The Diversity of Democracy

Corporatism, Social Order and Political Conflict

Edited by Colin Crouch and Wolfgang Streeck

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Preface

In recent years there has been a remarkable growth in the number of nation states that can reasonably be termed democratic (Schmitter and Schneider 2004). The fall of the Soviet empire not only made possible the emergence of democratic forms of government among many (though not all) of its former constituents, but also changed the approach of the US. When communist-inspired movements were the main opposition to various anti-Communist dictatorships around the world, the US often supported those dictatorships. Lacking Soviet (and, for different reasons, Chinese) sustenance for opposition, US foreign policy has at least tolerated (as in Latin America), and at best actually encouraged (Africa, Middle East, parts of Asia), democracy as a form of government in the developing world – as it did in Western Europe after the Second World War. Around 200 of the world's nation states now feature more or less free and fair elections for their governments, with just under half of these meeting tougher criteria for freedom and fairness. There is of course serious debate over whether free elections are sufficient for calling a whole polity, rather than just its formal electoral procedures, democratic. Elections may be free, but most of a country's privately owned mass media may be in the hands of the supporters of one party. Or elected parliaments may be dwarfed in influence over governments by powerful lobbies, including inwardly investing multi-nationals. A cynic might argue that, if democracy is spreading so well at the level of formal political institutions, then it is likely to indicate that it is becoming less important for real power-broking. These are all legitimate questions, which require substantial research to answer them. What can certainly be agreed is that democracy is a diverse phenomenon, with room for considerable argument over the relative qualities of its different forms.

This is, of course, nothing new, and also serves as a word of strict caution: the label 'democracy' has long been bandied around at will. 'Democratic' was after all a favourite adjective of state socialist regimes. A naive nominalist observing the two Germanies of the second half of the 20th century would conclude that the difference between the German Democratic Republic and the German Federal Republic was that the former was democratic and the latter merely federal. To know what was really going on, one needed to understand the sub-text of the Leninist approach to democracy. Democracy consisted in fulfilling the historical destiny of the proletariat, the great mass of

the people. This destiny could be objectively established on the basis of scientific studies and might well differ from the actual preferences of the contemporary proletariat, trapped as they were in the false consciousness imparted by ruling classes. It was the role of communist parties to interpret the requirements of the historical destiny at any moment, and their power to do this had to be protected even against the temporary wishes of the people. Once this tortuous formula was accepted, the use of Soviet tanks to crush rebellion in Budapest in 1956 could be justified as democratic.

'Democratic diversity' of this kind has almost departed from this world. Its vulnerability to corruption is palpably obvious. But similar forms persist. Marxist theory considered that eventually class would replace nation as the mainspring of popular loyalty and identity. Ironically nationalist leaders today often use a formula resembling the communist one to assert their unique capacity to interpret the destiny of a nation, and therefore their right to unimpeded and unquestioned power. There are even some echoes of this in the justification offered by the US and the UK for their military actions in the Middle East, where some forms of Islam are claimed to be keeping populations in something resembling false consciousness. A further distortion of democracy appears when elected leaders of established democracies use the word to describe virtually everything they do. Because they owe their office to democratic electoral procedure, they freely appropriate the adjective even for decisions that have little or no popular support at all.

Once it ceased to be respectable for elites to debate in public whether democracy is a good thing or not, it became necessary for everyone to appropriate the term, and then to disagree about its content. While Nazis and fascists had spoken of democracy with contempt, the first revival of the far right in post-war West Germany called itself the National Democratic Party. Academic study of democracy can learn from this to use the term cautiously, aware of the heterogeneity of its application and the strong and easy temptations that exist for its misappropriation. The answer, however, cannot be to embark on a search for its one true meaning. On the contrary, in spite of the many ideological or simply corrupt distortions of democracy from above, democratic theory must admit of a diversity of forms that democracy might take, in particular and precisely where it is not imposed from above but driven from below. While relentlessly pointing out where democratic values are violated, democratic theory must remain open to novelty, willing to expect a variety of phenomena, and refrain from any dogmatic insistence on 'one best way' – if only to avoid joining those who hold out their own way as the high road of democratic practice for the rest of the world to follow.

How better to endorse a non-dogmatic, empirically grounded, pluralistic approach to democracy than by celebrating the work of Philippe Schmitter? Democracy is and always was at the centre of Schmitter's work, and in

particular democracy in the making, the possibility of democracy in its real diversity, and its imperfect forms as potential steps on a difficult way to something better. This is seen especially in Schmitter's work on Latin America, probably the field where his scholarship has had most practical effect. Elsewhere in these pages Terry Karl and Guillermo O'Donnell describe this work and its impact on the sub-continent that was Schmitter's first object of study and, which is inseparable for him, of affection. If there is a *cantus firmus* in Schmitter's far-flung exploration of the subject of democracy, then it is that not only can democracy be diverse, but, crucially for people struggling in non-democratic polities, that there are many different routes to it – no 'one best way' in two senses: neither in the practice of democracy nor in how to accomplish it.

Given the broad range and the multifaceted perspectives of Schmitter's contribution to the theory of democracy, no single book can do full justice to it. So as editors we had to be selective and, like any selection, ours reflects the preferences of those making the choice as much as it does the universe from which the choice is made. This may account in part for why the first section of the book takes up the connection between corporatism and democracy. Schmitter originally encountered corporatism in Latin America, particularly in Brazil and in Peronist Argentina. He was fully aware of its ambiguity, precisely in its relationship to democracy – which enabled him to make his path-breaking contribution to the study of post-war democracy in Europe, when that continent began to rival Latin America as Schmitter's centre of attention.

Hence, in Part I of the book, Wolfgang Streeck explores the trajectory of neo-corporatism in post-war European nation states, from its success in restraining the inflationary tendencies of a demand-managed economy with unionized labour markets, to the current difficulties of welfare state reform in post-industrial society. Colin Crouch and Donatella della Porta, in their respective chapters, examine the implications – in the same problematic early 21st century where Streeck's account ends – of neo-corporatist interest politics for the representation of relatively powerless social groups. Crouch starts from the constructive contribution to democracy that he argues is made by trade unions within non-authoritarian societal corporatism; he does not accept the often posited contradiction between the two, but he does admit that maintaining his position might be difficult at the present time. Della Porta examines the new social movements that might be more realistically expressing the discontent of today's marginalized groups, and their actual and potential relations to unions. This is very much a post-corporatist perspective; and it tackles a further potentially contentious interpretation of the democratic impulse.

As noted, Schmitter's work started with Latin America, where he became especially interested in diverse transitions to democracy. More recently, as

pro-democratic movements have gained momentum in various parts of the world, Schmitter has adapted the approach developed in Latin America to other regions: the former Soviet empire; Africa; certain parts of Asia. He has also drawn attention to issues of consolidation and protection of democracy once it has been achieved. Part II of the book, therefore, concentrates on democratic transition and consolidation across a wide geographical range. Terry Karl explores the theme in general, drawing particular attention to the diversity of the routes to democracy. László Bruszt considers experiences in Central Europe, today one of the main regions for studying the growth of democracy, and one inspiring well-founded optimism. Ruth Berins Collier concentrates on Schmitter's heartland, Latin America.

Struggles for democracy mostly take place in difficult, even dangerous, contexts, and involve very weak institutions. While Schmitter's work certainly reflects this, it has also contributed to the study of democratization in the very different situation of the European Union, culminating (to date) in a book with the very Schmitteresque title: *How to Democratize the European Union . . . and Why Bother?* (Schmitter 2000). Schmitter's studies of the then European Economic Community sprang from the insights of his teacher, the late Ernst Haas, and the neo-functionalist approach Haas developed. Of course it is as impossible to capture Schmitter within a single school as it is within a single continent. We note in passing, however, that Haas, who had to emigrate from Nazi Germany to the US, and Schmitter shared a strong commitment to another fundamental value in addition to democracy, which is international peace. Haas' neo-functionalism and his, as well as Schmitter's, interest in European integration had been originally driven by the question, seen by many as central in the 1950s and 1960s, of how to ensure that Europe would never again lapse into fratricidal warfare, within nation-states as well as between them. Domestic and international peace, the former through democracy and prosperity, the latter through international integration as well as national democracy, were thus intimately linked in Schmitter's early intellectual interests and continued to provide the normative foundation of his work until the present day. In Part III of the book, which is devoted to the issue of democracy within the European Union, Claus Offe and Ulrich Preuss explore the possibilities of further democratization; Gary Marks and Liesbet Hooghe trace the development and the complexities of the neo-functionalist approach; and Gerda Falkner, by considering the place of neo-corporatist structures within the emerging EU polity, brings our survey full circle.

This book has two purposes: to explore the state of the debate over democracy and its diversity, and to celebrate the contribution of a major figure in that debate. For the majority of the essays in the book the first theme had to take pride of place: their focus is on the subject, not on the person. However, given the vividness and vigour of Philippe's personality, and the fact that it is

impossible to separate the man from the approach to social science that is represented by his work, some more personal reflections on Philippe Schmitter are in order. In his epilogue to the volume Schmitter's long-time collaborator, Guillermo O'Donnell, provides exactly that.

Colin Crouch and Wolfgang Streeck
Coventry and Cologne

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PART I

Corporatism and democracy

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

Wolfgang Streeck[1]

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

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

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

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

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

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

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

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

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

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

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

ENTER NEO-CORPORATISM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE 'CORPORATIST GROWTH INDUSTRY' OF THE 1970s

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE BURSTING OF THE BUBBLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE NEO-LIBERAL TURN

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

From the beginning this programme was deemed utterly unrealistic and

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

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

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

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

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

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

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

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

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

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

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

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

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

BEYOND CORPORATISM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES

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

market but technology. More on this important difference below. Also, in the spirit of détente embraced by American liberals in the 1960s, convergence between the USA and the Soviet Union was to happen somewhere in the middle, with the former gradually embracing more 'planning' and the latter slowly introducing more 'market' in their respective economic systems (although the 'mid-point' was undoubtedly expected to be somewhat closer to California than to Siberia). Of course, American normalism did not always and necessarily take the form of technological determinism. See, for example, Parsons (1971).

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

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

complete when the same methods were employed after 1990 to retire the vast volume of excess labour in the former GDR.

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

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2. Neo-corporatism and democracy

Colin Crouch

A tension between corporatism in its various forms and democracy has long been recognized: in the case of authoritarian or state corporatism, obviously so; in that of societal or neo-corporatism, in more complex ways. The main argument of this chapter is that, where neo-corporatism is concerned, this tension is far less important than the support that neo-corporatist arrangements offer to effective democracy. First, it is necessary to establish that neo-corporatism remains a phenomenon worth discussing in the neo-liberal political economies that dominate the early twenty-first century world. In fact, a review of recent contributions to neo-corporatist literature on organized interests and macroeconomic management suggests both the continuing viability of at least some of these arrangements and the continuing validity of the original arguments initiated by Philippe Schmitter in the 1970s (Schmitter 1974; Schmitter and Lehmbruch 1979; Lehmbruch and Schmitter 1982). There have certainly been changes, but most of these should have been predictable from those arguments and are consistent with the theory. There has been one genuine surprise: the dependence of some – though not all – national cases of neo-corporatist industrial relations arrangements on the manufacturing sector. If such arrangements have in some cases failed to perform their important characteristic of responding to general, social concerns and not just those of their members narrowly defined, it is because their institutions have failed to embrace the particular issues presented by employment in public and private services.

This last point raises the problems of rent-seeking and exclusion that critics of neo-corporatist arrangements have long claimed to be associated with them, and therefore brings us to the relationship between neo-corporatism and democracy. Standard claims that non-producer interests, such as ecological ones, will be advanced more successfully in democracies where neo-corporatist institutions are weak than in those where they are strong will be refuted. But certain claims that neo-corporatist institutions tend to produce widespread social exclusion and insider lobbying will be seen to require serious attention. While in certain cases neo-corporatist institutions have protected insiders at the expense of large numbers of outsiders (for example, both the well established neo-corporatist structures of Germany and the weak and recently established ones of Spain), this has been far less true of the Nordic countries or the

Netherlands. Second, problems of insider lobbying are by no means limited to neo-corporatist cases, and could even be said to be more severe (at least among employer and business interests) when neo-corporatism is weak. In conclusion, it will be argued, there is no zero-sum relationship between neo-corporatism and formal democracy. Their relationship is mainly orthogonal, and under certain conditions may even be mutually supportive.

BACKGROUND TO THE DEBATE

When Philippe Schmitter (1974) invited social scientists to consider the survival of corporatism well into the post-World War II period, he acknowledged a major differentiation within the species. Pre-war corporatism had been based on authoritarian compulsory structures: organizations that ostensibly represented interests in fact subordinated them to the priorities of an authoritarian political regime. This kind of corporatism was closely associated with fascism, and in much of Europe shared its fate, being defeated either by liberal democracy or state socialism in the outcome of the war. It survived in Portugal and Spain, which had remained neutral in the war; and in Latin America, particularly in Argentina, where it developed later. Schmitter was at that time primarily a Latin American and Hispanophone specialist. However, in what became the most important part of his contribution to the analysis of organized interests, he acknowledged the existence in some other places of a very different, liberal form of corporatism that he called 'societal'. Here, labour and employer organizations cooperated voluntarily at a central level with each other and with governments, effecting continuous compromises that enabled them to reap gains for their members without disadvantaging national economies.

This second form, which is often known as 'neo-corporatism' to distinguish it from the fascist variety, was mainly associated with the very different political scenario of social democracy. A brief account of how this kind of corporatism operated will explain this association between a fascist form and a political philosophy rooted in the idea of strong, autonomous labour movements in a context of democracy.[1]

In a free-market economy, trade unions constantly encounter the problem that any gains they make for their members will lead to increases in the prices of the goods and services produced by them, which may reduce demand and create unemployment. This does not mean that unions can achieve nothing; even under purely competitive conditions they can pursue various kinds of rights for their members that do not result directly in higher prices. Also, in the real world the conditions of the truly free market are frequently absent; monopolies and oligopolies exist, which restrain supply in order to retain high

profits. Unions can bargain for a share in these, and a large part of their activities involves doing precisely this. However, the price constraint and its implications for employment always remain in the background in any market economy.

