

**(Consensual) Corporatism as a Variety of Capitalism: the Small North-west-European Political Economies in International Comparison.**

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**Abstract:**

The small Northwest-European political economies of the Alpine region, Scandinavia and the Netherlands have performed very well in the decade up to 2002. Their GDP growth rates have been above OECD average (though Switzerland was a laggard), employment has reached (or consolidated at) levels higher than anywhere else and their relatively generous welfare systems have proven relatively resistant against the challenges supposed to stem from globalisation. It is not a surprise therefore that these countries and particularly their corporatist arrangements of coordinating economic and social targets are internationally discussed. It is a surprise, however, that it is barely asked whether these political economies or to be more precise whether corporatist capitalism is a specific variety of capitalism with a specific nexus of market, political regulation and welfare system. This paper discusses this question. The answer is positive: corporatism is a specific form of socio-economic regulation and in this regard distinct from liberal, etatist and communitarian varieties. Looking at institutional advantages of corporatism in international competition the findings are rather negative or mixed at best, however.

## **Introduction: remarkable socio-economic performances**

Global competition is said to have produced unemployment and to be a challenge Western countries can only meet when they embrace economic liberalism, i.e. bringing down the lower wage scales, relaxing job protection rules and cutting welfare benefits (Frieden and Rogowski 1996, Held et al. 1999, Strange 1996). In the latter case this process is said to have been reinforced by the demographic development of ageing as well as by the process of social-structural individualisation that tends to reduce the willingness of the people, particularly of the higher income groups, to pay for expensive unemployment schemes (George 1998).

The small European democracies of Austria, Denmark, Finland, the Netherlands, Norway, Sweden and Switzerland barely fit into the first part of this picture, however. For they have performed well in terms of GDP growth and employment, welfare and social security cuts have been limited – in Switzerland these benefits have even increased –, the same is true for the liberalisation of the labour market, and income inequality has only slightly grown – if at all. It is not clear whether the latter changes have been reaction to the challenges just mentioned. The pressure ageing lays upon social budgets by raising pension and health care spending is undisputed. This is not true, however, for the effect of globalisation on employment protection rules, unemployment benefits, wage differentiation and material equality in general. Many scholars (Garrett 1998, Moses 2000, Weiss 1998) still argue that states have kept the autonomy to set their own standards.

An alternative explanation for the processes of social retrenchment in the small countries (as elsewhere) could be that it has been a consequence of liberal ideological dominance stressing individual responsibility and market reliance that, as a rejoinder to the previous dominance of social democratic values, began in the early 1980s and did not leave uninfected the small countries (and tends to become stronger in times, as after 2001 - 2002, of slowing GDP growth and rising unemployment). The increased electoral strength of liberal parties and the programmatic shift of social democratic parties towards liberal values perhaps indicate this shift that is facilitated by social-structural individualisation too.

Until the slowdown of the western, particularly West-European, economy that started in the early 2000s unemployment in the small countries under investigation only rose in Finland and Sweden – for homemade or very special reasons (Kiander 2001) – and slightly in Switzerland in the early 1990s (the decade consideration). Overall, however, the small countries are just noticed for their impressive performances in the socio-economic field. Their welfare systems are still relatively generous, poverty and inequality are

low in comparative terms and with the exception of Finland and Sweden – where the situation has rapidly improved in the second half of the last decade – employment has stabilised on a high level, slightly increased or even, as in the Netherlands, remarkably risen. In the development of employment the small countries clearly and positively contrast to most other EU member states (see Table 1), and with respect to welfare, equality and poverty they contrast positively to the Anglo-Saxon world (Table 2).

**Table 1 about here**

**Table 2 about here**

One should not idealise the small countries, but it is for the reasons mentioned that they frequently have been called models other countries can learn from: the Swedish and generally the ‘Nordic’ model in the 1970s and 1980s, the Dutch ‘delta’ model, the Austrian ‘Alpine’ model and the Danish ‘miracle’ in the 1990s and the Finnish ‘Nokia economy’ after the turn of the millennium. This is also, however, for *the way* they achieve their performances, i.e. for the coordination capacity of their corporatist mode of socio-economic regulation and the long-term orientation it makes possible. A comparison to other countries that also ‘have tried’ corporatism (Britain and France) makes clear, however, that corporatism is more than a formal-institutional arrangement. To become effective corporatism it is bound to a culture of negotiation and consensus. Effective corporatism, at least in its non-authoritarian form, is only an institutionalised expression of a consensual political culture.<sup>1</sup> The latter is the informal and historical basic mode of regulation comprising a mode of conflict resolution. Its main ingredients are: a social commitment to the common interest, a high communication capacity (that is also evident at the firm level; cf. Martin 2002), and, as a condition and reinforced by consensualism, a relatively high level of social trust.

