDX' 'LEFT' 'POWER' 'STRIKE' 'UNEM6080' 'INFL6080' 'GDP6080'
KM SY
*
1.0000
.7043 1.0000
.8031 .9414 1.0000
-.4413 -.4699 -.4907 1.0000
-.3725 -.4704 -.4574 .8747 1.0000
-.2248 -.1712 -.1769 .4528 .3884 1.0000
-.4428 -.5096 -.3793 -.0001 -.0637 .2488 1.0000
SE
4 5 6 7 3 /
MO NY=4 NX=1 NK=1 NE=4 BE=SD PH=ST PS=SY,FI TD=ZE TE=DI,FI
FR PS(1,1) PS(2,2) PS(3,3) PS(4,4)
FI BE(3,2) BE(4,2) BE(4,3)
ST 1 LX(1,1) LY(1,1) LY(2,2) LY(3,3) LY(4,4)
OU TV RS EF VA MI FS

```

Figure 11. LISREL Program for the 'Multiplicative' Model

Vita

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