During the inter-war years the free-market regime had come under challenge as an economic ideal. It was seen to be associated with major waves of unemployment and insecure wages, which led to widespread worker protest and dissatisfaction. The economic depression and mass unemployment of the 1920s and 1930s were linked to social disruption and the rise of both communism and fascism. Political and business leaders sought for means of offsetting the economic turbulence and somehow smoothing the fluctuations of the economic cycle. This was partly the concern of existing conservative and liberal elites, worried about threats to social order, and partly of the emerging new leadership in the labour movement itself. The main policy response that emerged was for government to manage aggregate demand in the economy to smooth the trade cycle. It would accept deficits in the balance between the taxes it raised and its spending programmes during periods of weak demand, thereby avoiding recessions; and it would run surpluses to limit excessive expansion during periods of growth. These policies, known as Keynesian after the British economist John Maynard Keynes, who developed much of the theory surrounding them, were first launched in the Scandinavian countries in the late 1930s, then in the UK and elsewhere in the non-communist industrial world during or after World War II. It was never universal throughout the industrial world; Federal Germany in particular tackled the problem in different ways (Matzner and Streeck 1991). However, there was broad consensus that governments should use various policy instruments to prevent the appearance of major recessions, evidenced primarily in increases in unemployment.

This would however run a major risk. In the democratic climate of the defeat of fascism, there was also broad agreement that trade unions should be free to organize labour, inter alia to press for improved wages and conditions. If governments were more or less guaranteeing to intervene to prevent reductions in aggregate demand, price rises would become general, leading to inflation, from which everyone would suffer. This was the dilemma of the democratic, full-employment economy to which neo-corporatism was a response. If union leaders could be induced to respond to the unavoidable perception of the likely inflationary consequences of their actions, they would voluntarily exercise restraint, or channel their energies into gains for their members that did not add to costs. Voluntarily, therefore, and in exchange for a macroeconomy favourable to their members' interests, they would behave as forces supporting social and economic order – something that the authors of fascist corporatism had instigated through authoritarian means.

But when can leaders of organizations be 'induced to respond to the

unavoidable perception' of negative general consequences of the actions they take to advance their members' interests? As Mancur Olson (1982) argued, in a market economy organizations of particular interests engage in rent-seeking behaviour: extracting gains for their members from the generality. They will abstain from this only if their membership is so extensive within the society concerned ('encompassing' in Olson's term) that they must internalize any negative consequences of their action: there is not enough of the society outside the group's membership on to which negative consequences can be dumped. For encompassingness to be possible, decision-making would have to be concentrated in a few hands at the centre of labour organizations, since only then would the group on behalf of whom decisions were being made approximate to the generality or overall universe of interested persons. This has usually been held to imply that only 'centralized' union movements could be compatible with neo-corporatism – establishing another tension between neo-corporatism and democracy. However, as I have argued elsewhere (Crouch 1993), within the general context of a democratic society with voluntary associations, centralization can be maintained only when the organizations concerned possess 'articulated' structures. By this I mean structures that facilitate frequent interaction between the centre and more local levels, during which the centre learns how far and for what purposes it can rely upon the loyalty of the periphery.

RECENT CHANGES IN THE PERFORMANCE OF NEO-CORPORATIST INDUSTRIAL RELATIONS INSTITUTIONS

The Keynesian model of demand management was tested to destruction in the commodity price crises of the 1970s. Inflation reached high levels as Western consumers tried to contest the major shift of resources from their economies to those of oil-producing nations that was in progress. They fought in various ways, but prominent among them was tough bargaining by unions to try to ensure that every rise in the general price level was compensated for by increases in their members' incomes – increases which were mainly passed on in further price rises. This was in fact the high tide of neo-corporatist arrangements: it was in those countries where unions (and employers) were organized to operate in encompassing ways that their leaders could appreciate the folly of this spiral. It was in those with powerful unions but lacking encompassing institutions (primarily Italy and the UK) that the situation seemed desperate. However, sooner or later virtually all governments decided, though to very different degrees, that the post-World War II policy instruments could no longer be trusted to keep inflation under control. This challenged both Keynesian measures as such and the role that had been played by neo-corporatist unions

and employers' associations, since these had developed in the Keynesian context. Control of monetary aggregates and an end to the pursuit of full employment as a direct goal – as opposed to a by-product of fiscal and monetary policy – proved to be highly effective in reducing inflation. On the one hand this removed a major task and a major collective good – anti-inflationary wage restraint – for which successful neo-corporatist institutions could claim credit. On the other hand, at least for trade unions, this had hardly been a task of which they had wanted to boast. An ability to control the negative effects of the successful pursuit of one's main goal is hardly a proud claim. It also raised the question, asked very seriously in the UK and the USA: if unions could be rendered sufficiently weak in the first place, their neo-corporatist role would not be needed.

There was however no general dismantling of neo-corporatist structures where they had been effective, and the triumph of neo-liberalism over demand management was less thoroughly practised in reality than in theory. As the most extensive comparative study of the performances of different kinds of industrial relations institutions shows (Traxler, Blaschke and Kittel 2001), in European and some other industrialized countries where they exist, neo-corporatist institutions continue to operate broadly in the manner described above. This does not mean that there have not been changes; there have, and they have been major. But the changes should not surprise anyone who had followed closely the earlier writings; and their effect has mainly been to weaken the neo-corporatist character of certain empirical organizational structures, not to weaken the performance of neo-corporatist structures as such.

The Shift Away From Inflation as a Policy Concern

First, the agenda of neo-corporatist deals has shifted from inflation to issues of employment, skills, modernization and changes in labour practices (Pochet 1998; Rhodes 1997). In those countries where neo-corporatist mechanisms had been strong, unions have accepted a shared agenda with employers to improve the performance of firms and whole sectors. The exchanges here are complex and detailed. In general, unions want to insist on their members' opportunities to improve their skill levels, so that their firms can succeed in the global economy without facing wage competition from low-cost, low-skilled countries. Employers insist on improvements in capital intensity that reduce the numbers of workers needed to produce a given output, usually involving net staffing reductions. This changed agenda should have been fully expected given the changes in the general political and economic agenda and presents no shock to the neo-corporatist model itself. Indeed, some of the 'new' roles of neo-corporatist bargaining had in fact long been present, such as the improvement of work skills (Crouch, Finegold and Sako 1999; Streeck 1989).

The Shift in the Balance of Power

Second, the context in which this has been happening is very different from the post-war *trente glorieuses*. Consequent on the change towards neo-liberalism in dominant economic strategies there have been major changes in the balance of power within negotiations in favour of employers. In the 'core' north-western European cases this has involved what Rhodes (1997) has felicitously called 'competitive corporatism'. This is implied in what has been said immediately above about the global economy. The growing, though by no means infinite, ability of firms to locate production wherever they chose across the world while labour remained largely rooted in its national context, necessarily shifted the balance of power in industrial relations towards employers. The content of bargaining became increasingly a matter of setting the terms on which a firm, sector or even a national economy could remain competitive. Frequently this involved workers accepting a deterioration in their real wages or working conditions. For example, unions have often bargained only to compensate their members for increases in inflation, foregoing any claim to a share in increased productivity when this was rising more rapidly than inflation (Erne 2004). But the competition in competitive corporatism is primarily among Western European countries, as it is only among these, rather than at a global level, that such marginal adjustments in relative wages can have significant effect. There have therefore been attempts by cross-national groups of European unions to prevent what appear to them as beggar-my-neighbour practices. They have set wage-claim targets of inflation compensation plus a share in productivity gains. There has been some success in this, particularly among unions either side of national boundaries (ibid.). A major example is the metalworking industry around the Belgian, Dutch and German borders. Even the 'inflation plus' strategy is evidence of a neo-corporatist approach, as it implies that unions should avoid trying to increase labour's share of total income or increasing prices. There is therefore a conflict between two levels of neo-corporatism: a national 'competitive corporatism', and an attempt at a European one.

The Shift Away From the Nation State

This last point has become particularly relevant since the introduction of the single European currency, which challenges the viability of the nation state as the prime unit of neo-corporatist decision-making. This, together with globalization in general, marks a third change. Neo-corporatist (and *a fortiori* authoritarian corporatist) institutions have always been formulated at national levels. They have been grouped around national governments and have involved national associations of capital and labour. More formally, Olson's

concept of encompassingness assumes a manageable and definable universe across which organizations can be said to be encompassing. His theory, and all others that concern the logic of neo-corporatist stability, hold only to the extent that there is a relatively bounded universe linking fiscal and monetary policy, labour markets and labour market organizations, and the scope of firms. Throughout most of the history of industrial societies the nation state has provided such a universe, but it becomes eroded as firms become global and as institutions like the European Union (EU) develop.

Neo-corporatist organizations can respond positively to this kind of situation in two ways. First, they may try to shift their point of activity to a higher level, to recapture encompassingness. This is what can be seen in the attempts to create trans-European frameworks for collective bargaining (Erne 2004; Pochet and Vanhercke 1998). To date these have been extremely weak, and of course cannot cope with the challenge of full globalization. They also tend to be one-sided. It is unions that seek them, employers often preferring to avoid opening new levels that involve negotiation with workers' organizations. However, the fact that the attempts exist demonstrates the continuity of pressures towards neo-corporatism. Second, the shift to levels above the nation state of many elements of economic regulation paradoxically increases the incentive of nationally rooted institutions to find new powers for themselves. Governments, trade unions and smaller firms remain organized primarily at national levels, and governments and unions have to respond to national constituencies. They therefore have to develop some capacity to deliver gains to these constituencies. This is the logic of Rhodes's 'competitive corporatism': using national corporatist structures to improve economic performance at the national level can meet this need. This is an interesting case of parliamentary democracy (which remains strongest at national levels) sharing an interest with neo-corporatist structures, where these are sufficiently strong, in anchoring some elements of economic regulation at the national level.

The Shift to Social Pacts

Fourth, in a number of countries there have been moves towards generalized 'social pacts', rather than the technical arrangements about wage increases and changes in working practices that have characterized northern European neo-corporatism (Pochet 1998; Schmitter and Grote 1997). Pacts are more general in terms and cover a range of themes from economic stability to social peace. They have been prominent in Spain, Portugal and Greece; and after the fall of state socialism in Central and Eastern Europe, they became important in those countries too – suggesting an association between them and recency of democracy. Pacts have had some continuity with what Pizzorno (1978) had identified as the process of political exchange surrounding and possibly

preceding neo-corporatist deals. Unions could threaten social disruption; therefore, a 'good' that they could offer governments was restraint in the exercise of that capacity. It is similar to the argument about inflation, and overlaps with it. And it had the same negative implication of making a good out of restraint in inflicting a 'bad'. The social pacts of the 1990s and early twenty-first century have been somewhat different – weaker, but less negative. In young and unstable democracies unions could act as general *Ordnungsfaktoren*, that is, elements supporting the existing social order, not becoming part of the forces that might disrupt it. Among the potentially disruptive sources, in both Spain and in some countries in Central and Eastern Europe (CEE), were often ethnic or geographical separatisms that could be separated from unions' socio-economic agenda, but under certain circumstances could become merged with it. In exchange for contributing to general stability, unions in CEE received little more than an acknowledgement that they were indeed part of 'respectable' society. However, this was often an important gain in societies where unions could easily have been ostracized as having been part of the old state socialist regime. At a time when the prevailing Anglo-American neo-liberal order was in any case generally delegitimating the concept of organized labour's institutionalized place in society, this was often valuable.

Neo-corporatist bargaining involving weak unions raises the more general question why employers and governments (if the latter are involved) should bother to negotiate at all if unions are weak; why not simply ignore them, as has been the tendency in parts of British and US industry? One reason is that, if employers and governments have experienced stable neo-corporatist relations that have produced positive-sum results, they have little incentive to risk destroying that legacy for what may prove to be a temporary weakening of organized labour's power. This helps explain why countries with successful neo-corporatist records have tended to retain these institutions, while those without them have turned aside from attempts to introduce them, producing a growing diversity of industrial relations systems.

These arguments do not explain the appearance of pacts in countries with weak unions and no past history of neo-corporatist success. But this phenomenon is not entirely new. In the post-war period there had been union movements with strong institutional entrenchment alongside organizational or labour-market weakness. This had, for example, been the case with organized labour in the Federal Republic of Germany in the immediate post-war years. Unions had been accorded entrenched institutional positions as part of post-Nazi reconstruction, but until the late 1950s the labour market was very weak as several million German expellees from Central and Eastern Europe entered the western part of Germany. Frequently unions could do little other than to try to ensure by their cooperative behaviour that employers would not try to erode the formal rights that they had gained. Earlier still, the first steps in both Dutch

and Swiss neo-corporatism had taken place in the late 1930s, when the growing threat of major war in Europe led national elites to offer limited incorporation to the leaders of rather weak and non-militant union movements (Crouch 1993, ch. 5). Even earlier than that, unions had acquired a limited incorporation in the last years of the Hapsburg empire, when they at least represented German-Austrian forces in a regime threatened by independence struggles among its non-German nationalities (1993, ch. 4) – often in the very same parts of central Europe where national governments used a similar approach in the 1990s.

A Shift From Superior Economic Performance

Fifth, during the late 1990s and the first years of the twenty-first century it became increasingly difficult to claim superiority of economic performance by countries with neo-corporatist industrial relations institutions over those without. Germany and some – though by no means all – neo-corporatist countries began to demonstrate a weaker economic performance on certain indicators than the USA and then the UK. (Germany is of course a special case, as this was no longer the West German republic within which a complex and often ambiguous set of compromises had developed between unions and employers during the first four post-war decades, but a new country that had overnight expanded its population through unification with the impoverished East German state-socialist republic, whose workers had had a completely different set of experiences.)

However, it had always been an error on the part of some writers to claim that there would necessarily be superior performance by neo-corporatist industrial relations systems (for example Hibbs 1987). There was no warrant for this in the basic theory. As set out above, the fundamental premise of neo-corporatist arrangements was the avoidance of inflation in situations where labour was powerfully organized. This says nothing about the performance of market economies with weak labour (Crouch 1982). If unions were powerful but not part of neo-corporatist arrangements (as in Italy and the UK in the 1970s), they were likely to produce inflation or unemployment (depending on the prevailing fiscal and monetary regime) and restrictive labour practices. In such situations, neo-corporatism was therefore likely to be more efficient in a narrow economic sense than what was known as collective *laissez faire*. But if labour was weak there were no strong reasons to expect a liberal market economy to underperform a corporatist one. What happened during the last part of the twentieth century and the first years of the new one was a collapse of union power.

If some neo-corporatist arrangements are acting less effectively than in the past, it is because some of the necessary infrastructure of effective neo-corporatism has decayed. This returns us to Olson's (1982) argument cited above, that organized interests will only abstain from rent-seeking behaviour if their

membership is so encompassing that they must internalize the negative consequences of their actions. It follows that if socio-economic change erodes the encompassing character of an organizational system it will cease to operate in a neo-corporatist way, even if formal attributes and some elements of behaviour remain unchanged. The only problems with Olson's account were: (i) that he saw encompassingness solely in straightforward statistical terms of proportions of a national labour force represented by a principal central decision point; and (ii) that he, like most other writers of the period, concentrated on inflation as the 'bad' that would result from rent-seeking in a Keynesian context.