Historically (cf. Katzenstein 1985: 137f and 186ff; Becker 1999, chapter 3), the consensual conditions of effective corporatism in Denmark, the Netherlands, Sweden and Switzerland (and Norway that for centuries belonged to either Denmark or Sweden) are rooted in 1) a weak or even absent feudal past that kept limited social distances, 2) the Reformation strengthening the sense of community and bringing about a certain push of egalitarianism, 3) a long national history favouring the gradual formation of a collective identity, 4) a ‘liberal’, though strong (Denmark), absent (Netherlands, Switzerland) or a temporal and rather ‘popular’ absolutism (Sweden) rendering possible pragmatism and the institutionalisation of consensual practices, 5) very limited religious repression and sub-

sequently relatively peaceful processes of democratisation which were the basis of the evolution of a relatively high degree of popular trust and the communication capacity conditional for consensualism. Revolutions that could be compared to what happened elsewhere in Europe did not take place. Political change and democratisation took an evolutionary route. Later on the consensual culture that already had emerged was 6) reinforced by parliamentary democracy and corporatist structures, i.e. by institutional frameworks facilitating consensualism. Of the historically formative differences one has to mention the rural forces that were dominant in Scandinavia in earlier centuries – with a representative estate of its own for the peasantry in Sweden - while a liberal merchant bourgeoisie was much more influential in the Netherlands and, though much less, in Switzerland. Only the latter countries once belonged to the European city belt.

A particular place is reserved for Austria and Finland because these cases suggest that the consensual patterns of interaction can emerge within only a few decades. These countries are cases of historical discontinuity. Before 1918, Finland was part of Sweden for centuries (and sharing in the relative egalitarian social structure of its agrarian society) and then Russian (since 1809). At the end of this period it fell into political turmoil and civil war, and after independence in 1918 Finnish society remained highly polarised. The general picture Austria revealed between the wars was similar, but here polarisation even brought about a dictatorship based on catholic doctrines, and Austrian history before WWI was quite different from Finnish history. Feudalism, absolutism, religious repression, nationalist tensions, all the ingredients of a turbulent development had been present in the multinational Austrian monarchy. In both cases, however, a conversion to consensualism occurred after WWII indicating the possibility of relatively fast learning from bad experiences.

### **Corporatism as a specific variety of capitalism?**

The discussion on varieties or types of capitalism has had a strong revival in recent years and it is remarkable that the corporatist political economy is discussed as a specific variety of capitalism by nearly no one. This is remarkable because almost all the small European countries labelled models rank very high in terms of corporatism (see Table 3).<sup>2</sup> And since corporatism involves a form of macroeconomic regulation or coordination it is not a surprise that, as the data in Table 3 show, these countries also have a high coordination score in the most prominent and roughest typology of capitalist varieties – that of Hall and Soskice (2001) – distinguishing between liberal market economies (LMEs) and coordinated market economies (CMEs).

### Table 3 about here

Would it make sense to construct a corporatist type of capitalism? The answer should be positive. This is because the number of countries with a high degree of corporatism is considerable – apart from the countries discussed here also, though at a somewhat lower level, Belgium and Germany - and because there appear to exist different forms of politico-economic coordination. Table 3 reveals that France, Italy and Spain as well as Portugal score relatively high in the coordination index, but low in the corporatism ranking. Is it plausible to lump together these forms of capitalist regulation under the heading of coordination?

The theories on the varieties of capitalism barely discuss whether it makes sense to construct a separate corporatist type. After roots in the 1920s (Hilferding 1924), a revival in the 1960s (Shonfield 1965 and Galbraith 1967) and a shift towards forms of ‘welfare capitalism’ (Esping-Andersen 1990) it was with Albert’s *Capitalisme contre capitalisme* (1991) that this topic entered its actual stage with its attention to the impact of globalisation on different political economies and their potential for adjustment. Albert, descriptively referring to corporatism without specifying a distinct corporatist capitalism, identifies two types both of which are viable alternatives of adjustment in his judgement: a European (and Japanese!) ‘Rhineland model’ and ‘Anglo-Saxon Capitalism’. Comparable typologies together with a similar message were put forward by Hutton (1995) – distinguishing ‘stakeholder’ from ‘shareholder capitalism’ –, Dore (2000) and Hall and Soskice (2001) with their ‘liberal’ and ‘coordinated’ varieties of capitalism each containing institutional advantages in international competition.

Non-dichotomous typologies were presented by Rhodes and Apeldoorn (1997) pointing to Anglo-Saxon, Germanic and Latin forms of capitalism, and Amable (2003; cf. Hollingsworth and Boyer 1997) who makes a distinction between market-based Anglo-Saxon, social democratic, continental European, Mediterranean and Asian ‘social systems of innovation and production’. One of the few authors conceptualising a corporatist variety of capitalism is Vivian Schmidt (2002: 107ff). She distinguishes between market capitalism, managed capitalism and state capitalism where in the second ‘economic actors (...) operate cooperatively and (...) coordinate the direction of their activities with the state’. Schmidt, treating Germany as a case approximately representing the managed variety, does not extensively discuss her managed/corporatist variety, however.

