On The Functionalities of Corporatist Political Structures in Post-Revisionist Social Democracy

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Abstract

This paper argues that the recent resurgence of corporatist political bargaining arrangements in Europe can be traced to ongoing processes of European regional integration. European Union policies of political integration have “mandated” neoliberal policy reforms at the nation-state level that require reduced governmental commitments to producing egalitarian outcomes within capitalism. Contemporary corporatist political structures (which involve the institutionalized policymaking participation of trade union representatives in the reform process) have been created to secure working class acceptance of the reforms and, more broadly, to secure wide-scale acceptance of a new “post-revisionist” social democratic ideology.

Keywords: corporatism. Social democracy. European integration, social inequality, trade union politics

Introduction

Since the late-1990s considerable scholarly attention has been given to the apparent re-emergence of corporatist policymaking and interest intermediation practices between business associations, trade unions, and state bureaucrats in a number of European democracies where such tendencies appeared to have diminished during the late-1980s and early 1990s. This return of corporatist political bargaining practices in Europe subsequently has caused many analysts to question the accuracy of the so-called “structuralist” explanations for corporatism’s decline which began to appear in the literature on comparative European politics and political economy in the 1980s (Molina and Rhodes 2002, p. 313). In short, it was assumed by some (e.g., Schmitter and Streeck 1991; Crepaz 1992; Gobeyn 1993) that because corporatism had come to lose much of its utility during the late 1980s, corporatist bargaining arrangements had become largely obsolete and unnecessary. As political structures that were created during the postwar “heyday” of industrial capitalism period, corporatist forms were developed primarily to ensure that ongoing patterns of economic growth and prosperity could be sustained within the context of Keynesian-welfare state-based political economies. Corporatist structures, which offered trade union elites direct access to state economic and social policymaking processes in exchange for their ability to secure labor discipline and wage demand moderation in economic environments characterized by near full employment and, hence, high levels of working class political and economic leverage, were viewed as necessary institutional mechanisms for maintaining high levels of economic growth free of (largely wage-based) inflationary pressures. In short, the “corporatist trade-off” (wage demand moderation and labor docility for working class economic and social policymaking participation) was viewed by both the state and capital as a necessary prerequisite for sustained economic growth and stability. But during the late 1980s and into the 1990s patterns of economic sluggishness, relatively high rates of unemployment, and declining trade union membership numbers contributed to growing capitalist opposition to the maintenance of corporatist bargaining arrangements. Existing economic conditions alone could now produce the kinds of labor market environments favored by capital. As such, the development over time of increased capitalist opposition to corporatist governance, which effectively led to the demise of centralized corporatist concertation in most of Europe’s social democracies. This paper suggests that the recent resurgence of corporatist bargaining practices does not necessarily refute the structuralist claims from the late 1980s and early 1990s concerning corporatism’s demise.

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As political structures designed to achieve wage restraint and labor docility, corporatist forms have indeed lost their utility, as structuralist theorists had argued. As shall be argued below, contemporary corporatist political structures have been created to perform entirely different functions. Linking the resurrection of corporatist forms to ongoing processes of European political integration, it is maintained here that the new wave of corporatist bargaining practices can be attributed to the need for nation-state governments to obtain labor acquiescence vis-a-vis ongoing, long-term efforts to retrench long-established social democratic welfare states, modify old age pension systems, reform regulatory apparatuses, reduce public health care spending, and promote the development of more flexible labor market policies. Mandated by domestic public policy constraints and the need to improve economic competitiveness imposed upon the governments in Western Europe’s social democracies by policies of regional political integration, market-driven nation-state social and economic policy reform has become seemingly necessary in light of the fiscal policy limitations that have become a distinct by-product of European political integration. Today’s corporatist political structures exist primarily to secure working class acceptance of social policy cutbacks and neoliberal economic policy reforms in exchange for trade union participation in the reform process. Contemporary corporatist forms also perform a much broader ideological function, namely to generate working class acceptance of a new “post-revisionist” social democratic ideology, one which distinctly lacks the governmental commitment to the level of egalitarianism associated with the “revisionist” social democratic ideology which guided or substantially influenced the social and economic policy programs in most of Western Europe’s post-war liberal democracies for more than five decades.