In relation to (i) it is important to note that sensitivity to export prices could act as an incentive to wage restraint in addition to pure encompassingness, provided unions and employers' associations were organized in a manner that required them to take account of such prices. In particular, organizations representing a whole industrial sector, rather than only some layers of employees within it, were more likely to take this datum into account (Crouch 1999: 17–20). This point shows how neo-corporatism could be effective outside the very narrow range of cases that Olson envisaged for it. More germane to the present argument is point (ii). Once, as noted above, the political agenda of collective bargaining broadened beyond wage negotiation, the bads that could be produced became more extensive than inflation, and a different logic of externalization and internalization came into play. For example, and to anticipate an argument that will be developed in more detail below: if employment creation and/or protection have become major activities of industrial relations organizations, but if the significant actors within those organizations have responsibilities only to male workers of certain ethnic backgrounds and age ranges, they may be content to externalize barriers to employment opportunities to those outside this category. There is not necessarily any change here in the behaviour of the organizations concerned. What changes is the agenda of issues, changing in a way that severely challenges the appropriateness for continued neo-corporatist performance of the nominally neo-corporatist structures concerned. This eventuality should have been predicted by those of us writing about neo-corporatism up to the 1990s, but in general it was not. The issue raises important implications for both the operation of neo-corporatism and for its democratic legitimacy.

SECTORAL CHANGES IN EMPLOYMENT AND NEO-CORPORATIST INSTITUTIONS

The principal change involved in loss of encompassingness is the shift in economies from the manufacturing base in which most industrial relations

systems are rooted, whether or not they are neo-corporatist, to the services-sector orientation of the early twenty-first century (Castells 1996; Crouch 1999: ch. 4). Even though manufacturing remains important in all advanced economies, and for some purposes (such as foreign trade) it remains fundamental, in some other respects it has lost significance. Most important, at least for present purposes, is employment, where services sectors are now more prominent, because of their labour-intensive nature. Both manufacturing and services are subject to constant improvements in productivity: both incremental ones and major technological shocks such as the almost universal use of the computer and its associated keyboard to perform work tasks ranging from setting the gauge on a metal-planing machine to presenting diagrams in a conference paper. But many services depend at some point on the direct presentation of an activity to the customer by another human being. While the replacement of a human action by a mechanized one is nearly always likely to improve productivity in manufacturing, in services it will at certain points adversely affect the quality and added value of the product. Teachers, nurses and waiters are only a few, prominent, examples of service activities where replacement by a machine could have negative consequences. Further, this argument applies to certain low-productivity service activities as well as high-productivity ones. It is for this reason that it is erroneous to see the shift from manufacturing to services as always an upward shift in skill levels of the workforce. Indeed, as Scharpf and Schmidt (2000) have argued, the fact that more service activities than manufacturing ones are not vulnerable to external competition means that they provide important shelters to low-productivity workers in a period when globalization primarily means competition from low-wage countries.[2]

Closely related to this change is a gender issue: manufacturing employment (with the exception of eastern Europe) and therefore its associated industrial relations systems have been primarily male affairs. As a result, neo-corporatism has historically often been an overwhelmingly male institution. The main exception to this has been employment in so-called ‘social and community services’, the first services sector to outpace manufacturing in job growth, where in modern societies a majority of employees is usually female (Crouch 1999: ch. 4). Particularly in Europe, employment in this sector has mainly been public employment (or has been until recent waves of privatization), and public employment is particularly strongly unionized – usually more so even than manufacturing (Visser 1987). But the logic of employment relations in public service differs in many ways from that in private, whether in manufacturing or services. There is no capitalist employer; many public services are considered to be of particular social importance, so industrial action by public employees creates direct harm to the public. Because of this, these employees have often had restricted rights to take part in industrial action; but, partly in exchange for this, governments have often accepted an obligation to be model

employers, and therefore to establish generous standards of union representation. The integration of public service or, more widely, public sector workers within wider union movements has therefore sometimes been problematic. As unions representing these workers grew particularly rapidly from the 1970s onwards, the internal balance of union movements changed. Perhaps even more important changes took place on the employers' side: it is not easy for the government as employer to become part of the structure of private employer associations that are the necessary counterparts to unions in an industrial relations system, corporatist or otherwise.

Then, during the 1980s, employment in other kinds of services began to grow: business services, distribution, personal services. These were usually in the private sector, often fairly new as forms of activity, and often in small firms. They also employed large numbers of women. Here, with some exceptions like banking and insurance, where in any case large, long-established firms dominated, traditions of union organization were weak and often vigorously contested by employers. The impact of this sector on industrial relations systems has therefore been minor.

It is by no means necessarily the case that neo-corporatism cannot adjust to these changes. The Nordic economies in particular have developed forms of it that are as much able to regulate services sectors as manufacturing and to deal with the special concerns of female workers as well as male ones. Private as well as public services have been unionized in a way found in few other countries, gradually enabling the development of an industrial relations system that includes both. As a result, unions have become responsive to female employees' needs, making it easier to recruit even more of them. The high level of centralization characteristic of the manufacturing model has not been established across the whole – with perhaps some gain in flexibility and representativeness at the expense of encompassingness; but a certain minimal level of that quality has been achieved.

Opposite causes seem to have been associated with a similar responsiveness in the Netherlands. Here weakness seems to have made unions particularly responsive to the need to change and adapt to the new economy (Visser and Hemerijck 1997). The ratio of services to manufacturing employment in the Netherlands is particularly high. The level of female labour-force participation had been particularly low, but the existing male-dominated unions responded to that situation, and encouraged a number of labour-market and social policies designed to assist female employment. Simplistic arguments that assert that neo-corporatist structures cannot respond to change therefore do not seem to be valid. At the same time it is not the case that only neo-corporatist systems can adapt: the British industrial relations system, though not corporatist, has developed similar abilities to adapt to changing sectoral and gender composition.

Difficulties have been experienced in systems where (unlike the Nordic cases) the existing system is heavily skewed towards existing strengths in manufacturing; and where (unlike the Netherlands or the UK) existing institutions have been providing enough rewards to manufacturing insiders not to give them any incentive to change. The main case here is Germany. The prime mover of neo-corporatism in the former western Federal Republic was the existence of major metalworking and chemical industries that derived a large part of their earnings from exports. Unions organized at the level of the industrial branch accepted shared responsibility for the competitiveness of these industries, as their members' jobs and their own organizational presence depended on them. The organizations representing these industries dominated the world of employer associations and unions; and the general state of the economy also depended on them too. Therefore, an organization that was encompassing in these industries was more or less encompassing to the national economy. This was encompassingness through export sensitivity, as mentioned above. But it was not full encompassingness.

This scenario has changed in uneven ways during the past decade or more. Unions have continued to cooperate in the pursuit of efficiency and competitiveness in the export industries, but on the assumption of a high-wage model. In a context of globalization, this has been achievable only through a major replacement of labour by technology. Job creation becomes possible only outside these industries, mainly in services sectors. But these remain outside the parameters of the logic of the industrial relations system; their needs neither affect that system, nor is the system involved in their operation. The differences are further reinforced by demographic characteristics. As noted, the manufacturing industries in Germany, as everywhere else, primarily employ male workers. Given that employment is declining within the sector, its workers are relatively old. They are also primarily ethnic Germans from the territories of the former western republic. Women, young workers, ethnic minorities and East Germans are only weakly represented by the neo-corporatist industrial relations system. Without really affecting the way it behaves in its own terms, this sector has therefore ceased to be encompassing, but looks only to the interests of its insiders. The main consequence is an absence of policies and practices likely to create employment for the outsider groups.

A similar situation prevails in Spain, but for different reasons. This is hardly a neo-corporatist case. Spanish labour acquired freedom from fascism only in the mid-1970s, at the moment when the classic post-war model was encountering difficulties elsewhere in Europe. The country remains relatively poor by the standards of Western Europe, and outside agriculture it has developed few points of excellent economic performance. Unions remain very weak in membership terms. However, it was an important achievement of Spanish democracy and a contrast with the fascist period that unions should be

autonomous, powerfully embedded in the system, and possessing extensive rights. The consequence of this contrast between the state of the economy and the level of union rights has been that the industrial relations system can protect only a minority of workers, who become insiders at the expense, mainly, of the younger generation. The main institutional expression of this dualism is the temporary work contract. Those who manage to acquire the few secure jobs that the system can provide enjoy very advanced employment rights. Those outside are mainly on temporary contracts, from which they are rarely able to move into the secure sector.

Where a neo-corporatist system extends its membership to sectors that continue to grow, it will continue to operate in a positive way, because the conditions for encompassing are still being met. Or, in the Dutch or British cases, when unions fear that they will be victims of exclusion, they have an interest in becoming inclusive. On the other hand, once a neo-corporatist system has begun to protect insiders only and has no capacity for self-extension to new sectors and types of worker, it is likely that only threatened marginalization could provide its internal actors with changed incentives.

These incentives are asymmetrical in that unions require an institutionalized industrial relations system if they are to have any serious role, while employers do not. Firms can bargain and lobby governments without the intermediary role of associations if necessary; indeed, they may prefer it, as the lobbying may bring direct rewards for an individual company in the form of government contracts. There is no equivalent to this on the labour side. The marginalization and contraction of the system is therefore always an option for employers. The US and British cases show this most clearly, but the German and Swedish systems have seen similar strategies advocated by business interests (Myrdal 1991; BDI 1989). For employers to remain supportive of any institutionalized industrial relations system, including a neo-corporatist one, it has to provide them with bargaining returns that are more secure than those they might achieve from unilateral action.

Some conclusions may be drawn from these changes and the diversity among them. Where a neo-corporatist system becomes one of insider protection, it still offers some general gains that give political authorities some incentive to retain it, or at least not to challenge it fundamentally. First, the gains that it continues to deliver to the sectors and parts of the labour force where it operates may still be considered to be worth having, especially if those sectors themselves are still important. This is probably the case with the German metal-goods and chemical industries. In that sense therefore the system is not, strictly speaking, one of pure insiderism – some general public goods are still being delivered.

Second, and more negatively, the capacity for disruption that the insiders might cause if fundamentally challenged might be judged to constitute a heavy

cost in its own right – whether to a perceived public good or (more narrowly) to the convenience of the political class. This is a kind of public good, the kind considered by Pizzorno (1978) and discussed above. However, if that is all that is being offered, it is likely that powerful political and economic actors outside labour's ranks will resent this kind of contrived public good and seek opportunities for dispensing with the need for it (as happened in the UK in the 1980s).

Third, insider-serving neo-corporatist systems are highly vulnerable to the charge that they are hostile to democracy. Not only do they ensure that excessive priority is given to the interests of minority sectors, but they actually inhibit the interests of those (sectors, genders, generations, ethnic groups) not represented within them. A national economy will suffer from an incapacity to generate new sectors, suggesting a tendency to stagnation implicit in neo-corporatism, if it loses a capacity for encompassingness. Neo-corporatism presents newcomers with serious entry barriers. A new interest has to be accepted as somehow eligible, not just of representation, but even of definition. New economic activities often find it difficult to be defined in a way that enables them to form an association and have this listened to. But some other sectors, and certainly excluded social categories, even if excluded from the corporatist system itself, have chances to operate in other power fields, especially 'normal' politics.

CORPORATISM AND FORMAL DEMOCRACY

It is on this last issue that we shall concentrate here. Ambiguities in the relationship between neo-corporatism and democracy have already been implied. At one level, neo-corporatism is somehow part of the same family as something far more authoritarian; at another, it has been part of the development of democracy. There is a further tension between neo-corporatism and the formal democracy of elected parliaments and governments. Neo-corporatism, it is argued, can represent only existing producer interests. It can represent only existing sectors, because only industries that already exist can generate the kinds of organization – trade unions, employers' associations, trade associations – which are the building blocks of its representative structures. It represents only producer interests because these are the only ones that can manage industrial relations and other production and trade issues. Formal democracy, it is further argued, is subject to no such constraints; new issues, interests and identities may emerge at any time within its more fluid structures, and they can be based on any kind of subject at all, not just those related to work and economy. Therefore, the more that the democratic political system has to share power with a neo-corporatist economic representation system, the less flexible

and responsive, the less open to new issues and to non-producer issues a polity will be.

This theoretical argument is open to verification. It would, for example, contend that environmental and ecological interests will achieve far more progress within countries where non-corporatism is weak than where it is strong. In fact, the opposite is the case. On almost all indicators of environmental policy, the Nordic countries, Germany and the Netherlands – all more or less neo-corporatist – are world leaders; the USA, the prime exemplar of non-corporatism, is a laggard. This suggests that strong neo-corporatist structures do not necessarily interfere with democratic political channels, but may at least be orthogonal to them and at best be supportive of them.

This conclusion justifies a more nuanced approach to the relationship between neo-corporatism and democracy. First, neo-corporatist structures may sometimes be able to demonstrate a technical capacity to achieve goals shared by the parliamentary system but which the institutions of that system itself cannot achieve. This is in fact their main legitimation and describes the earlier role of neo-corporatism in making possible non-inflationary full employment. Second, in some cases the democratic system may demonstrate a more profound incapacity to realize its own task of goal-setting, particularly in situations of parliamentary deadlock. This was frequently the case in Belgium in the 1950s and 1960s, and in Italy in the early 1990s. Third, democratic structures may themselves face some legitimacy challenges – as a result of corruption (as often in Italy), or weak establishment (as in the deals noted above in relation to Spain and central Europe). In such cases parliamentary democracy may be grateful to borrow the legitimacy of the neo-corporatist system, even if the latter is not particularly effective. Not only have weak unions been grateful to have the legitimacy of participating in a social pact, even if that brings them little in the way of substantive gains, but governments in weakly established democracies are grateful for an association with trade unions, which have important roots in the society. Similar principles apply to the cultivation of relations with both unions and employers' and trade associations by the institutions of the EU. By building direct links with these, the Union tries both to entrench itself among non-governmental organizations at national level and to establish the rudiments of a European civil society.

However, the declining capacity of some neo-corporatist systems to represent the whole productive system – the basis of its own legitimacy and claim to usefulness – becomes a very severe weakness indeed, raising a new element in the argument concerning the relationship to democracy. Particularly at a time when democratically elected government seems to be growing across the world, while neo-corporatism is languishing even within its Western European heartland, the question must arise: is it not time for these latter institutions to be consigned to the dustbin of history, along with many other structures which

seemed important during the high tide of industrialism, but which are becoming increasingly marginal in a post-industrial society? It might linger on successfully in a few places, but these are just the anomalies that history always includes.

FORMAL DEMOCRACY UNDER SCRUTINY

But a sociologist or an empirically minded political scientist can never be content with the formal properties of institutions. It is necessary to subject the claims of formal (particularly parliamentary) democracy itself to a similar substantive critique as that to which neo-corporatism has been submitted. After all, corporatism can be made to appear formally universal through the establishment of legally perfect but substantively vacuous systems of the kind that Mussolini, Franco, Salazar and other fascist rulers erected in the inter-war decades. Seen in the perspective of a critique of formalism, current democratic practice is vulnerable to criticisms as withering as those to which neo-corporatism is becoming subject.