Given the basic structure of liberal versus non-liberal the issues of dispute are whether or not the non-liberal type has to be sub-divided, in which types it has to be sub-divi-

ded and on the basis of which criteria the entire typology has to be build. Once one has decided that a dichotomous typology is too much simplifying complex reality and analytically withering away fundamental differences there is no longer any reason not to subdivide the coordinated market economy and to construct a corporatist variety or type. Corporatism *is a way of organising capitalism* that is not only different from a sole market-based economy, but also from the etatist way with its central reliance on political regulation and the communitarian way where huge industrial-financial conglomerations are the very heart of socio-economic activity (perhaps there should even be a specific place for a type of predatory or Mafia capitalism).

The way capitalism is regulated is the central distinguishing criterion, but also a very global one that should be supplemented by other criteria. Before defining types it has to be stressed, however, that the market – supply and demand, competition – is the main regulation mechanism of all capitalist political economies. Otherwise they would not be capitalist. Looking for the regulation mechanisms defining specific capitalist varieties therefore means looking for supplementary mechanisms. What do we want to know then: Only how (macro-) economic processes are coordinated or also how economic and social goals are coordinated? Of the few typologies that explicitly address the question of appropriate criteria (many typologies are only descriptive) Hall and Soskice (2001: 6) have chosen for the first option and centre their theory on the relationships among firms, between firms and investors, employees, and on the educational environment, as well as the relationships within firms. By contrast, the ‘regulation theorists’ (Amable, Boyer, Hollingsworth) offer a very broad catalogue of criteria including the firm-related ones as well as the macro-relationship between capital and labour, the ‘conceptions of fairness and justice’ held by them, the norms, rules and ‘receipts for action’ prevailing in a society, and the structure of the state and its policies (Hollingsworth and Boyer 1997: 2). Between in we find Vivian Schmidt (2002: 107f) who offers three criteria: a Hall and Soskice-like structure of business, the relations between government and firms and labour, and the relations between capital and labour.

The choice of criteria is always somewhat subjective and therefore it is not necessary very extensively to discuss the question of the appropriate ones, but is obvious that a typology containing corporatism has to be built on a broader set of criteria similar to that of ‘regulation theory’. European corporatism is a macro-politico-economic phenomenon and it involves the relationships between capital and labour, state and economy as well as a normative set of interaction patterns. The same holds for broadly understood liberal, etatist and communitarian varieties. And all of these varieties involve certain ways of relating social security and welfare to economic performance. It is here where a further dis-

inction comes in: that between social democratic - stressing equality of condition - and conservative – stressing care and harmony - sub-forms of the coordinated varieties of capitalism. These sub-forms depend on power relations and dominant ‘conceptions of fairness and justice’. Putting together the whole picture we get a typology consisting of:

- 1) a basic dichotomy of liberal (or pure market) and coordinated capitalism, of which the latter
- 2) is divided into corporatist, etatist and communitarian varieties that can
- 3) be distinguished into social democratic and conservative sub-varieties.

It is important to stress that we are talking about *ideal types* that should not be confused with real capitalist countries. Real cases only approximate ideal types more or less, and regularly they are hybrids containing elements of more than only one type – strictly spoken, therefore, a corporatist country is only a country with strong corporatist traits. If one draws axes between ideal types, then countries will have to be located at certain positions on these axes. Historically, they may change their positions, but they never ‘represent’ one of the types.

Because of the basic dichotomy of liberal and coordinated capitalism it does not make sense to construct a liberal sub-variety of corporatist capitalism, but it is of course possible that corporatist and liberal elements come together in a country and constitute a specific hybrid. It is often said that Switzerland – with the lowest corporatism score of our countries - has a strong liberal component (Katzenstein 1985), and in some periods of Dutch capitalist development liberalism has also played a prominent role while etatism has joined corporatism in other periods. In Scandinavia, this combination has been important. And where Scandinavian corporatism is mainly social democratic, Austrian, Dutch and Swiss corporatism has mainly been conservative. In fact, our countries are hybrid political economies with a strong corporatist component.