Corporatist Political Structures in Revisionist Social Democracy

As a pragmatic substitute for their early post-war calls for wide-scale socialization of the means of production and state economic planning, the revisionist social democratic ideology eventually espoused by Western European Socialist, Labor, and Social Democratic parties is most notably characterized by its Keynesian-welfare state foundations. Keynesian policies, when deployed effectively, would prove quite successful at generating sustained economic growth and prosperity throughout most of Western Europe and the world’s other established liberal democracies. Keynes believed that the primary cause of downward cycles in capitalism was the inability of capitalists to find enough investment opportunities to counter the rising levels of savings created by economic growth (Hunt 1995, 169). During such periods, Keynes believed that government could intervene in the economy by borrowing the excess savings and spending the money on socially beneficial projects, ultimately creating increases in aggregate effective demand and a full-employment equilibrium. By mitigating free market capitalism’s cyclical tendencies through permanent, systematic state economic management, Keynesianism could avoid the societal hardships typical of unfettered capitalist arrangements.

In addition to the employment of Keynesian economic policies, the revisionist social democratic policy regime included a substantial commitment to social welfare. Comprehensive social welfare states became the norm throughout Western Europe during the 1940s and 1950s. Driven by the social democratic commitment to “rough social equality” (defined as a condition through which capitalism consistently generates egalitarian socioeconomic outcomes through economic growth and numerous redistributive policy mechanisms), postwar social welfare programs dramatically enhanced social wage levels and worked to secure unprecedented levels of egalitarianism within existing capitalist socio-economies (Weiskopf 1992, p. 10; Gobeyn 2016, p. 20). While the combination of Keynesian economic policies and welfare statism would most certainly become the central pillars of revisionist social democracy, in many European social democracies the development and institutionalization of corporatist bargaining structures would also become important elements of social democratic governance. Corporatist political structures, which became institutionalized in many European countries in the 1950s, became crucial components in the social democratic quest to sustain the Keynesian-led growth regime of the postwar era. As institutions which appear to have been created to contain wage-based inflationary pressures during the unprecedented period of postwar economic expansion, corporatist forms provided trade union representatives direct access to state social and economic policymaking practices in exchange for wage demand restraint and low labor militancy. This “corporatist trade-off” seemed necessary in light of the significant amounts of political and economic leverage organized labor had accrued in the European social democracies during the 1940s and 1950s. Such leverage was most notably linked to postwar trade union density rates (i.e., the percentage of the workforce organized into trade unions), trade union organizational centralization, and existing tight labor market conditions (Marks 1986, p. 256). The institutionalization of corporatist bargaining arrangements in Austria, for example, began in 1957 when the government created the tripartite Parity Commission (for wage and price guidelines).
As Gobeyn has pointed out, this move seemed to have been a direct response to existing labor market conditions (1993, p. 9). During the immediate post-war period, the Austrian Union Federation (OGB) was successfully able to concentrate and centralize the once divided and fragmented Austrian trade union movement to the point where it had become the sole representational arm for nearly all of Austria’s organized workforce. The organizational strength of the OGB was augmented at the time by prevailing economic and labor market conditions. With near full employment and consistently strong economic growth, organized labor was well situated to take advantage of its political and economic leverage to escalate wage demands and, if need be, to increase strike activities to achieve said demands. The year 1956, in particular, was clearly reflective of this situation, as total strike man-hours were almost three times higher than averages for the preceding five-year period (Kindley 1987, p. 8). With existing patterns of growth and prosperity potentially imperiled by a continuation of such labor unrest, the Austrian government stepped in to increase its presence in national industrial relations processes, with the most significant action being the establishment of the Parity Commission. In effect, the price for increased trade union cooperation with capital and the state in regards to wage and labor market policies was the institutionalization of labor as an active partner in state economic policymaking processes. The Austrian historical experience with corporatism is illustrative of the general pattern of corporatist political structure development throughout the social democracies of Western Europe in the 1950s. In Sweden, Norway, Denmark, the Netherlands, and elsewhere, the institutionalization of corporatist forms during this period of sustained growth and prosperity became a prominent policy response to rising labor unrest and “excessive” wage demands made by increasingly powerful trade union movements, and corporatism emerged as a key component of the guiding revisionist social democratic model of social policy and economic governance. As Panitch has aptly suggested, the corporatist political structures of the postwar era can best be viewed as “fair weather friends” in that their creation and institutionalization occurred during the prosperous postwar growth years (1977, p. 81). Furthermore, corporatist forms can be viewed as social democratic constructs, as the institutionalization of trade union representatives into state policymaking processes in exchange for labor docility and wage demand moderation was much more likely to be accepted as legitimate and worthwhile by the trade unions with their social democratic allies in political power.