Parliamentary democracy can make three great claims. First, while the perfect formal equality of universal suffrage never implies true equality of political influence, it does require political leaders to appeal to and submit themselves to a judgement comprising all actual and potential interests and identities to be found among the citizens of the political unit concerned. This aggregation of so many different interests amounts to an appeal to a general, collective, public interest. In contrast, neo-corporatist and other interest associations need appeal only to a membership base. Second, universal suffrage implies a potential capacity for new interests and identities to shape and express themselves, and to gain political voice (in the sense of lobbying for political attention) as a result of that autonomous process. Unlike in neo-corporatist contexts, there are no official gatekeepers. Particularly notable in recent decades, for example, has been the capacity of identities concerned with sexual orientation to achieve political expression in many countries.

Third, democratic party politics involves permanent open, transparent, public struggle between governments and their opponents, which places a premium on openness and the identification and articulation of conflict. In contrast, neo-corporatist organizations are not engaged in a conflict where one side is trying to replace the other. They therefore have to do deals with each other, and conflict is expressed in compromises reached between them, not in the replacement of one group by another. This usually leads them to prefer to keep their disputes and even their discussions private, even secret. Only at extreme moments do they call on a wider mobilization of supporters – something that political parties are preparing for every day. Similarly, they do not

articulate visions of what they are trying to achieve, but operate technocratically (Erne 2004). They may carry an historical legacy of visions constructed before they entered the neo-corporatist arena, but they have little capacity to renew these in the same way, and they are at risk of gradually becoming outdated.

However, the attractive attributes of political democracy can be heavily compromised in empirical systems in ways that have relevance for the comparison between them and neo-corporatist structures. Quite significantly, some of these weaknesses are likely to be exceptionally severe when the organization of interests within the society concerned departs from an encompassing neo-corporatist pattern. This is interesting, as it suggests a strong limit to the frequently assumed zero-sum relationship between corporatism and democracy. Two important current weaknesses of political democracy in many advanced nations are especially relevant to this issue:

- the capacity of insider elites and producer lobbies to secure far greater influence than those interests that have to rely on the public political system;
- the possibility that whole classes, interests or geographical areas may lack the means to secure effective as opposed to formal representation.

Lobbies and Democracy

The principal legitimacy and claim to democratic quality of those regimes in which governments at various levels are elected is of course the electoral process itself. Although this is not the subject of the present chapter, its importance must not be forgotten. But following in the train of the idea of formal electoral democracy come other important democratic qualities. As already noted, because political authorities have to be elected, they also have to make themselves available to both open and private lobbying; they have to produce and receive information, also often publicly, relevant to that process; and citizens have to be free to form lobbying organizations and to try to draw attention to themselves in a way that government cannot ignore. A formal electoral democracy that lacked these other components would be a very weak one, lacking vitality and activism among the citizens, whose role would be reduced to just voting when elections were declared.

According to some forms of democratic theory, political parties play a particular role in relating political decision-makers to these social interests. It is in their differential attraction to and of interests and identities that parties derive the characteristics that distinguish them from each other in a way that makes meaningful democracy possible. One of the means by which interests lobby political authorities is therefore as insiders to one or sometimes more

than one party. In some ways this is the most legitimate form of pure politics. Lobbies, interests and identities work through the parties; the parties present themselves for election; the voters choose which part(y)(ies) they prefer, and during a particular electoral period the interests associated with that party or those parties achieve(s) the most political influence. There has been a democratic (in the sense of majoritarian) legitimation of that particular cluster of interests.

However, from some other points of view, this 'purely' partisan pattern of interest representation lacks democratic quality. Pure majoritarianism leaves minority interests completely neglected, at least until the next election. And some interests and identities are doomed to permanent minority status (for example demographically defined categories, like ethnic, religious or possibly generational groups). This legitimates the idea that political conflict does not stop after an election, but defeated groups can continue to lobby, to press, to argue, possibly even to coerce governments. From some points of view this constitutes a richer democracy: there are no permanent majorities and minorities; conflict, argument and information exchange continue; elements of the public try to expand the range of political weapons available to them.

This is what we see in most systems that are worth calling democratic. It is however vulnerable to criticisms of the kind launched by electoral or parliamentary purists. The equality of the ballot box, one citizen one vote, has been lost. Power resources of a potentially unlimited and unregulable kind can be used; political majorities may even find that minorities defeat them by wielding some of these resources to which access is extremely uneven. The most difficult of such resources are economic wealth and physical violence. Political systems usually develop some rules about the use of both these, though they are far stricter about the latter than the former. But of course, the framing of these rules is carried out by political actors who are themselves endogenous to the patterns of power at stake. That is, they are themselves products of the system in restraint of which they are expected to regulate.

There can therefore be no formal guarantees that extremely skewed influence will be excluded from a democratic political system. And the more that such practices dominate, the weaker become the claims of that system to democratic superiority over neo-corporatism. Exactly the same difficulties that beset corporatism in terms of entry barriers blocking access to resources and capacity to be heard apply to the system of lobbies which is endemic – possibly necessary – to the democratic political process, even if it finds no place in formal democratic theory. In fact, the more a system of interest representation departs from a neo-corporatist form, the worse such distortions become. This is true for the following reason. Where a more or less formal system of organized interest representation (that is, neo-corporatism) exists, it must (like the rules of electoral democracy) follow certain procedures of balance, defined

access channels, openness of information. If the system becomes entirely informal, as in contestative lobbying, no such rules apply. This fact was very openly and honestly stated by both Swedish and German industrial representatives during the 1990s as reasons for seeking to dismantle the corporatist strictures of their countries where labour-market issues were concerned (Myrdal 1991; BDI 1989). As long as the neo-corporatist structures existed, labour interests had to be offered similar rights as themselves. If these structures could be torn down, they could enter a system like that which they saw as prevailing in the USA, where business could use its superior material resources to achieve a far higher level of influence.

But these German and Swedish business spokesmen were themselves representatives of organizations, and they spoke for broadly organized business groups. More important in recent years has been the rise of individual corporations as lobbyists, bargaining with either their 'own' or foreign governments, or the EU, for privileges. (For a study of the role of individual firms in lobbying the European Commission, see Coen 1996.) Where, as in the UK, business associations become very weak, government uses individual firms as its interlocutors with business. But these, in addition to working for their sector, region or whatever, will automatically also seek to develop privileged access for their own corporate purposes, for example developing contacts that can be used to secure government contracts. Ironically, although an economy of individual firms without access to associations is in principle more compatible with an idealized free-market economy than one with associations, in practice it is likely to be the other way round as soon as the lobbying of governments is permitted. When lobbying is through associations, there is a level playing field among firms, an important condition of the market economy. Once there are privileged insider firms, the free market has been compromised.

These factors will be particularly important if the open political system is itself not producing a wider diversity of interests seeking influence through party links or more public campaigns. In that case, firms will be among the few active political interests. At the present time there are reasons to believe that this is the case.

The Declining Class Base of Democratic Politics

The same changes considered above that weakened the encompassingness of many union movements also weakened democracy in its more than formal sense, that is, when diverse groups and organizations of ordinary people share actively in the task of framing a political agenda which will respond to their concerns. The powerful interests that dominate undemocratic societies are then wrong-footed and thrown on the defensive; the political system has not

quite discovered how to manage and manipulate the new demands. Popular political movements and parties themselves may well be dominated by boss figures whose personal style is anything but democratic; but they are at least subject to lively active pressure from a mass movement which itself in turn represents something of the aspirations of ordinary people.

In most of Western Europe and North America such a period emerged at the moment described above, some time between the late 1930s and the 1940s, when economic policy began to respond to the interests of working people. For the first time in the history of capitalism, the general health of the economy was seen as depending on the prosperity of the mass of wage-earning people. This was clearly expressed in the economic policies associated with Keynesianism, but also in the logic of the cycle of mass production and mass consumption embodied in so-called Fordist production methods. In those industrial societies which did not become communist, a certain social compromise was reached between capitalist business interests and working people. In exchange for the survival of the capitalist system and the general quietening of protest against the inequalities it produced, business interests learned to accept certain limitations on their capacity to use their power. And democratic political capacity concentrated at the level of the nation state was able to guarantee those limitations, as firms were largely subordinate to the authority of national states.

The high level of widespread political involvement of the early post-war years was partly a result of the intensely important and public task of post-war reconstruction and, in a few countries, also a residue of the intensified public character of life during war itself. As such it could not be expected to be sustained for many years. Elites soon learned how to manage and manipulate. People became disillusioned, bored or preoccupied with the business of everyday life. The growing complexity of issues after the major initial achievements of reform made it increasingly difficult to take up informed positions, to make intelligent comment or even to know what ‘side’ one was on. Participation in political organizations declined almost everywhere, and eventually there was a decline in electoral turnout (Lane and Ersson 1999: 141). Nevertheless the basic democratic imperatives of an economy dependent on the cycle of mass production and mass consumption sustained by public spending maintained the main policy impetus of the mid-century moment until the mid-1970s.

By the late 1980s the global deregulation of financial markets had shifted the emphasis of economic dynamism away from mass consumption and on to stock exchanges. First in the USA and the UK, but soon spreading in eager imitation, the maximization of shareholder value became the main indicator of economic success (Dore 2000). Meanwhile, the manual working class in manufacturing industry that had been the primary impetus of mass democratic pressure began to decline in size. As discussed above, with the exception of

public employees, the new classes that began to replace it in the services sectors have not acquired a capacity to organize themselves and express their concerns in the same way. Further, while both the demos and the political elite remain primarily defined at the level of nation states, economic decision-making is becoming globalized. National laws and national representational systems (whether parliamentary or neo-corporatist) fail to keep pace with the levels at which economic activity can be regulated. Even if new political agendas are formed by active democratic participation, there is reduced scope for their operation. Democracy's economic reach is becoming reduced.

In these circumstances, formation of the political agenda increasingly becomes the task of a professional political elite, for which task it is equipped with techniques derived from the marketing of products. As the population loses interest in its activities, this elite has to spend more and more on attracting its attention. It therefore turns increasingly for funding to the corporate sector. This does not lose interest in the polity, as firms always have opportunities for doing business with government departments. Irrespective of its formal political colour, a major political party becomes increasingly centred on circles of professional advisors and corporate lobbyists.

It should be noted that the decline of capacity for autonomous political expression seems limited to economic or class identities representing lower social categories. In other respects the present time is a particularly rich one for innovation in interest and identity definition and mobilization. See, for example, the achievements of environmental, feminist, racist, ethnic and anti-globalization movements in recent years, some of which are described by Donatella della Porta elsewhere in this volume. This gives us a paradoxical result. The potential successors to the subordinate identities that had been reasonably well represented by both the party and the neo-corporatist systems of the mid- to late twentieth century are today finding it hard to achieve representation in either sphere. Meanwhile, other non-elite interests that had found neo-corporatist representation difficult are enjoying success in the formal polity and its associated lobbies. However, in this terrain they are at a considerable disadvantage to far better funded organized economic interests.

CONCLUSIONS: SHARED PROBLEMS OF NEO-CORPORATISM AND DEMOCRACY

Della Porta's arguments also raise questions about the appropriate form of interest organization in early twenty-first century society. It has been noted by several observers (for example, Beck 1986; Giddens 1994, 1998) that the institutions of twentieth century labour mirrored those of the Fordist economy: heavy, centralized structures producing basic, undifferentiated goods. There

are basic similarities between, on the one side, the production line of a large factory and its quantities of identical mass consumption goods, and, on the other, Keynesian macro-management, the welfare state and neo-corporatist bargaining. Centralization and undifferentiated products are not essential characteristics of the organizations and political preferences of lower social categories; they were the form they took when capitalism took that form. It should follow that if capitalism takes new forms, so should responses to it.

This is made difficult by the extreme diversity of early twenty-first century capitalism. For observers like Giddens or Leadbeater (1999), who see it as a set of light, flat, non-hierarchical flexible structures, its characteristics and contrast with the past are clear. But they do not see the size and complexity of global corporations. If corporate structures seem light and flat, this is achieved by highly complex financial operations and subcontracting chains that in reality signify very strong concentrations of power. This poses a major organizational challenge for the organization of labour interests and, more generally, the capacity of democracy to match the challenge of corporate power. At one level the fragmentary, decentralized structures of the movements that della Porta describes seem both an appropriate counter to post-modernist capitalism and a means by which a post-corporatist associational form can respond to the interests that are tending to be excluded by many neo-corporatist systems. But capitalism does not fragment itself to the point where it loses the capacity to act strategically.

For both neo-corporatism and political democracy the key substantive issues are: how can they combine responsiveness to emerging popular concerns with an ability to regulate the global economy? And how complete and balanced can their coverage of the whole population be? Here we can identify major weaknesses – in several respects the same weaknesses – in both. At the same time, abolition of neither would improve the situation. This is obvious for political democracy: its absence brings arbitrary power and worse corruption than can occur with it – provided the defects are not so great that it becomes simply a legitimatory cover. An abolition of neo-corporatism, on the other hand, is frequently and openly advocated. But similar arguments apply: interest organizations, at least of business, will always exist in a democratic capitalist society. Removing their neo-corporatist base simply legitimates the exclusion of the less powerful interests: in present economic conditions, those of labour. As argued, it also avoids the need to provide a level playing field of political influence – not just between capital and labour, but among firms themselves.

Far from there being a zero-sum relationship between corporatism and political democracy, there are synergies between them. And, although both can be seen as checks on the market, in fact their mutual strength provides best guarantees for elements of its proper functioning. If political democracy is

strong, governments and parties ought to be able to intervene to check the development of exclusionary practices by neo-corporatism. If neo-corporatism is strong, its associations should be able to limit privileged lobbying. If these corrections are not being exercised, it is because there are weaknesses in both parliamentary and associational democracy, and because the challenges presented to both by globalized capitalism are severe.

NOTES

1. As a concept, rather than as a political practice, corporatism's roots are different again. It developed in the late nineteenth century as a response of modernizing conservatives to the conflict between capitalists and labour movements.
2. This happens because of the characteristic already mentioned: many (though by no means all) services have to be offered directly by a person to the customer. French people can easily take advantage of low Chinese wages by buying shoes made in China and sent to shops in France; they are less likely to send their children to school in China. In principle, immigration from poorer countries to work in the services sectors of rich ones offsets this, but the impact of this is limited by: (a) the fact that it is more difficult to effect long-term movements of human beings than of objects, and (b) by the reality of immigration controls.