If one wants to mention some ingredients of political economies with a strong corporatist component one has to be cautious, because every hybrid is specific and because sub-varieties might be quite different. The most basic elements that should be present, however, are the commitment of all main socio-economic players to the common good, the long-term orientation and the relatively generous welfare system. Perhaps one can add that union density is generally medium to high, that some arrangements of co-determination do exist at the plant level, and that all strongly corporatist countries have one or the other form of extensive and intensive skills training tending towards a system of specific rather than general skills. Thereafter it becomes tricky, however: The level of state

interventionism varies from low (Switzerland) to considerable (Netherlands), employment protection is generally, but not always (Denmark, Switzerland) high, and for market capitalisation the reverse is true (Sweden, Switzerland and, to a lesser degree, the Netherlands are the exceptions here).

### **Comparative institutional advantages by corporatism?**

The next question we have to address is whether the corporatist model countries have a competitive edge because of their corporatism. Or in the words of Hall and Soskice: Do they have corporatist institutional advantages? Without doubt, they have the institutional possibility to negotiate economic, social and, if they intend to do, environmental targets by adjusting wage growth, profits, taxes, social security benefits, regional development and environmental measures. But is it an advantage in international competition?

One strand of reasoning put forward by Katzernstein (1985) and Scharpf (1991 [1987]) in the mid-1980s as well as recently by a number of writings on ‘new social pacts’ (e.g. Hassel and Ebbinghaus 2000; Pochet and Fajertag 2000) is that corporatism facilitates the improvement of competitiveness by nationwide wage restraint (in corporatist exchange for e.g. social rights). It was just our countries plus Portugal that were presented as the main examples of social pacts (though largely non-corporatist Australia, Ireland and Italy were also identified as countries of new social pacts). And it has been the small North-western European countries, particularly the Netherlands that became the ‘star’ of the social pact discussion, as well as Germany that Martin Rhodes (2001, originally 1997) labelled ‘competitive corporatism’. At the basis of the discussion was the conviction that reducing wage costs is a key for improving competitiveness: ‘Wage restraint is part of a supply side policy of employment and economic growth by restoring competitiveness and sound public finances’ (Hassel and Ebbinghaus 2000: 4). The assumed nexus is far from obvious, however. The Dutch ‘miracle’ has not been due to improved competitiveness (Becker 2004; see Table 4), Danish and Swedish wage development was not outspokenly moderate in the period under consideration and the same is true for Switzerland that experienced stagnation and a loss of competitiveness (leaving apart Britain that raised GDP growth without wage moderations and on a relatively level productivity). So, it is only Finland and Austria that possibly feature a causal nexus between wage restraint and increased competitiveness. For a general claim, this is a weak empirical basis however.

**Table 4 about here**

Moreover, generalizing long-term wage restraint would endanger the world economy to become a zero-sum or, even worse, a negative-sum game because aggregate demand would get seriously undermined. And it would strengthen rat-race economic nationalism. In fact, nationalist beggar-my-neighbour wage policy has already been a more general feature of the 1990s (Hassel and Ebbinghaus 2000: 5f). A number of countries has formulated guidelines for modest wage development for the goal of price competitiveness, and in some cases – Belgium, Norway – the explicit aim is to undercut the wage increase in the main competitor countries (cf. Schulten 2002: 186ff). This might be a viable strategy for emerging economies, but not for high-income, high-wage countries that for their competitiveness first of all depend on their productivity and innovative capacity (Porter 2003).

Another, contrasting, reasoning does not only relate to corporatism but generally to coordinated market economies (CMEs) and can be found in many contributions to the varieties or forms of capitalism discussion: It holds that in CMEs the capital-labour-state networks and their long-term orientation have brought about an education and training system generating a skill level of the labour force that is higher than in LMEs and resulting in a concentration on quality production. In international competition, CMEs are rather quality-sensitive while LMEs are rather cost-sensitive (Hall and Soskice 2001: 37). In quality production CMEs have ‘comparative institutional advantages’, therefore, rendering cost (and wage) competition less urgent for CME countries.

It seems to be true that, because of their stronger networks, their lesser reliance on the stock market and because of the (indirect) stake unions and/or politics have in their activities CME companies are more oriented towards long-term perspectives than LME companies. It is not obvious, however, that this long-term orientation is causally linked to prevailing education and training systems in the countries under consideration. A journey along these countries shows that their training systems are quite different and that the famous apprenticeship system that is said to be the basis for quality goods in car, machinery and tool industries is a peculiarity of the German speaking countries and to some degree approached in the Netherlands, but not a general feature of the CMEs (cf. Estevez et al. 2001). Moreover, one can question the existence of a direct link between a certain training system and quality production. Is a hierarchical, typically Fordist production system that is said to prevail in LMEs (but also in France; cf. Boyer 2000: 29) principally less able to produce quality than a skill-based system of flexible specialisation?