While largely accepted by capital as necessary political institutional arrangements during the postwar period of robust economic expansion, one might assume that, in the absence of consistent economic growth and prosperity—and the high levels of trade union political and economic leverage that accompany it—capitalist acceptance of corporatist governance would likely wane, as market forces would probably emerge to create the kinds of labor market conditions (notably wage demand restraint and low levels of militancy) that the corporatist trade-off generated during the prosperous postwar period. Indeed, this appears to have been the case during the 1980s. In the aftermath of the hyper-inflation inducing OPEC oil embargoes of the mid and late 1970s, and the subsequent and dramatic decline in the effectiveness of Keynesian economic management policies, economic sluggishness emerged to replace consistent growth and prosperity throughout Western Europe during most of the decade. Combined with other negative structural economic changes, most notably the emergence of the challenging deindustrialization phenomenon, these developments acted to induce substantial increases in unemployment (particularly for the working and lower classes), declines in trade union membership rates, and notable reductions in trade union political leverage and bargaining strength. It comes as no surprise, then, that throughout Europe during the 1980s organized business associations and employer groups became considerably less willing to accept as legitimate corporatist institutional arrangements. With market forces alone emerging to produce labor discipline and wage demand moderation, business interests were encouraged to pursue strategies aimed at dismantling or weakening corporatist policymaking practices. Such would ostensibly increase the share of economic policymaking power for the private sector. In effect, by disassociating themselves from corporatist bargaining practices, capitalists could free themselves from the investment restraints and decision-making inflexibility imposed upon them by corporatism’s tripartite, concertative emphases (Gobeyn 1993, p. 16). Hence, by the late 1980s and early 1990s, corporatist political structures, as instruments for achieving trade union wage demand restraint and labor docility, had effectively become obsolete or ineffectual throughout the social democracies of Western Europe.

**Corporatist Political Structures in Post-Revisionist Social Democracy**

As alluded to above, the demise of corporatist bargaining and policymaking practices would prove to be only temporary, as a resurgence in the utilization of corporatist political structures by governments throughout Western Europe became discernible during the late 1990s. In his recently developed time-variant corporatism index, Jahn (2016) found that an upward cycle in the utilization of corporatist forms continues for many countries where corporatism seemed to have waned during the 1980s and 1990s.
While prototypical corporatist states such as Sweden have not seen a full restoration of the robust corporatist practices that were evident in the 1960s and 1970s, some countries, notably the Netherlands, Belgium, and Switzerland, have seen increases in corporatist governance which suggest that corporatism is presently stronger than three decades ago (Jahn 2016, p. 66). In a similar light, the research of Molina and Rhodes suggests a significant resurgence of corporatist concertation at the national level in most of those countries where corporatist practices were most pronounced in the 1950s and 1960s. In addition, a number of new countries Spain, Portugal, Ireland seem to have implemented social pacts between business, labor, and the state based on “peak level,” macro corporatist concertation (2002, p. 309). Corporatism’s resurgence has also been well-documented in the work of Menz(2011) and Baccaro (2010) who suggest, that while the traditional corporatist democracies of Scandinavia and Austria have resurrected corporatist forms, such traditionally pluralist countries as France and Ireland have moved in more corporatist directions. A number of other comparative analyses (Regini 2000; Compston 2002; Hassel 2009; Ahlquist 2011) seem to confirm these findings. In short, corporatism remains alive and well as a system of interest intermediation and public policymaking. In addressing the question of why corporatism has re-appeared in Europe, it seems most useful to initially locate contemporary corporatist political structures within the context of existing capitalist economic realities. Just as it was helpful for many of the aforementioned structuralist analysts to identify corporatism’s primary economic functionalities as a basis for understanding its emergence (and subsequent collapse) during the postwar Keynesian-welfare state period, so too might it be constructive to do the same for current corporatist forms. In so doing, it would seem most logical to begin by considering any possible linkages that contemporary corporatism may have to the most dominant economic development of the past several decades, namely the ongoing European economic integration drive and its attendant political, social and economic consequences.

In the face of the persistent economic decline and the failures at the nation state level of the various post-Keynesian strategies for economic renewal which characterized much of Europe during the 1970s and 1980s, a renewed spirit of economic cooperation and political integration emerged during the mid-1980s. The institutionalized resurrection of the European integration movement which began in the early 1950s (but was halted during the “Euroscerosis” period of the 1970s) was manifested in the Single Europe Act of 1986, in which the member states of the European Community ostensibly agreed to a renewed commitment to achieving the principal goals of the 1957 Treaty of Rome—most notably full-fledged European economic integration along (primarily) market lines. The passage of the Maastricht Treaty in 1992, which dictated numerous critical economic policy convergence criteria, represented perhaps the most crucial moment in this renewed integration commitment. In establishing the groundwork for European Monetary Union (EMU), the convergence criteria require that EU member government budget deficits not exceed 3 percent of the gross domestic product (GDP) and debt not exceed 60 percent of GDP. The Stability and Growth Pact (SGP) which came into force in 1998 requires all 28 EU member states to implement fiscal and monetary policies that are in alignment with Maastricht’s established deficit spending limitations, and it empowers the EU to impose penalties for non-compliance. Enacted to improve chances for the effective realization of such broad SGP objectives as increasing market competitiveness and encouraging greater financial stability, the so-called “Euro plus Pact” of 2011 substantially strengthened the SGP with its new automatic mechanism for the imposition of fines for violations of the original SGP’s deficit spending and debt guidelines of the SGP (Gobeyn 2016, p. 26).