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3. From corporatist unions to protest unions? On the (difficult) relations between organized labour and new social movements

Donatella della Porta

Autumn 2003, Florence. The drivers of the public (but now semi-private) transport body, ATAF, participate en masse in a wildcat strike. Following the example of their Milanese colleagues, the Florentine drivers use a disruptive (even illegal) form of protest to put pressure on national and local governments to have their national contract renewed, the previous one having 'expired' in 1999. Nine strike calls issued by the official unions, following the rules on strikes in the public services established in 1990 (Law no. 146), remain unanswered. In an open criticism of the official trade unions (*La Repubblica*, 15 December 2003) a high percentage of drivers in various Italian cities challenge both the orders of the prefect (precettazione) that have defined the strikes as illegal and the high fines imposed, refusing to take out buses and underground trains. Several wildcat strikes follow, finally resulting in the contract renewal on 20 December 2003. Wildcat strikes are accompanied by other forms of protest, such as driving under a banner: 'Precettato ma non domato' [You can force us to work, but you won't tame us], refusing to check tickets, following traffic regulations to the letter in order to slow down traffic (*La Repubblica*, 16 January 2004). In addition, ATAF customers, organized in a 'network of citizens in support of public transport workers', organize a 'ticket strike' to express their solidarity with the drivers. The wave of protest is decided by workers' assemblies, with the encouragement of the 'critical' union COBAS (comitati di base), which gains a lot of support in the course of the protest (160 of the 800 ATAF drivers became members), while many former members abandon the official unions. Unexpectedly, the strikes receive significant support from public opinion; journalists report on a general mood 'we are all public transport drivers' (*La Repubblica*, 14 January 2004). Judicial proceedings are initiated against the workers for 'interruption of public service' as well as violation of Law 146/1990. The government asks the public transport

enterprises to implement the 516-euro fine per day of strike, which this law has established.

In several respects, this protest wave – I shall refer to as an illustrative case in this chapter – reflects certain challenges to neo-corporatist tendencies and concertation in industrial relations, linking labour politics and social movements. Although not a neo-corporatist country, Italy had witnessed a trend in the early 1990s towards trilateral (business, labour and state) concertation, perceived by 'technical' and centre-left governments as a necessity in order to implement economic austerity measures and enter the EMU. This development of concertation in Italy could be understood as convergence towards a European model of industrial relations (Regini 1999), often emphasized in EU documents. If the Florentine strikers explicitly criticized concertation, their behaviour can also be seen as an unforeseen consequence of this development in industrial relations, and points to linkages between unions and movements.

These linkages are the subject of this chapter. There are two basic, partially opposed, ways of looking at these conceptual and empirical interactions: either to see social movements as reactions to the taming of labour movement, or at any rate as very different from unions; or to see them as embedded in interest politics. Unions active in a neo-corporatist setting have in particular been seen as representing functional interests in a narrow way, characterized by a tendency towards monopolistic representation and frequent use of trilateral concertation. Social movements are different from neo-corporatist organizations as far as their *modus operandi* is concerned: they are mainly pluralistic, loose networks, with little formalized access to decision-makers and, according to most definitions, mainly characterized by their use of protest as a 'political resource of the powerless' (Lipsky 1965). In Tilly's (1978) words, movements are challengers, while neo-corporatist actors are polity members.

Not by chance has the social movement literature systematically and explicitly contrasted *new* social movements (NSM) with *old-style* labour. The early research on movements – developed in the 1970s in Europe from within labour studies (in which influential NSM scholars such as Alberto Melucci, Claus Offe and Alain Touraine were involved) – certainly stressed the differences between the emerging actors and the old unions they were supposed to supplant. A network structure, strong solidarity, the use of disruptive repertoires of action, and conflictual aims were among the main characteristics of the new movements; bureaucratic and hierarchical organizations, representation of interests, concerted decision-making, and compromise seemed to permeate more and more the labour movement.

Moreover, it was observed that the more influential interest groups are, the smaller the space for relatively unorganized movements will be since

> a well-resourced, coherently structured, and professionalized system of interest groups may also be able to prevent outside challengers from having access to the state. Moreover, highly institutionalized, encompassing arrangements of policy negotiations between the public administration and private interest associations will be both quite inaccessible to challengers and able to act. (Kriesi et al. 1995, p. 31).

According to this point of view, neo-corporatism – with monopolistic, centralized interest representation (Schmitter 1974) and concerted decision-making (Lehmbruch 1977) – should reduce the incidence of protest. Access to the institutional system of public decision-making would facilitate agreement between different social groups and the state without the need for non-institutional forms of collective action. Both control over the formation of social demands (Schmitter 1981) and the capacity to satisfy those demands (Nollert 1995) discourage protest. In fact, it is especially where neo-corporatist assets have developed that industrial relations appear as more pacified: as one of the leading figures of neo-corporatist studies, Philippe Schmitter (1974, 1992), demonstrated, neo-corporatism and protest have been inversely correlated – the strongest effects of concertation being to reduce strikes and public-order disturbances.

Although they have different degrees and forms, neo-corporatism and concertation could be seen in fact as an advanced stage in an evolutionary progression towards the institutionalization of the labour movement, which has among its consequences a separation between the two fields of interest politics and social movements. Kitschelt has suggested that in post-Fordist society we are moving towards an increasing differentiation in the modes of collective interest mobilization:

> Parties focus increasingly on electoral competition, at the expenses of interest group representation or social movement protest actions. Interest groups try to set themselves apart from the arena of electoral politics as well as disruptive street politics. Social movements, finally, concentrate on public actions outside the institutionalised arena of bargaining to affect public opinion and political elite through the media. (2003, p. 97)

Union politics (even within neo-corporatist assets) can be considered, however, as conceptually and empirically less hostile to movements and movement politics as a new form of interest representation. First, in many European countries, the trade unions are often important allies for emerging actors, such as the student movement or the women's movement. With a large social base and very often privileged channels of access to institutional decision-makers (both directly through the public administration and indirectly through the political parties) the trade unions can increase the mobilization capacities and chances of success for social movements. In fact, the weaker the institutional recognition of workers' representatives in the workplace and the

decision-making process, the greater seems to be their propensity to assume a political role, allying themselves with social movements and taking part in public protest (della Porta and Diani 2005, ch. 8; on Southern Europe: della Porta, Valiente and Kousis forthcoming).

If a neo-corporatist structure undoubtedly reduces strikes in industry,[1] its effect on protest in other sectors is far from clear. In fact, guaranteeing privileges to powerful interests could lead to rebellion by their weaker rivals and thus to the rise of powerful new movements (Brand 1985).[2] Schmitter himself had indeed expected that neo-corporatism, as an asset privileging strong economic interest groups, could result in the growth of other movements of protest, increasing the differences between insiders and outsiders. On the other hand, neo-corporatism could as easily create a tendency to incorporate emerging groups within the structure of concerted policy-making. A comparison between the American and German anti-nuclear movements revealed that the American system, with its multiple points of access and traditionally weak executive, favoured legal strategies and pragmatic movements. The initial closure of the German state (traditionally assertive of its supremacy over civil society) towards interests that cut across its corporatist outlook, on the other hand, favoured strategies of direct action (Joppke 1993). However, 'once new issues and interests pass the high hurdles of party and parliament, the German polity firmly institutionalises them' (Joppke 1993, p. 201). Moreover, neo-corporatist states (for instance the Scandinavian ones) do not seem to co-opt only strong interests; state sponsoring and concertation usually spread to environmental or women's issues (Dryzek et al. 2003). State sponsoring of environmental organizations and their involvement in the concertation of public decisions have tended to develop in neo-corporatist regimes (such as Sweden and Germany) rather than in statist ones (France) or pluralist ones (Italy and the UK) (della Porta and Diani 2004, ch. 3).

In fact, movement organizations also represent interests, often interacting with unions. In the eighties and nineties, research described a progressive institutionalization of social movements, at least in Western democracies. In this sense, the labour movement was not alone on a path of growing organizational structuration. Some movement organizations had become better structured, at national or even supranational level; had acquired substantial material resources and a certain public recognition; had set up paid staffs thanks to mass membership drives; and had tended to replace protest with lobbying or concertation. They had, that is, become interest groups, albeit of a public-interest type. Other groups, involved in the process of contracting out social services, had entered the third sector, acquiring professionalism and often administering public resources, similarly with little recourse to unconventional political action. Protest had in the meantime become the heritage of citizen committees, often fragmented down to street or neighbourhood level, with

pragmatic objectives of protecting limited territories. Even squatted youth centres seemed caught between commercialization in administering spaces for alternative culture and radicalization of forms of action (della Porta 2003).

At the turn of the millennium, several trends produce a *rapprochement* between not only labour and the new social movements' activists, but also between scholars in the two fields. Surprisingly, however, researchers did not look to the institutionalization of social movements, but rather to the development of social movement unions. More or less explicitly, researchers of labour unions started to identify some signs of new life after the decline in union membership and strikes in the 1990s had heralded, if not the death of the labour organizations, at least their chronic sickness. In many ways, it seems that, in this domain as in others, some of the strategies, organizational structures and identity definitions are more reminiscent of the first emergence of the labour movement than of its full development in the neo-corporatist era. As Beverly Silver (2003) has summarized, while many scholars stress the growing weakness of the unions – relating it to capital hypermobility, de facto decline of national sovereignty (for example, Castells 1997), or post-Fordist fragmentation of labour (Jenkins and Leicht, pp. 378–9) – others take a different view. They observe that, as happened with Fordism, that had been initially considered as a source of inevitable defeat for the working class, post-Fordism too would present both challenges and opportunities for the workers' organizations. The intertwining of movement politics and interest politics is reflected in the emergence of concepts such as 'movement unions' or 'unions from below' (Tait 2005; Tilly 2004).

In what follows, I shall reflect on these issues, focusing on recent developments in both labour politics and social movements, especially on their interactions in the so-called global justice movement (Andretta et al. 2002, 2003; della Porta et al. forthcoming). A characteristic of this movement is, in fact, the involvement of trade unions side-by-side with other social movement actors. In the global justice movement, unions act according to different logics than those prevailing in neo-corporatist agreements: they protest more than act in concert, they build horizontal networks with other movements instead of relying upon hierarchical organization, and they construct encompassing collective identities instead of focusing on the defence of economic interests.

I shall proceed by summarizing some research findings and reflections on these issues, referring by way of illustration to two pieces of my own research. One is based upon a series of case studies of recent instances of contention over labour issues in Italy, including protest by the unemployed and precarious workers, actions against dismissals or factory relocations, and the like. In order to single out certain new trends in labour politics, I shall report here in particular on a case study (based on press accounts and interviews) of the wildcat strike staged by the drivers of the Florentine public transport system,

mentioned above. A second source is a survey of participants in the first European Social Forum, held in Florence in November 2002. During the days of the ESF, we administered some 2,400 questionnaires, translated into English, French, Spanish and German, to Italian as well as non-Italian activists, distributing the interviews over the various initiatives ('theme-based piazzas', debates, and so on), in order to construct a representative sample of the various 'souls' of the movement. The issues touched upon in the questionnaire concerned associative experiences, forms of political participation, confidence in the institutions and identification with the movement.[3] I shall compare the unionists (about one-quarter of the sample) with other groups of activists in the ESF (contrasting them in particular with the subgroup that has been considered to be the most distant from the unionists: the ecologists) in order to locate some of the changes in the labour movement against the broader background of the global justice movement.

LABOUR AGAINST NEO-CORPORATISM? (NOT JUST) A FLORENTINE STORY

Our Florentine story (with broader application) illustrates three challenges to traditional industrial action, referring to the forms of the protest, organization of protest and the framing of the issue.

From Concertation to Protest?

First of all, the forms of action disrupt institutionalized industrial relations. The Florentine workers, and the Milanese before them, had refused to comply with the regulations governing strikes in the public sector that had been written by union consultants in 1990 (Rusciano and Santoro Passarelli 1991). The strike was defined by a trade unionist as

> not a strike against the citizens . . . but a strike against this law that marginalizes us, that makes us insignificant . . . there were nine strikes, and nobody talked about them because we did not bother anybody . . . the wildcat strike was important in order to raise the issue. (Interview 1)

Wildcat strikes are perceived as a way of regaining control of the workers' disruptive power against an aggressive opponent: 'Before arriving at the wild strikes we were engaged in many regular ones, but they came to nothing – if we are not wild, we achieve nothing . . . but really, *who* is wild? The law 146 . . . is an offence against the workers' (Interview 4).

Besides the search for disruptive forms of action, however, there is also the perceived need for external support. If neo-corporatism and concertation had

meant depoliticization, the ATAF activists now involved the users of public transport, by distributing

> many leaflets, explaining that our bad working conditions meant a bad service for them: because if I do not have the time to go to the loo, this happens because the firm did not hire or the city council did not develop a system of lanes reserved for the public transport . . . and this is why, even yesterday, I heard citizens saying: it is not your fault, it is the fault of ATAF and of the local government . . . I was so glad of all this solidarity, I had not expected it. (Interview 1)

The linking of the workers' and users' protest is also visible in the users' ticket strike organized by a public transport users network – which the local media described as a huge success, especially in terms of public support (*La Repubblica*, 22 and 23 December 2003). As one activist recalls:

> I received a call from a comrade of my collective . . . he had talked with his wife about what was happening in Milan and decided that they had to do something, they phoned people they know, found three or four, wrote a leaflet 'thanks to the workers in the transport system for their strike in defence of their dignity' . . . they bought some flowers and went leafleting at the bus stops to users and drivers, who took them and posted them on the bus . . . after a few days somebody announced that there was a city-wide assembly . . . ideas travel free, are not private property . . . so we went to this meeting, found people from CPA [squatted youth centre], Beati Costruttori di Pace [peace organization], others from the Social Forum, some from Rifondazione Comunista and we as the libertarian [anarchist] collective . . . in a couple of meetings we had the text of the leaflet . . . we decided on the ticket strike. (Interview 3)

The return to protest, and to forms of protest outside the factories, is not rare. In the second half of the nineties, protest extended to public services and was aimed at privatization and its effects on domestic working conditions and the global efficiency of services. The strikes in the Royal Mail and London Underground in the UK, and in the public sector in Spain, France and Germany were part of a larger trend. Apart from public transport, opposition to privatization extended particularly to schools and health. Often, these protests involved various forms of participation by 'outsiders'. As Piven and Cloward (2000) noticed, if there is a decline in traditional strike activities, there is a return to old forms of *secondary actions*, such as community boycotts, sympathy strikes and general strikes. As a trade unionist recalled, if in the protest against the WTO in Seattle a few unionists took part in the blockade of the delegates, after that experience 'a lot want[ed] training in direct action' (McNally 2001, p. 81). In Italy (as well as in France and Spain), the turn of the millennium was also characterized by general strikes against pension reform, privatization of public services, and cuts in public health and education. In these actions, various organized networks joined the trade unions, linking labour

issues with global justice, defence of the environment, peace and gender equality. As one of our interviewees put it, 'there was awareness of the fact that in order to build an alternative to the consociational union, you had to go beyond the work place' (Interview 7). The form of protest seems no longer to make a clear distinction between old and new movements: for unionists 'there is the discovery that other methods, other forms of mobilization not related to the workplace and the strike, also make sense' (Interview 7).