A striking result of one of the very few comparative investigations of quality production (Aiginger 2000) is the unexpectedly high ranking of the US and Britain – indeed, Britain is ranked just behind Germany. Aiginger’s research includes the whole range of

goods produced in an economy, not only luxury cars and specialised machinery that so often are mentioned as examples of quality production. There, the US and Britain do not score high, but they do in ‘quality’ pharmaceuticals. Another question to be addressed in this context is: how good is the quality of so-called quality goods? Are expensive Swiss watches really better than cheaper Japanese ones? One should keep in mind that we also have *varieties of capitalist images* strongly infecting consumer views on quality? Sometimes one wonders whether, for example, the construction, car repair or utilities branches in the US are really, compared to their German, Swedish or Suisse equivalents, producing inferior quality. And what about those coordinated political economies that – such as Belgium, France and the Netherlands – that do not share in the quality image? Finally: does it make sense not only to concentrate on material production but also to distinguish quality and mass services? It seems that the entire comparative discussion on quality production is still in its very beginnings.

Generally, one has to ask whether corporatism can add something to market incentives to raise productivity and to state action to create conditions for this endeavour? Apart from beggar-my-neighbour wage restraint the traditional pro-corporatism arguments from a company point of view have been economically responsible wage demands by the unions, accountability of the unions and the long-term perspective it makes possible. The limits of wage restraint have just been pointed to, and the other elements rather appear to render corporatism compatible with competitiveness than directly to enhance it. The exchange involved in these aspects is wage development oriented towards macroeconomic parameters, accountability and long-term perspective for certain levels of job protection, equality and social security. Innovation can be included in collective agreements, but how to exchange it? How could it be connected to an incentive really to innovate? Perhaps a modernised version of the Rehn-Meidner-Model – forcing companies to extra innovative activity by specific wage agreements, as was done in Sweden in the 1970s and 1980s – is possible and on the company level, some effective co-determination supposed (Streeck 2001: 14), incremental shop-floor innovation can be fostered and flexibility can be exchanged against job protection, leave schemes and perhaps even career trajectories.

This is what corporatism has to offer: Cooperation, a more inclusive effort to enhance competitiveness, and a high degree of social peace and social security. The main advantage of corporatism remains the coordination and balancing of economic and social targets. The market cannot (and liberals do not want to) accomplish this coordination. Corporatist agreements may even include the formulation of innovation goals (as in Sweden; Elvan-der 2002: 201), but a specific corporatist road to competitiveness cannot be discovered.

Looking at the corporatist countries separately the following (very preliminary) remarks can be made about what appear to be their empirical (institutional) advantages in international competition – as far as such advantages can be detected:

- ***The Netherlands***: The Netherlands is the wage restraint country par excellence. Wage increases are exchanged against social right and benefits (in 2003 a new agreement has been signed where the unions accept a two-year wage freeze in exchange for the maintenance of the level of a number of social benefits the government otherwise would have cut down; at the moment – summer 2004 – this agreement is under pressure, however). International competition is understood as price competition and no corporatist efforts are undertaken to gain qualitative advantages, not even in the current situation of economic stagnation where it becomes clear that Dutch R&D investment is considerably lower than in most comparable countries (see Table 5). Dutch advantages relate to its strong financial sector as well as to its geographical location as the continental hub of companies from overseas (much of Dutch exports are re-exports). The Dutch employment miracle of the 1980s and 1990s was not due to a strong position in international competition but to the redistribution of work into part-time jobs – particularly into tiny and cheap part-time jobs for juveniles – as well as to strongly rising consumer demand stemming from rising house prices in combination with tax relief possibilities for the interest to be paid on mortgages (Becker 2004).
- ***Denmark***: Denmark is good in niche goods and has the image of a high-quality producer in food and designer goods. Despite of comparatively very high unit labour costs the country is able to maintain its position on the relevant world markets therefore. North Sea oil reserves as well as tax relief on mortgage interest similar to the Dutch one have also been important. All these factors are not particularly related to corporatism, however. This is different in the case of the welfare reforms of the mid-1990s that have tightened eligibility criteria for social security. The effect of these changes on GDP growth and employment has rather been marginal, however (Schwartz 2001; Becker 2001b).
- ***Finland***: Here, it is not yet clear for me whether Finland might have been a case where wage restraint in corporatist bargaining agreed upon has – contrary to the Dutch experience – brought about advantages in international competition. Other questions are how important massive R&D investment - Finland belongs to the top here (see Table 5) - has been and in as far as Finland is a

‘Nokia economy’ (Nokia producing 8 percent of the country’s GDP). Further investigations required.

- **Sweden:** This is the country of the Rehn-Meidner model. It is not clear whether this has been revitalized in recent years. Corporatism has been under pressure since the late 1980s and at the wage front it took a decade before it somewhat recovered. Whether it nonetheless has fostered competitiveness is not yet clear. With respect to R&D the situation is similar to Finland, and it is worth mentioning that the private share of R&D investment is two thirds of total expenditures. For the rest, it is remarkable that a small country like Sweden competes in broad markets from cars and airplanes to high tech. Further investigations required.