These measures represent only part of what might best be described as a “neoliberal policy regime” which has come to characterize the EU’s stance toward macroeconomic management. Overseen by increasingly powerful European political and judicial institutions, this process of market liberalization through tight monetary and fiscal policies, labor market de-regulation, and the systematic removal of many trade and regulatory barriers seems substantially aligned with the Treaty of Rome’s insistence upon integration along market lines, and its consequences have been most evident politically at the level of the nation state, where governments have seen their powers to manage domestic economic and social policy matters substantially reduced. For the governments in the EU member countries, avoiding the penalties for non-compliance to the Maastricht convergence criteria has meant dealing with the realities of spending limitations and the subsequent need for welfare state retrenchment, health care cost containment, and pension reform. As a pillar of revisionist social democracy, the welfare state acted as a central mechanism through which the parties of social democracy could maintain their fundamental commitment to rough social equality and the maintenance of egalitarian outcomes within capitalism.
Now, confronted by the policy constraints imposed upon them by Maastricht and the broader pattern of European regional political integration, social democrats have ostensibly been forced to abandon this commitment and are overseeing processes of welfare state reform which have contributed to recent, pronounced patterns of increasing income inequality. As the research of Beckfield (2009), Busemeyer and Tober (2015) and others (in particular, see OECD 2011, 2016) reveals, income inequality is on the rise in Europe. Recent trends in the 2000s show a widening gap between rich and poor for the first time in traditionally low inequality countries such as Germany, Denmark, Sweden, and Norway (OECD 2011, p. 22). Against this backdrop we have seen the aforementioned pattern of corporatism’s resurgence as a system of policymaking and interest intermediation in Western Europe. As the various studies mentioned above have concluded, Europe has witnessed a substantial revival of tripartite bargaining alliances. For most analysts, this revival can indeed be linked to the challenges of rapid European economic and monetary integration (Menz 2004, p. 1). The most central of these challenges, it would seem, is the need to align welfare state, health care, and pension expenditures with the demands set forth by EMU and the Maastricht convergence criteria. Additionally, the need to improve economic competitiveness has been mandated by the EU’s ongoing efforts to develop a single European market characterized by free trade and open borders. This has meant governmental attention to the perceived need to reduce regulatory “burdens,” cut public spending generally, and to modify established social democratic commitments to workers’ rights and employment security. In short, corporatist political structures seem to have been resurrected in an effort to secure trade union participation in and acceptance of this EU-induced pattern of neoliberal policy convergence. While the corporatism of the postwar Keynesian growth era afforded labor a strong voice in social and economic policy formation that clearly garnered substantial, discernible benefits for workers (despite the wage demand moderation that was part of that era’s corporatist trade-off), such as increases in the social wage and substantive commitments to active labor market policy expansions, the trade-off associated with today’s corporatist alliances seem somewhat less clear. How, exactly, does labor benefit from participation in the policymaking associated with contemporary corporatist political structures? For some early analysts of the corporatist resurrection, trade union participation in contemporary corporatist forms could be linked to perceived long-term economic benefits. While in the short-term the working class is likely to be impacted negatively by the general neoliberal reform process, the long-term benefits of market-based structural economic reform may create domestic economic climates that are more globally competitive, labor forces that are more productive, and employment opportunity structures that are more expansive. Trade union participation in this process is seen as being integral to promoting the kind of socially inclusive, nationally-based approach to policymaking that can generate broad-based public acceptance of the reforms, which will hopefully prove beneficial economically for both capital and labor (e.g., Woldendorp and Keman 2006; Teague 2000).