Rank-and-File Unionism?

Also in the organizational structure of the unions there are counter-trends to the apparent institutionalization towards, if not one, at least a few well-structured interest organizations. As mentioned, the ATAF wildcat strikes were decided by the drivers in general assemblies, opposed by the main unions, but supported by the recently formed COBAS. They are part of a larger trend: in the last two decades, various rank-and-file unions have developed, as splits from the more established ones.

In Florence, as elsewhere in Europe, the institutionalization of the unions has increased their power but changed their nature. The decline in the mainstream union membership seems, at least in part, to be an effect of the (dissatisfaction with the) development of 'interest politics' as opposed to 'movement politics', of the prevalence of a 'logic of influence' over a 'logic of membership'. Initially developing from a wave of protest in the educational system in the late eighties, the membership of COBAS grew, especially in the late 1990s, in the health system and the public sector in general (Interview 6). Other critical unions – among them SinCobas (sindacato intercategoriale dei comitati di base), which imported the slogan 'solidarity, unity, democracy' from the French union SUD (Interview 7) – developed in the mid-nineties in the private sector, including some large factories (such as Alfa Romeo and Fiat).

In their discourse, the activists of the critical unions presented themselves as part of a larger movement. One of the accusations made by COBAS activists against the mainstream unionists is that they increasingly prefer selective incentives for their members to their mobilization in protest forms – according to one COBAS unionist:

> I was in the CISL, not out of political belief, but because it was at the CISL that I had attended a course to prepare myself for the *concorso* at the ATAF . . . the unions try to recruit members during the medical when you join ATAF: here unionists contact the new recruits and promise them help with finding housing, and so on (Interview 1)

Traditional unionists are also perceived as 'compromising' the workers' interests – in particular, through urging the acceptance of the flexibilization of

contracts – in exchange for individual privileges, such as time off work for union representatives. But, above all, the activists of the new unions criticize the bureaucratization of the old ones: 'they did not call public assemblies, because they did not want to explain what's happening, it is not in their interest . . . there is no democracy in CGIL, CISL, UIL' (Interview 4). Instead, new unions stress a form of rank-and-file activism – evident for instance in this tale of the founding of COBAS ATAF:

> We were just a few people, very enraged . . . we met and said, 'Let's see if we can do something' . . . now I'm with people that think like me, we were a bunch of kids, now we are 170 . . . we are organized in working groups, with a distribution of specific tasks, but each chooses what he likes to do: the journal, the leaflet, internal communication . . . we formed a COBAS branch because somebody came and explained to us how it worked, and we said fine, let's set up a COBAS branch and join COBAS federation . . . here I can express my opinions, develop ideas . . . without my wings being clipped. Other people were in other unions before, and there you have to shut up, you can do nothing, you could not voice an idea different from those of the big bosses . . . what I like here is, we do not have bosses. (Interview 1)

The emphasis on self-realization in a non-hierarchical structure is also widespread in the public transport users network. In the account of another member, the campaign for public transport developed within an organizational structure that allowed for individual initiatives:

> We circulated the leaflet by e-mail, in the mailing list of the social forum . . . it probably circulated widely . . . as you know, the members of the social forum mailing lists have other mailing lists they can forward things to . . . there is a spider's web . . . I do not know how these messages circulate, but I know that, before the press talked about our initiative, I had already been contacted by e-mail by people from Perugia, Turin . . . they all wanted to do something. (Interview 2)

The story of COBAS ATAF is similar to those of many critical unions that developed in other European countries. In the various wave of strikes in public services in the second half of the 1990s that occurred in countries with pluralist patterns of industrial relations (with various representative organizations competing with each other), new unions highly critical of the various forms of privatization arose and expanded – from *Coordonner, Ressembler, Construire* (CRC) and *Solidaire, Unitaire, Démocratique* (SUD-PTT) in France (Béroud, Mouriaux and Vakaloulis 1998, p. 49) to the *criticos* fraction of the Commissiones Obreras in Spain (Moody 1997). All these critical unions share a critique of the bureaucratization of the official unions, and an emphasis upon participation, which is reflected in the rejection of permanent delegation and in the call for deliberation based upon consensus (or, at least, qualified majority). They tend to develop in specific sectors – often, but not only, in the public administration – and to network with similar groups. In

neo-corporatist countries, with occupational representation confined to a single organization, similar challenges develop especially inside the public-sector unions (for instance, first the OETV and then ver.di in Germany).

From Interest to Identity?

It is no coincidence that the critical unions were heavily involved in the protest campaigns against neo-liberal globalization. In our Florentine story, both COBAS activists and the activists of the public transport users network had participated in the first European Social Forum. Coherent with that experience was the choice of a network structure, as well as the construction of a frame that links the destiny of public transport in Florence, their workers and their users to the struggle against neo-liberal globalization and in favour of global social justice. It is not by chance that the founders of COBAS ATAF – young people, hired under so-called atypical and weakly protected 'contratti formazione lavoro' (special contracts for formation to work) – today criticize the centre–left local government for exploiting the workers and privatizing public transport. They often project a self-image as 'public officers', who 'have to offer a public service' (Interview 1). In this sense, they link their struggle with that of the community, deprived of public welfare by the waves of privatization. The 'contratti interinali' (temporary jobs) are denounced as pure exploitation, and contracting-out as the end of public service in favour of the market: 'the left and the right are the same: externalization and privatization are the same in both cases' (Interview 4). In the words of one of the founders of COBAS ATAF:

> I wrote a leaflet and signed it . . . I wrote that the 'contratto formazione lavoro' is a fraud . . . in Palermo you call it kickback, we pay in order to be hired in a public job . . . at one time, to join the ATAF, you had to pay the bureaucrat, there was clientelistic recruitment . . . the confederated unions had created a powerful 'sottobosco' [underworld] . . . I attacked the unions in this leaflet . . . a colleague, active in the union, warned me: 'Are you crazy, they are going to sack you.' (Interview 4)

Accused of defending old privileges, the public-sector unions often sought consensus in public opinion by claiming to defend public against private values, services against goods. In their leaflet entitled 'Wake up, Florence' (no date), COBAS ATAF declared that they were struggling 'for the future of local public transport in Florence', against a 'privatization that would cut fundamental services'. In this sense, they framed their action not as a corporatist defence of privileges but as a progressive struggle for citizens' rights: not 'just a question of the public transport workers, but of all citizens, all workers, our civilization'. Class struggle is opposed here to the 'concertative regime, as a collaboration that penalizes the workers' (Interview 7) – and, indeed, the

Italian critical unions developed mainly after the 1993 agreement that were presented by their proponents as paving the way for concertative pacts.

Parallel to this, the network stressed that 'public transport is a public property, is a social property'. As one of the network organizers recalls, the demands of the workers on strike were perceived as issues of justice:

> I wrote a leaflet on behalf of the Social Forum and, together with a small group of people, we gave them out at the bus stops and we noticed how the climate had changed towards solidarity with the workers, notwithstanding the inconvenience linked to the strike . . . the constant reaction was 'we understand them very well, we too cannot survive until the end of the month'. (Interview 2)

Noting that, with the exception of the left-wing Rifondazione comunista, 'the parties are absent' and the politicians are 'closed in their palaces', the activists stigmatize the 'widening gulf between representative politics and the real world' (Interview 2).

The development of a frame of global injustice has been perceived as another recent tendency in the labour movement. The NAFTA Free Trade Agreement of 1994 provoked an increasing number of transnational campaigns among Canadian, US and Mexican workers (Gabriel and Macdonald 1994; Ayres 1998; Evans 2000). The dockers of Seattle, who had already taken part in a transnational strike initiated by the dockers in Liverpool (Moody 1997), also supported the protest against the WTO, extending their solidarity from the local to the international level (Levi and Olson 2000). In these waves of mobilization, the labour movement met other movements – environmentalist, feminist, urban, and so on (della Porta et al. forthcoming).

The Labour Movement in the Global Justice Movement

The mobilizations around global justice are the context in which the changes referred to took place. If we look at both individual and organizational characteristics, we can single out a consistent participation of unions and unionists (or at least unionized members) in the mobilization over global justice. The Genoa protest against the G8 in 2001 and the European Social Forum in Florence a year later were part of the many, increasingly massive, transnational protest events that developed in the world's North and South, especially after the 1999 WTO protests in Seattle, demanding 'global justice' and 'democratisation from below' (Pianta and Silva 2003). Members of the critical unions – such as SinCobas (Interview 7) – had participated in the European March against Unemployment in 1997 as well as in the international meetings organized by the Zapatistas in 1996. While the critical unions (COBAS and SUD among others) as well as the Italian metal-workers' union FIOM were members of the organizing committee of the Genoa Social Forum (that called

for the protest against the G8 in 2001), mainstream unions have since become more and more involved in global justice organizations: Brazilian unions are most active in the World Social Forum; the European Trade Union Committee was among the organizers of the first European Social Forum in Florence in 2002; unions are present in several coordinating committees and networks (such as the transnational organization demanding a 'Tobin' tax on financiary transactions, ATTAC). In fact, in many campaigns (including Jubilee 2000 or the anti-NAFTA campaigns) unions have been allied with various movements. NGOs and unions together protest against labour exploitation in less developed countries, often resorting to the (sometimes effective) strategy of boycott (see Anner 2001, p. 35 regarding the successful campaign against Gap). This 'global social unionism' has been defined as a vehicle for broad social mobilization against injustice (Josselin 2002, p. 179).

Like its predecessor, the global justice movement is formed by 'networks of networks', but the new definition as a 'movement of movements' stresses the preference for even more flexible organizational formats. Protest combines the traditional repertoires built up during previous cycles of protest (especially in the consolidation of non-violent forms of action) with certain innovations (in particular, 'consumerist' forms of protest and new tactics of civil disobedience). The definition of the conflict is a blend of Old Left attention to issues of social justice with the new social movements' focus on differential rights (versus equality) with the stress upon multilevel, tolerant identities (della Porta 2005). We suggest that some of the observed changes in labour politics are related to the interaction between the unionists and other activists in the global justice movement.

A Movement of Movements: Networking Heterogeneous Actors

The first groundswell of protest over globalization, in Seattle, was greeted with suspicion, as an unstable alliance of strange bedfellows: the unions, on the one hand, and the new social movements of various sorts, on the other – protectionists and cosmopolitans, interest politics and identity politics, materialists and postmaterialists. Their alliance was predicted to be occasional and episodic, not sedimented in unified organizations. We can recall, however, that analyses of new social movements in general have stressed their network characters, differentiating them from the tendency of the labour movement to build up strong organizations. As indicated above, criticism of bureaucratization has also penetrated that section of the labour unions that has interacted more with the mobilization on global issues.

The critique of hierarchical structures that emerges from the unionists' interviews certainly reflects the organizational model based upon a loose structure of 'networks of networks' that seems in turn to be adapted to deal

with the specific characteristics of contemporary movements. The global justice movement is undeniably heterogeneous: not only socially but also from a generational viewpoint. It also seeks to make diverse, distant national cultures communicate. Although it has been described as a 'middle class' movement, surveys of demonstrators single out a large participation of workers in some protest events on global issues: as many as 11.1 per cent of the Italian participants surveyed at the ESF define themselves as unemployed or underemployed; 24.5 per cent as dependent workers and 7 per cent as autonomous workers, while the remaining 57.3 per cent were students. Although as many as 39.4 per cent of our sample were white collar workers, 13.1 per cent were blue collar workers. Also, the age components indicate a large participation on the part of the adult population: 52.7 were below 25 years old, 25.7 between 25 and 35, 21.6 above 35 (della Porta 2004). Moreover, as we can see from Table 3.1, not only are the unions important for this movement (26.3 per cent of the participants interviewed were union members), but their activists often take part in other movement organizations as well. Furthermore, unionists are (or have been) members of youth centre squats and student collectives, as well as of women's groups and pro-migrant rights associations, albeit slightly less than activists of environmental organizations. And, even more than the ecologists, they belong to political parties and citizens' committees. Unionists generally tend to participate more in voluntary associations, non-governmental organizations and religious groups, too.

This rich 'social capital' of activists points to continuities and innovations vis-à-vis previous movements. The activists bring with them experiences of participating in political and social groups. Multiple memberships at the micro level, as well as cross-cutting issues and transnational networking in common campaigns at the meso level, influence the organizational conceptions and practices. In fact, as in other moments in history, the climax of protest has caused the rise of new organizations, along with a sort of 'social appropriation' of existing ones (McAdam, Tarrow and Tilly 2001) or, at least, their transformation as a reaction to rank-and-file members. Involvement in this network structure has enlarged the repertoire of organizational forms in the labour sector, pushing new unions to adopt an anti-hierarchical format, emphasized in the rejection of delegates, replaced by rotating spokespersons, and in consensual methods of decision-making involving qualified majority.

Cross-Contamination in Action Repertoires

As regards the movement's forms of action, social and political heterogeneity have led to contamination among different repertoires. The social movements are in general characterized by the adoption of 'unusual' forms of political

Table 3.1 Present and past participation of ESF activists (% yes)

Participation in	Only environmental organizations	Both environmental associations and unions	Only unions	Neither unions nor environmental associations	Total ESF	No. of responses
Social left	37.1	34.8	30.0	28.3	32.0	2461
Student collective	62.7	65.8	58.7	49.9	57.4	2478
Migrants' association	32.7	59.6	38.8	21.8	33.4	2473
Voluntary association	60.6	64.8	43.0	42.4	51.0	2476
Women's group	25.0	44.0	24.0	9.7	21.5	2481
Political movement/ network	48.6	78.4	72.4	37.2	52.5	2477
Political party	22.9	64.2	65.4	18.6	34.5	2484
Citizens'committee	21.8	37.9	30.2	11.9	21.6	2474
Sport and cultural association	59.8	56.2	45.9	44.7	50.9	2473
Religious community	19.9	23.2	15.4	18.6	19.1	2475
Non-governmental association	48.3	61.0	45.2	27.9	41.4	2471

behaviour. Many scholars see the fundamental distinction between the movements and other political actors as lying in the formers' use of *protest* as a way of applying political pressure (Rucht 1994) – that is, in an unconventional form of action that breaks the daily routine. Through the mass media, the protesters normally turn to public opinion rather than to elected representatives or the public administration. Through protest, the social movements seek to influence public decision-makers using three different types of logic: i) a capacity to cause material losses, or what may be termed the logic of damage; ii) the spread of their convictions, on a logic of numbers; or iii) the urgency for action by citizens, or the logic of witnessing (della Porta and Diani 1999, ch. 7).