#### **Table 5 about here**

- **Norway:** Without oil and, to a lesser degree, fishing and shipbuilding Norway would be nowhere in terms of economic competitiveness.
- **Austria:** No obvious link between corporatism and competitiveness. There has not been so much comparative research on Austria. The nationalized sector of the economy is still large and for the rest the country is an SME country that has a strong position as a supplier of the German car industry. In GDP terms, Austria is surprisingly rich. Further investigations required.
- **Switzerland:** This country is very miraculous because it has maintained one of the highest employment rates in the world and a low unemployment rate on the base of a rate of GDP growth clearly below average as well as on the base of a productivity development that is much lower than in other countries (cf. Table 4). Just as or even more than the southern states of Germany – Bavaria and Baden Württemberg doing much better than the of Germany –, parts of Northern Italy and probably of Austria Switzerland appears to have maintained its position in the world market of fine chemicals, machinery and tools production and servicing. This is not high tech, but precision work and reliability seems to be more important than price. A quality image – particularly important in the Swiss case (Pauli 2002) – is also very important in this context. An obvious relation to the decentralised corporatism of this linguistically and politically fragmented country is not to detect however.

#### **Final remarks**

It makes sense to classify corporatism as a specific variety of capitalism. The biggest strength of corporatism still is its ability, when it is effective, to coordinate economic and social targets.

To detect a specific corporatist to competitiveness is more difficult, however, though this does not mean that the corporatist variety of capitalism does not have specific comparative institutional advantages. The nexus of corporatism and competitiveness is complicated and much research has still to be done. The picture becomes even more complicated when one takes into consideration that countries are not only hybrid in the sense of combining aspects of different varieties such as corporatist consultation and liberal employment protection, but that they also reveal the co-existence of different politico-economic constellations and production strategies. Branches with strong unions co-exist with branches with weak unions, the industrial sector – where most studies on capitalist varieties concentrate on – with the quite differently organized service sector and within these sectors there are considerable differences between e.g. the banking branch and retail or in manufacturing between rather quality-oriented branches and Fordist branches. And multinational companies – at least the big ones – have their own ‘regimes of border-crossing corporate governance’ (Streeck 2001: 5).

Perhaps one has to speak of comparative institutional advantages in a sense Ricordo spoke about comparative advantages: Liberal political economies are as good in the production of quality goods as coordinated political economies, but since they are even better in mass production they tend to concentrate there. CMEs such as the corporatist variety are less competitive in mass production and can concentrate therefore on quality production. But even where this is true, quality production will only be a relatively small part of the entire, hybrid, economy.

The discussion about institutional complementarities has to be viewed in the light of this hybrid character (of every political economy). What is complementary to a number of branches – say the apprenticeship system to the tools and machinery branches – needs not necessarily be complementary in other branches – say retail or the mass production filling of beverages done in every country – or the economy as a whole. Moreover, nobody exactly knows what is complementary and what not because the question of complementarities is a matter of interpretation (Streeck 2002: 4). A political economy as a whole is open for many changes as well as for policy confusion, and path dependence should not be exaggerated, therefore. Perhaps it is mainly transformation costs, the inertia of action and power relations that keep going political economies on their ‘paths’, but not the requirements of complementarity.

Big changes take time for these reasons. This also implies the possibility that the corporatist variety of capitalism is an eroding variety. For effective corporatism depends on a certain balance of power between capital and labour. When one part is structurally weaker than the other one the existence of corporatism is in danger. The impact of recent globalisation developments – intensified international competition, the removal of trade barriers and the rapidly increasing mobility of financial capital – on national affairs should not be exaggerated but it seems plausible to assume these developments are providing exit options for companies. These exit options, then, are an eminent power resource of capital reducing the threat unions can exercise by strikes (see the excellent account on the different positions in the globalisation debate in Schmidt 2002). Moreover, in many countries the unions are confronted with a loss of members, and the financial basis of generous social security unions want to get back for their commitment to macroeconomic targets is eroding by the processes of ageing and individualisation (George 1998). Unions have to convince their members and the employers that they are necessary, Marino Regini (2002: 2) writes, because otherwise, and that is one of the implications, employers can drop the unions. If Regini is right the power base of corporatism is withering away. Times can change, however.