In contrast, others have suggested that organized labor’s participation in the new corporatism is grounded in the relatively weak power positions trade unions hold vis-à-vis capital and the state throughout much of Europe today. Weakened by structural economic changes, declining membership ranks, and workforce diversification, trade unions are participating in contemporary corporatism as an act of “institutional self-legitimization.” Trade unions have become afraid of being left behind, “regarded as anachronistic and obstructionist, unable or unwilling to face the challenges of modernization and globalization” (Menz 2004, p. 6). Regardless of their rationales, the active participation by trade unions in today’s corporatist political structures can be seen as a reflection of the realities of contemporary capitalism and the demands of European political integration. For capital and the state, the need to resurrect corporatist policy making practices can be linked to a desire to achieve labor quiescence toward the ongoing EU-induced pattern of neoliberal economic policy reform. In light of the constraints imposed upon them by EU political integration policies, nation state governments can no longer guarantee the egalitarian outcomes associated with the economic and social policy regime of the revisionist model of social democracy. Contemporary corporatist political structures, which are actively engaged in the development of policies designed to achieve the welfare state retrenchment, pension reforms, and labor market de-regulation required by European political integration, have emerged as seemingly necessary instruments of political legitimation. Working class acceptance of the policy changes and socioeconomic consequences of neoliberal policy reform can best be realized through trade union elite participation in the reform process itself.

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2 These studies reference the Gini coefficient which takes into consideration taxes, government transfer payments, and market income levels. All of them reveal steady, consistent growing rates of income inequality in most of Western Europe’s wealthy social democracies since the late 1990s. For a more detailed discussion of this trend, please see Gobeyn, 2016 pp. 20-22.
In the current era of “post revisionist social democracy,” in which rough social equality is no longer the fundamental, overarching objective of the center-left Social Democratic, Labor, and Socialist parties of Western Europe, corporatist political structures have been resurrected to serve as institutional mechanisms for securing trade union compliance with the structural reforms “mandated” by contemporary capitalism. Ironically, it is the parties of social democracy that have emerged to support most consistently ongoing processes of European regional political and economic integration. The fact that such integration has rendered the largely incapable of generating the levels of socioeconomic equality characteristic of the postwar period of revisionist social democracy seems problematic ideologically. Indeed, as political advocates of the neoliberal pattern of economic integration being orchestrated by the European Union, the parties of social democracy have ostensibly abandoned their longstanding commitment to revisionist social democracy’s foundational goal of sustaining rough social equality, as recently revealed patterns of increasing income inequality throughout Western Europe seem to indicate (Gobeyn 2016, p.28). Effectively, a new “post revisionist social democratic ideology” (which does not commit itself to the rough social equality principle) seems to have emerged to guide the public policy regimes of today’s parties of social democracy. That said, and as alluded to above, the utilization of tripartite corporatist political structures by the social democrats has persisted. To a large extent, the corporatist political structures employed during the era of revisionist social democracy, which functioned to secure trade union wage restraint and labor discipline, also performed a much broader ideological function, namely to generate and sustain high levels of working class support for the revisionist social democratic ideology. As direct participants in the Keynesian-welfare state social democratic policy regime, trade unions, in effect, acted as agents of ideological legitimization. Similarly, in post-revisionist social democracy, corporatist political structures, while specifically functioning to secure trade union and working class acceptance of the need for structural policy reforms that are aligned with the realities of European political integration, are also acting (through seemingly substantive trade union policymaking participation in corporatist forms) to generate working class acceptance of the need for a new guiding ideology of social democracy—post-revisionism.

Conclusion

The substantial decline in the utilization of corporatist bargaining practices in the late 1980s and early 1990s seems most traceable to capitalist opposition to the maintenance of corporatist arrangements, due mainly to the perceived decline in the functional utility of corporatist structures. Economic climates had come to secure the labor market conditions previously generated by corporatist forms. In effect, changing structural economic conditions had rendered corporatism as a form of political bargaining designed ultimately to achieve labor discipline and trade union wage demand moderation largely unnecessary and obsolete. This of course did not mean that corporatism could not remain as a useful system of policymaking and interest intermediation within capitalism. The incidence of corporatist practices throughout much of Europe over the past two decades reveals this to be the case. As suggested above, the functionalities of today’s corporatist political structures appear to be much different from those of the revisionist social democracy period, and can arguably be linked to the demands imposed upon the nation-state governments by ongoing processes of European regional integration. Contemporary corporatism seems to be driven by a desire on the part of capital and the state to secure some level of acceptance from the working class of the neo-liberal policy reforms discussed earlier in this paper and, more broadly, to secure widespread societal legitimization of the new post-revisionist social democratic ideology, which no longer commits the parties of social democracy to the goal of achieving egalitarian outcomes within capitalism. How durable are today’s corporatist political structures? The answer to this question, given corporatism’s historical record, seems traceable largely to their continued functional utility—vis-a-vis the perceptions of capital and the state.

References

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