The main instrument of industrial conflict – the strike – is the typical illustration of the functioning of the logic of damage, since breaks in production reduce profits. The institutionalization of labour conflict has brought about a reduction not only in the number of strikes, but also in their magnitude, which has reduced the damage they cause. In neo-corporatist settings and around the concertation table, potential damage is threatened as a potential negative incentive, but not actually implemented. Through political exchanges, however, the workers are also able to use the threat to public order, and therefore to government legitimacy, in order to provoke state intervention in contract negotiations. With few exceptions (for instance in occupations), the logic of bearing witness has tended to disappear from the repertoire of industrial conflicts.

The return of more disruptive forms of protest (such as wildcat strikes and, increasingly, road blocks) in labour conflicts can also be linked to the development of the global justice movement and labour involvement in it. The global movement against neo-liberalism has indeed used a varied, and in part innovative, repertoire of action, returning to the less institutionalized (and more damaging) forms of direct action, while also paying attention to the mass-media appeal of an action and of its intrinsic meanings. By 'naming and shaming', boycotts or general strikes aim at reducing the profits of the targeted corporations. The large marches witnessed during general strikes as well as the participation of unions in the recent mass demonstrations against the war in Iraq have reaffirmed a logic of numbers that around the concertation table was displayed via union membership cards, without being visible on the street. The logic of witnessing in particular implies the use of techniques that enhance the symbolic impact of the actions so as to attract media attention. In the protest against factory dismissals or privatization of public services, the use of hunger strikes has sought to dramatize the appeal to public opinion (della Porta 2005).

Again, new strategies seem to be learned both through the presence of activists with a rich previous experience of various forms of political partici-

Table 3.2 Forms of political participation of ESF activists (% yes)

	Only environmental organizations	Both environmental associations and unions	Only unions	Neither unions nor environmental associations	Total ESF	No. of responses
Convincing somebody to vote for a party	46.6	64.8	70.5	42.4	51.7	2447
Party activities	24.4	55.3	59.6	20.6	33.4	2449
Petitions	92.7	96.5	94.0	81.4	89.0	2464
Leafleting	72.3	87.8	85.8	63.7	73.5	2452
Taking part in assemblies	92.4	92.7	93.0	89.0	91.2	2464
Striking	83.0	90.3	92.8	83.1	85.8	2460
Taking part in a sit-in	71.2	80.4	75.8	57.5	68.0	2434
Boycotting	71.8	78.3	68.4	56.5	66.1	2450
Occupying public buildings	67.5	69.7	66.2	68.2	67.9	2463
Squatting	28.4	26.4	24.5	24.2	25.8	2446
Damaging property	5.3	9.8	15.5	7.2	8.5	2447

pation and through involvement in common campaigns. The survey of participants at the ESF in Florence in 2002 indicates that unionists who took part in this initiative had indeed experience of a vast range of repertoires of protest (see Table 3.2). Although they have slightly less experience of direct action (such as squatting) and more with traditional forms of participation (such as party activities), unionists resemble their fellow participants in having a rich repertoire of protest.

Global Justice and Other Identities

Social heterogeneity and network organization are interwoven with particular forms of collective identity. In the past, the movements that referred to homogeneous social groups – in particular, specific social classes or ethnic groups – often developed strong, all encompassing, exclusive identities, especially in the initial stages of their mobilization. The need to build up an 'us', often by inverting the sign of a stigmatized identity to form a positive one (for instance, in the case of workers, African-Americans or women), led to a clear antagonism to the outside, the other. The search for an emergent collective identity often took the path of developing utopias. In the case of the movement for globalization from below, the multiplicity of reference bases in terms of class, gender, generation, race and religion seems instead to have impelled it in a direction of not weak, but certainly composite identities (della Porta 2004). Concerns with the environment, women's rights, peace and social inequalities remain as characteristics of subgroups or networks in the mobilization on globalization. The definition of 'movement of movements' stresses the survival of the specific concerns and the non-subordination of one conflict to another.

Through frame-bridging, the fragments of diverse cultures – secular and religious, radical and reformist, younger and older generations – have been linked together into a broader discourse that has taken the theme of social (and global) injustice as a master frame, while still leaving broad margins for separate developments. The metaframe of global justice facilitates the participation of unions and union activists, resonating with the traditional egalitarian appeals of the labour unions, but linked with a transnational dimension as well as the acceptance of a plurality of conflicts. In fact, privatization of public services and cuts in the welfare state are linked to 'neo-liberal globalization', as characterizing not only the policies of the international financial organizations (World Bank, IMF and WTO), but also the policy choices of national right-wing and even left-wing governments. These are considered to be responsible for growing social injustice and its negative effects on women, the environment, the South, and so on. In the European Union, under the pressure of the Maastricht convergence criteria, austerity policies were implemented,

Table 3.3 Trust of ESF activists in various institutions (% who have much or some trust)

	Only environmental organizations	Both environmental associations and unions	Only unions	Neither unions nor environmental associations	Total ESF	No. of responses
Movement	90.9	92.6	90.3	86.4	89.3	2408
Political parties	16.3	26.5	29.4	17.2	20.4	2366
United Nations	33.2	27.6	22.5	31.2	29.7	2386
European Union	29.8	22.6	20.4	29.1	26.8	2386
National parliament	14.2	17.7	16.9	13.2	14.8	2370
National government	6.0	4.9	6.9	6.5	6.2	2393
Local government	53.3	46.9	38.3	44.3	46.2	2311
Church	19.1	16.6	12.8	18.1	17.2	2386
Media	13.4	10.0	8.3	14.0	12.2	2395
Judiciary	40.1	35.6	30.1	37.9	36.8	2371
Police	6.8	7.1	5.1	8.5	7.3	2396

either within or outside the framework of concertation pacts, but often with the support of mainstream trade unions. As could be seen in the ATAF strike, faced with economic difficulties and high unemployment rates, workers started to criticize these agreements.

Disappointment with representative politics is reflected in mistrust of institutions; confidence is placed instead in movement politics. While in the late 1960s the '68 movement had already criticized the bureaucratization of representative institutions and their isolation from citizens, the political parties, especially on the left, were subsequently regarded as the main potential allies of the movement, managing to channel the protest. Protest not only developed outside the parties but also expressed strong criticism of the forms of representative democracy. The unionists we interviewed in Florence share with the other demonstrators a low level of trust in representative democracy (even in unions themselves) and instead a strong faith in social movements as main actors of democracy (see Table 3.3).

LABOUR MOVEMENTS AND MOVEMENT STUDIES: SOME (IN)CONCLUSIVE REMARKS

We have singled out certain developments in union politics: the re-emergence of direct forms of action, outside the workplace, too; the emergence of 'critical' unions; the framing of labour issues in terms of global justice. At least during waves of protest, it seems that the borders that are usually set between (regulated) interest politics and (disruptive) social movements have been blurred.

We have to be careful in interpreting these changes. Some of the new repertoires of labour protest succeed in disrupting the routine, and even occasionally reach their goals, but they do not compensate for the quiescence observed in many places of work. Precarious workers, and even the unemployed, start to protest, but they are obviously still weak on the labour market. Some strikes win support, but some do not. Rank-and-file unions have won members from the more traditional and bureaucratic unions, but they are nowhere in a majority. Moreover, the trend towards a decline in union membership is still recognizable in many European countries (Norris 2002, p. 175).

It remains to be seen to what extent the emphasis on participation helps address the phases of negotiation that follow mobilization. To go back to our Italian illustration, the weak representative capacity of the rank-and-file unions is indeed noticed by their competitor in the more traditional transport union FILT-CGIL:

> COBAS might be represented in the periods of strong social tension and rage, but then COBAS do not have any representation in the negotiations, because the workers, even those who strike with them sometimes, they do not give them this type of trust. COBAS allow the tension to be released in situations of strong discontent, but then, when the discontent is over, you realize that you have to reason, you cannot solve problems with principled positions. (Interview 5)

If this vision might be too pessimistic, the same members of the critical unions point out their difficulty in being recognized as partners in contract negotiations – difficulties that the more traditional unions are accused of increasing through concertation with the employers and of exploiting in their competition for membership (Interviews 6 and 7). Moreover, they stress that 'our conception of self organization . . . is strong and functions during the struggles, it is more difficult to support when the movement declines' (Interview 6). Rooted in specific factories and public sectors, critical unions are also quite fragmented: in the ten years after the foundation of COBAS in 1986, as many as eleven different critical unions have been counted (Interview 6).

At the organizational level, unions have learned from participating in common campaigns. During, for instance, the anti-NAFTA mobilization, the American unions sought to gain efficiency by bringing the consumer into action (through boycotts and critical consuming) and the saver (through ethical banks). Italian unionists in the South declared they had learned the efficacy of road and rail blockades from protests against hazardous waste. These various repertoires are, to be sure, increasingly combined with official labour strikes. Once again, the broadening of repertoires of collective action is a characteristic of cycles of protest – during which forms of protest are invented, bridging different actors' traditions. It is an open question to what extent strategies that require the active support of citizens in solidarity with the workers can survive low ebbs of mobilization.

References to global justice and participatory democracy are, as mentioned in the Florentine case, widespread even in local unions that frame their specific demands in terms of the defence of the welfare state. The reference to a master frame is a way for them, as it is for other organizations active in the movement, to bridge single issues with a common mobilizing theme. For unions, however, this means the need to convince members to adhere to a larger discourse that goes well beyond the defence of their direct, material concerns – with a tension 'critical' unions are well aware of: 'we succeeded in mobilizing our members on the issue of the war in Iraq, but the issue of globalization, with all that is linked to it, is more difficult to explain . . . and in period of stronger political commitment, we are less present in the workplace' (Interview 6). Especially when mobilization declines, the precarious equilibrium between global issues and specific solutions could be disturbed in favour

of particularistic struggles that might be more suited to the recruitment of members.

Many of the changes in unionism I have sketched could, moreover, be interpreted as adaptation to weaknesses, and not signs of strength. Nevertheless, they allow for an approach to labour politics (or, at least part of it) from the categories and hypotheses of social movement studies, rather than interest politics, while they also challenge them. Early research on new social movements (Touraine 1978) and post-materialist values (Inglehart 1977) announced the overcoming of conflicts over economic equality and the emergence, instead, of new demands tied more to the defence of individual freedoms in the face of the new technological society. The new middle classes were regarded as the main reference base for the new movements, which were however not attributed to a 'class' basis, but rather to a sharing of new values – or 'other codes' (Melucci 1996). There was some convergence in the approaches to social movements and labour conflicts – at least in considering the two fields as worlds apart.

The end of the 'mid-century compromise' between capitalism and the welfare state (Crouch 1999) brought into view the conflicts on social rights – underlined in the definition 'movement for the globalization of rights' – albeit not without focusing attention on new themes (like environmental sustainability or gender equality) that had emerged with the 'new social movements'. The theme of social justice typical of the Old Left encountered the defence of cultural differences, gender parity or the natural environment more typical of the newer movements. Consequently, 'class conflict' – as proclaimed since the sixties, at least for Western societies – does not appear to be pacified: instead, wealth distribution is again becoming central to the political debate. In this sense, the movement on globalization presents the challenge to reopen the academic debate on the structural nature of the conflicts in a society that can no longer be simply defined as post-industrial.

As for labour studies, leaving aside the (open) question of how widespread and sustained labour protests are, they also seem to indicate certain internal challenges to the stability of neo-corporatist or concertational pacts (challenges that, parenthetically, Philippe Schmitter already discussed in 1981). First of all, can interest representation survive, and thrive, without the construction and strengthening of collective identities and shared solidarities? Neo-corporatist agreements are based upon a strong delegation of power from the reference base to the top of the labour organization: with the strength of number provided them by their membership cards, representatives of the union sit around trilateral concertation tables and reach agreements. However, as Alessandro Pizzorno (1977) indicated many years ago, there is a potential tension between the interests of the leaders (pushing for increasing their power of delegation) and those of their reference base (pushing for an

improvement in their own conditions). Additionally, the institutionalization of industrial relations reinforces interest politics, reducing the feelings of solidarity and collective identity that are often produced in action, in the struggle.

This question is also linked to action strategies: to what extent can the unions' strength be sustained around the concertation table? Both social movement research and research on the labour movement have stressed that identities are formed in action: occupations, wildcat strikes and other disruptive forms of action have created strong solidarities (Fantasia 1988). Action repertoires have not merely external, instrumental aims; large demonstrations also empower participants, reinforcing the feeling of belonging to a wider community of equals. Interestingly enough, the ritual of marches has changed: from being oriented to showing unity and organization to a more theatrical display, giving space to a colourful expression of diversity and subjectivity (see, for instance, Rucht 2003 for an analysis of the Labour Day marches in Germany). In fact, James Jasper (1997, p. 237), stressing the euphoria and pleasure involved in protest, observes that 'tactics represent important routines, emotionally and morally salient in these people's lives'. The (new) addition of protest to the repertoire of the labour movement could be expected to result in the strengthening of collective identities; conversely, concertation, by relying upon the action of representatives, reduces internal solidarities.

There is a third problem. Neo-corporatist agreements and concertation pacts have usually worked in the past when left-wing national governments guaranteed the long-term respect of the agreements, and when labour did not escalate its demands in a strong labour market. Moreover, the state accepted responsibility for covering some of the costs and distributing benefits. Under the pressure of economic globalization and neo-liberalist thinking, at least on the European continent, these types of agreement seem to have been broken – by right-wing and left-wing governments alike. The wildcat strikes of the ATAF drivers as well as the mass participations of unionists in the global justice movement seem to express this sense of betrayal, where consociational pacts are perceived as 'lemons' by the workers.

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NOTES

1. The number of days per 1000 workers lost through strikes between 1965 and 1974 was a great deal higher in countries with a pluralist system (1660 in Italy, 1330 in the USA, 740 in Great Britain and 810 in Finland) than it was in countries with a neo-corporatist one (270 in the German Federal Republic, 70 in the Netherlands, 40 in Switzerland and 20 in Austria) (Wallace and Jenkins 1995: 106).
2. According to Frank L. Wilson (1990), however, the level of neo-corporatism has no influence on indicators of mobilization such as public attitudes towards a social movement, inclination to support a cause or willingness to use non-conventional protest tactics.
3. The representativeness of the sampled interviewees was monitored in relation to the known dimensions of the universe. In particular, we compared the distribution of our sample according to nationality with that of those enrolled at the ESF. Our sample was well balanced and also maintained an equilibrium between male and female.

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Interview 2 with a founder of COBAS ATAF, Florence, 23 January 2004.
Interview 3 with a founder of 'Rete di solidarietà agli autoferrotranvieri', Florence, 23 January 2004.
Interview 4 with a founder of 'Rete di cittadini a sostegno degli autoferrotranvieri', Florence, 20 January 2004.
Interview 5 with representative of FILT-CGIL Toscana, Florence, 20 January 2004.