## **Tables**

**Table 1: Basic employment data of the small model economies in comparison (in percent)**

	Employment rate (15-64 years)				Standardized Unemployment				Fulltime Equivalents	
	1983	1990	2001	2002	1983	1990	2001	2002	1980	1999
Austria	62,9	65,5	67,8	68,2		...	3,6	4,3	60	64
Australia	62,5	67,9	68,9	68,2	9,9	6,7	6,7	6,3	58	57
Belgium	54,6	54,4	59,7	59,7	12,1	6,6	6,7	7,3	54	53
Denmark	71,7	75,4	75,9	76,4		7,2	4,4	4,5	66	70
Finland	73,2	74,1	67,7	67,7		3,2	9,1	9,1		
France	60,8	59,9	62,0	61,1	8,3	8,7	8,5	8,7	61	56
Germany	62,2	64,1	65,8	65,3	7,7	4,8	7,8	8,2	60	59
Ireland	53,9	52,1	65,0	65,0	14,0	13,4	3,9	4,4	52	56
Italy	54,5	52,6	54,9	55,6	8,8	8,9	9,5	9,0		
Netherlands	52,1	61,8	72,8	73,2	12,0	5,9	2,4	2,8	49	58
Norway	73,9	73,0	77,5	77,1		5,7	3,6	3,9		
Sweden	78,5	83,1	75,3	74,9	3,5	1,7	4,9	4,9	69	66
Switzerland	73,8	78,2	79,1	78,9		...	2,5	...		
UK	64,3	72,5	72,8	72,7	12,4	6,9	5,0	5,1	62	61
USA	66,2	72,2	73,1	71,9	9,5	5,6	4,7	5,8	60	67

Sources: OECD 1995 (for the 1983 data) and 2003

**Table 2: Basic social data: Income inequality, poverty rates (defined as income lower than 50 percent median) and net unemployment replacement rates (incl. housing assistance)**

		Gini-coefficient	Percentile Ratio 90/10	Poverty rate	Replacement rates 1999*
Australia	1994	0.311	4.33	14,3	46,0
Austria	1997	0.266	3.37	8.0	64,0
Belgium	1997	0.250	3.19	8.0	63,5
Canada	2000	0.302	3.95	11.4	65,5
Denmark	1997	0.257	3.15	9.2	63,5
Finland	2000	0.247	2.9	5.4	64,5
France	1994	0.288	3.54	8.0	71,0
Germany	2000	0.252	3.18	8.3	65,5
Ireland	1996	0.325	4.33	12.3	42,5
Italy	2000	0.333	4.47	12.7	46,5
Netherlands	1994	0.253	3.15	8.1	75,5
Norway					70,0
Sweden	2000	0.252	2.96	6.5	72,5
Switzerland	1992	0.307	3.62	9.3	76,5
U.K.	1999	0.345	4.58	12.5	32,0
U.S.	2000	0.368	5.45	17.0	57,5

\* Average of two family types at Average Production Worker (APW) level, first six months of unemployment. Average of a) fully insured single APW and b) fully insured couple with single-earner APW and two children. After 6 months (U.S.) or 1 year (most other countries) the rates become lower, in the U.S. dramatically lower.

*Source:* LIS 2002; Allan and Scruggs 2004 (for the replacement rates)

**Table 3: Coordination and corporatism scores of the small ‘model economies’ in comparison (mid-1990s)**

	Coordination Index according to Hall and Gingerich (scale 0 to 1)	Average* Corporatism Score (scale 1 to 5)
<i>Australia</i>	.36	1,680
Austria	1.00	5,000
Belgium	.74	2,840
Denmark	.70	3,545
Finland	.72	3,295
France	.69	1,674
Germany	.95	3,543
<i>Ireland</i>	.29	2,000
Italy	.87	1,477
Netherlands	.66	4,000
Norway	.76	4,864
Portugal	.72	1,500
Spain	.57	1,250
Sweden	.69	4,674
Switzerland	.51	3,375
UK	.07	1,652
USA	0.00	1,150

\*Of the corporatism rankings of 13 different inquiries by different authors.  
Sources: Hall and Gingerich 2001: 46; Siaroff 1999: 185

**Table 4: Economic basic data: GDP growth, labour productivity, labour costs and export shares; annual changes in percent**

	Annual GDP Growth		Productivity (GDP/hour)		Real wages		Real unit labour costs		Export shares	
	80-90	90-00	80-90	90-02	91-95	96-00	91-95	96-00	1983	1994
<b>Australia</b>	3,2	3,5	1,3	2,2					1,1	1,1
Austria	2,3	2,3			2,0	0,7	-0,1	-1,0	0,9	1,0
Belgium	2,1	2,1	2,1	1,7	1,8	0,5	0,2	-0,6	2,9	3,3
Canada	2,8	2,8	0,9	1,5					4,4	4,0
<b>Denmark</b>	1,9	2,2	1,7	1,8	0,6	1,3	-1,1	-0,1	0,9	1,0
<b>Finland</b>	3,1	2,2	2,8	2,7	0,1	0,8	-2,1	-1,1	0,7	0,7
France	2,4	1,8	2,9	2,0	0,5	1,1	-0,6	-0,3	5,1	5,7
Germany	2,2	1,6	2,0	2,5	2,0	0,0	-0,1	-0,4	9,6	10,4
<b>Ireland</b>	3,6	7,3	3,8	4,7	1,8	1,8	-1,3	-2,7	0,5	0,7
Italy	2,2	1,6	2,1	1,7	-0,5	0,1	-1,7	-1,1	4,1	4,6
Japan	4,1	1,3	3,5	2,4	0,9	0,4	0,3	-0,4	8,4	9,0
<b>Netherlands</b>	2,2	2,9	1,9	1,2	0,9	0,9	0,0	-0,2	3,9	3,6
<b>Sweden</b>	2,2	1,7	1,2	2,0	0,0	3,2	-0,2	0,9	1,5	1,5
<b>Switzerland</b>	2,1	0,9	1,0	0,4					1,5	1,7
UK	2,7	2,3	1,9	2,2	0,8	2,4	-1,1	0,5	5,5	5,2
US	3,2	3,2	1,2	1,6	0,7	2,0	-0,4	0,1	12,1	12,4

Sources: OECD 2002a: 32f; OECD 2004a; European Commission 2003: 113ff; Scharpf and Schmidt 2000: 371 (export shares).

**Table 5: R&D spending (in percent GDP), employment in medium and high tech manufacturing and competitiveness rankings**

	R&D (%)	Empl. MHT (%)	TII	BCI			GCI	ICI
	2000	2000	2000	03	01	99	2003	2003
<b>Australia</b>				11	14	13	10	7
Austria	1,49	6,6	11	17	11	11	17	17
Belgium	1,78	7,2	12	15	15	15	27	15
Canada				12	12	8	16	10
<b>Denmark</b>	1,97	6,4	6	4	8	7	4	19
<b>Finland</b>	3,09	7,2	3	1	1	2	1	2
France	2,16	7,2	10	10	13	9	26	9
Germany	2,38	10,9	9	5	4	6	13	3
<b>Ireland</b>	1,42	7,3	8	21	22	17	30	16
Italy	1,04	7,6	15	24	23	25	41	22
Japan	2,88		5	13	10	14	11	12
<b>Netherlands</b>	1,92	4,7	7	9	3	3	12	6
<b>Sweden</b>	3,71	8,3	1	3	6	4	3	8
<b>Switzerland</b>				7	5	5	7	5
UK	1,79	7,6	4	6	7	10	15	4
US	2,54		2	2	2	1	2	1

Sources:

R&D, Empl. MHT (*Employment in Medium and High Tech Manufacturing*; % of total employment) and TII (*Tentative Summary Innovation Index*): ITT 2001.

BCI (*Business Competitiveness Index*): Porter (World Economic Forum; WEF) 2003: 9

GCI (*Growth Competitiveness Index*): Sala-I-Martin (WEF) 2003: 4

ICI (*Innovation Capacity Index*): Porter and Stern (WEF) 2003: 4

## Notes

<sup>1</sup> In the tradition of Thompson et al (1990) and resembling common sense political culture is defined as the interconnected whole of politically relevant patterns of interaction, norms and values with norms – pointing to what is normal and involving structures of mutual expectations - given more importance than values. This definition differs from the dominant use of the concept as subjective orientation toward politics indicated by attitudes representing values (Almond and Verba 1963). It is also critical towards an all-embracing institutionalism. Since Almond and Verba's *The Civic Culture* (1963) most scholars define political culture as subjective orientation toward politics. Hence, the prevalent approach is researching attitudes representing values. 'Objective' social value hierarchies structuring collective identities, defining norms of belonging and rendering subjective orientations less 'subjective' tend to be neglected. In fact, this holds for the entire cultural domain of norms in the sense of normal behaviour guided by mutual expectations and referring to customs, informal rules and interaction patterns.

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This cultural domain has increasingly been captured by the new institutionalism (North 1990; March Olson 1995, Ostrom 1995). It is confusing, however, when everything from an informal rule such as tipping to a formal rule like judicial review is called an institution. The line of demarcation between concepts is often vague, but for the sake of a maximum of conceptual clarity a norm should be called a norm and not an institution. The latter concept should, just as in traditional institutionalism, be confined to formalised rules and particularly to organisations embodying certain rules. Why revising the sense meaning of concepts when the revision does not enhance clarity?

<sup>2</sup> Ireland is worth a note: Its liberal traits have recently been reinforced by a centralised ‘competition state’ (Boyle 2004), but it has also been mentioned as one of the examples where so-called new social pacts have brought about success (Hassel and Ebbinghaus 2000). Social policy and the interests of labour are not exchanged against those of capital, however, but subordinated to the needs of the economy. Perhaps this is some ‘new corporatism’, but it is quite different from the rather symmetrical and exchange-based corporatism discussed here.

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