OTHER INTERVIEWS:

Interview 6 with representative of the COBAS-scuola, Milan, October 2004
Interview 7 with representative of SinCobas, Milan, October 2004.

PART II

Democratic transitions and consolidation

4. From democracy to democratization: before and after *Transitions from Authoritarian Rule*

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Think back to the time when Philippe Schmitter, Guillermo O'Donnell and their colleagues first conceptualized the four-volume path-breaking study *Transitions from Authoritarian Rule: Prospects for Democracy in Latin America and Southern Europe* (O'Donnell, Schmitter and Whitehead 1986). Today, when almost all regions of the world except the Middle East have been swept by democratization and virtually every government (no matter how authoritarian) claims to be a democracy, it is difficult to remember how different the political and conceptual map looked a quarter century ago. At that time, the 'Transitions' project simply could not have been launched in most of the countries under discussion; their rulers would have considered both its subject and its spirit to be subversive. Much of Latin America was authoritarian; some long-standing democracies like Chile had not long before experienced a brutal and dramatic 'reverse wave' back to autocracy; and the countries of Southern Europe had not yet demonstrated that they could shake off the powerful legacies of their personalistic or military regimes. So distant did the achievement of democracy seem that, at the 1979 opening session to launch what was then an unheard of cross-regional comparative study of how authoritarian regimes might break down, one of the participants wondered aloud whether this was merely an exercise in 'wishful thinking'.

Transitions from Authoritarian Rule inspired a growth industry of democratization studies. More importantly, grounded as it was in strong normative goals as well as realistic assumptions, the project profoundly influenced the thinking of democratizers working to bring about the end of autocracies. Not only did the final volume, the so-called 'the little green book' by O'Donnell and Schmitter (1986), provide a blueprint for identifying the types of problems these practitioners were likely to face in moments of transition, but it inspired real hope among actors 'fighting in the trenches' from Chile to South Africa to Czechoslovakia that reaching democracy was indeed possible – even in the most unlikely of places – as long as they acted with strategic vision and had a

little help from *fortuna*. Aiming at practitioners was a deliberate choice. After living, suffering and studying authoritarian rule, the participants in the project understood that difficult compromises would need to be made and especially broad coalitions built if democratization were to be achieved. Rooted in an intellectual spirit committed to change, the project self-consciously sought to develop theoretical tools that could provide social agents with assistance in altering terrible conditions of oppression. This interaction between praxis and theory paid off. In the end, the Transitions project proved not to be 'wishful thinking' after all but rather, in Lowenthal's (2004) words, 'thoughtful wishing' about the creation of better polities that assisted democratizers in different parts of the globe.

From its beginning, this body of new democratization studies posed a challenge to the discipline of political science, especially to the growing trend to import formal modelling and rational choice theorizing from economics. With its emphasis on complexity and content rather than simplicity and elegance, its insistence on the importance of process as well as accident and unintended consequences for understanding outcomes, its blurring of the boundaries between international relations and comparative politics, its stress on ideologies as well as rationalities, and its promotion of cross-regional comparisons as well as area studies, it offered scholars and practitioners a different way of conceptualizing and understanding what became the foremost political trend at the end of the twentieth century. As the 'transitology' paradigm has been developed and extended, scholars have sought to identify similarities and differences across diverse cases and regions to explain not just successful transitions to democracy but also failed transitions, transitions that never occurred and even transitions that might occur in the future. What sets this work apart from most (but not all) previous theorizing is its demonstration that very different points of departure and a combination of variables can produce the same broad types of outcomes across different regions of the world.

This chapter examines the contributions of scholars of transitions by illuminating, first, key shifts in our theoretical understanding that occurred beginning with the publication of *Transitions from Authoritarian Rule*. Here it focuses on establishing different insights into the role of elections and, hence, the classification of regimes, as well as structural versus more voluntaristic interpretations of politics and, hence, the role of supposed preconditions. Second, it explores changes in research design that affect how we understand the role of states, nationalities and international factors as well as evaluate the importance of world regions and select units of analysis. Third, it looks at a central methodological challenge posed by the devices politicians choose during different modes of transition, especially the role of political pacts.

SHIFTING THEORY: FROM STRUCTURE TO AGENCY AND BACK

Influenced by the seminal work of Rustow (1970) in identifying the characteristics of what they called 'the interval between one political regime and another', O'Donnell and Schmitter (1986) made the notion of transitions a central concern of comparative politics. Transitions, they argued, are a distinctive moment in the political life and trajectory of a country – a period of unknown duration and extraordinary uncertainty that is generally initiated from dynamics within the autocratic regime. They are different from the *liberalization* of authoritarian rule, in which restrictions may be loosened and some individual or group rights may be expanded at the whim of the regime. Such policy changes tend to reflect divisions between hardliners and softliners within the prevailing autocracy, and eventually they escape the control of incumbents and lead to some type of uncertain regime change. It is precisely this extraordinary state of uncertainty that is the chief feature of a transition from authoritarian rule. Characterized by a high degree of unpredictability, lack of adequate information, sheer confusion among activists, inability to calculate interests accurately and, often, accidental solutions, actions during transitions are underdetermined, choices are underspecified, and outcomes are uncertain. Contrary to interpretations by practitioners of democratic promotion or academic specialists working on other regions who tried to apply these theoretical insights, there was never any claim that regime transitions meant democratic transitions – one of the chief misreadings of this work.[2] Instead, however one might have hoped for democratic outcomes, transitions could also end in autocratic regressions, 'soft authoritarianism' (*dictablanda*), 'hard democracy' (*democradura*) or revolution.

While it may be difficult to determine exactly when a transition begins, the holding of elections and, more importantly, the general acceptance of the preferences revealed by their outcomes most often mark its end. But, at least in the original formulation, these 'founding' elections occur in a very particular context characterized by overlapping processes of (i) the liberalization of authoritarian rule, (ii) the formation or resurrection of civil society, which then pushes the boundaries of change faster and farther than they otherwise would have gone, and, only in this context, (iii) the holding of fair elections of uncertain outcome. This is an important distinction because elections held without these prior processes may have important political effects, but in themselves they cannot be said to indicate that a regime transition has occurred. Equating democracy with the mere holding of elections or assuming that such elections will subsequently generate further and deeper democratic reforms down the line commits 'the fallacy of electoralism' (Karl 2000; Carothers 2002; Diamond 2002). It also favours an excessively minimalist

definition of democracy in which accountability, perhaps the broadest and most widely applicable meaning of modern representative democracy (Schmitter 2004), is relegated to a narrow electoral sphere rather than to the multiple and varied exchanges of responsibilities and potential sanctions between rulers and citizens that may actually exist. Many regimes that have taken advantage of these minimal definitions are not 'in transition' from one type of regime to another but rather use selective mechanisms of democracy to create institutionalized 'gray zones' (Carothers 2002). Rather than being 'halfway' on the road to regime change, some liberalized authoritarian regimes with limited multiparty and electoral politics and some 'delegative' democracies can be remarkably stable because their institutions and procedures provide a site for the negotiation of elite interests, permit long-term agenda setting, and even facilitate the cooptation of potential reformers. Both Mexico under the PRI and many Middle Eastern polities demonstrate this (Brownlee 2005). And, contrary to the expectations of the original model linking liberalization and transition, liberalization does not always lead to a change in regime (for example, Egypt, Tunisia, Algeria and Jordan); nor does it always escape the control of incumbents. Instead, it may be a device for maintaining their control, and so hybrid regimes may be consolidated and even sustainable for quite some time.

Thus the study of regime transitions has clarified that elections matter both more and less than theorists once thought. On the one hand, holding competitive, free and fair 'founding elections' based on mass suffrage can be the key threshold that marks a distinctive shift in the political rules of the game. They may not end the transition; there can still be a regression to autocracy and elections certainly do not guarantee consolidation. But they certainly signal that regime institutionalization has begun and raise the threshold for those who desire to return to the status quo *ex ante*. If such elections occur in the context of transition, they may be significant enough to alter a country's entire political trajectory. On the other hand, more and more regimes have been adopting and adapting the formal trappings of elections while limiting the application of other democratic rules and processes. The most common explanation for this search for 'respectability' is that the holding of elections in autocratic regimes is due almost exclusively to the West's insistence upon an outward show of democratic forms (no matter how superficial) in the wake of the Cold War and the absence of competing hegemons to counter this pressure. The hegemony of liberal democracy as a legitimate regime type has meant that the trend toward democracy has been accompanied by an even more rapid countertrend towards hybrid regimes.

While this more nuanced view towards elections and regime classification is significant, the chief theoretical legacy of *Transitions from Authoritarian Rule* is the emphasis on human agency, as well as the notion that transitions

can take place in a wide variety of social and economic settings. What matters most in such times of 'abnormal politics' are not the structural conditions that may subsequently shape a polity but rather the short-term strategic calculations of actors. When choices are intelligent, broad coalitions are built, hardliners are isolated and *fortuna* smiles, the combination of pressures from both inside and outside the regime can eventually result in a change of regime marked by the convocation of 'founding elections' of generally uncertain outcome. Where this occurs, a transition from authoritarian rule becomes a transition towards democracy. Thus the study of democratization rests upon a logic of analytically distinct but empirically overlapping causal sequences which, under the best of circumstances, can (but will not necessarily) proceed from the decay and disintegration of authoritarian rule to regime transition to the emergence of a new democracy (O'Donnell and Schmitter 1986).

This broad analysis, more than anything else, made the study of transitions and especially transitions that lead to democracy a distinct area of scholarship. Conceptually, it broke with the 'preconditions' tradition that regards the establishment of democracy as the by-product of higher levels of modernization characterized by greater wealth (Lipset 1959), the formation of a bourgeoisie (Moore 1966), more tolerant civic cultures (Almond and Verba 1963) or overcoming economic dependency (Cardoso and Faletto 1979). In marked contrast with the mainstream scholarship of the 1960s and 1970s, which focused on the search for the necessary conditions and prerequisites correlated with the eventual attainment of stable democracy, this outcome was understood to be the product of strategic interactions among political elites. They were often pushed from below, and they made conscious choices under exceptional conditions about the types of constitutions, electoral arrangements, party systems, civil–military configurations and economic models their countries should adopt. While not denying the long-term causal impact of structural factors on democratization, their short-term manifestations were not determinative in this critical juncture.

The shift from necessary and sufficient conditions for understanding both the origins and the outcomes of regime change has focused research away from the causes to the 'causers of democratization' (Huntington 1991, p. 106). This has produced several general propositions which, while not very satisfying to those seeking a general theory of democratic transition, have been repeatedly reaffirmed in empirical work. First, 'transitologists' (and subsequent empirical realities) have verified the 'hopeful wishing' of the past by substantiating the claim that there are very few preconditions for the emergence of democracy; democracies can be built in both favourable and improbable settings. In this respect, this literature has demonstrated the fallacy of longstanding conventional views that economic development causes countries to become democratic (Lipset 1959; Jackman 1973) by showing that the level

of development is not always a good predictor of the origin of democratic transitions, even if it certainly helps to explain part of their subsequent survivability (Przeworski et al. 2000, ch. 2).

This finding rests on the crucial distinction between regime transition and regime consolidation. The claim is frequently made that the positive relationship between democracy and economic development has repeatedly been established 'beyond reasonable doubt' (Geddes 1999, p. 117), but past statistical studies have not distinguished between already existing democratic regimes and those in actual transition. When these distinctions are made, the finding is different: preconditions matter a great deal for the survivability of democracy but not for the transition to it (Przeworski et al. 2000). While the level of development does influence the long-term durability of democracy, even here it seems to be a sufficient, not a necessary, condition to survivability. Witness, for example, the respectable number of poor countries that have remained democratic such as Albania, Bolivia, Mongolia and Mali – albeit not always stably so – in defiance of the 'beyond reasonable doubt' correlation.

Still, there are limits to intelligent and purposive human agency – even in moments of 'abnormal politics' – when long-term constraints are at least temporarily eased. Despite the impression given by some that crafting democracy is simply a matter of elite disposition or will (Di Palma 1990; Dogan and Higley 1998), and notwithstanding the fact that calculations have often been emphasized to the exclusion of all other factors involved in creating and consolidating new polyarchies, some structural conditions do seem to rule out the probability of a successful transition to democracy, previously defined and agreed upon. Take, for example, the 'Rustow condition' of 'no nation state, no democracy' or the 'Moore condition' of 'dominant traditional agrarian elite, no democracy'. Furthermore, the perceived range of choice implied by the emphasis on purposive political action can be deceptive even in the midst of a transition: some transitions may be subject to more constraints than others. This is even more the case in the post-transition period when actors have already chosen some set of institutions based on these very constraints and are trying to make them work. Under these circumstances, what may appear to be an unusually wide space for political choice can be severely circumscribed in practice by more proximate factors.

Countries dependent on the export of petroleum, and hence exhibiting an 'oil effect' that delays and sometimes deters democracy, provide a good example. High levels of dependence on oil rents tend to support generally autocratic regimes in these countries for unusually long periods of time, thus depressing the likelihood of regime transition. The performance of the oil market profoundly influences the timing of regime change when it does come; and, in the rare case where a democracy is actually established, reliance on oil as the chief source of foreign exchange traps leaders into very perverse decision-making paths, leading to defective democracies. The explanation lies in an

extreme form of rentier state, which permits exceptionally extensive patronage and militarization, which proves especially effective at holding contestation at bay (Karl 1997). This finding, which has been confirmed by numerous statistical studies (Ross 2001; Teorell and Hadenius 2004), poses an alternative explanation for why the Middle East and North Africa (with the exception of two non-oil countries, Turkey and Lebanon) have not been caught up in the global wave of democratization. Rather than emphasizing 'the clash of civilizations' or the presumptive inhospitality of Islam to democracy, it notes that virtually all rich oil exporters are electoral 'underachievers', while countries that either have no oil or whose oil is no longer producing massive rents are electoral 'overachievers'. This may help to clarify why so many political liberalizations that had begun in this region were stalled or reversed, why no authoritarian executive has been removed from office through elections, and why elections (when introduced at all) are held primarily in non-oil rather than oil-rich countries. In the context of exceptional cooptation and repression permitted by oil rents, the emergence of a strategic opposition coalition, so essential to pushing liberalization into democratization, is especially difficult to achieve.

A second central finding of 'transitology' is that democratization is the result of a combination of causes, not merely one single cause. Potential candidates range from the nature and extent of divisions within the prior non-democratic regime (O'Donnell and Schmitter 1986; Kitschelt et al. 1999), the quality of elite decision-making (Dogan and Higley 1998), the strength of civil society measured by class actors (Collier 1999; Wood 2000) or social movements (Tarrow 1995), the distribution of ethnic groups (Offe 1997), the pressure from hegemons or other countries or the removal of such pressure (Whitehead 1996; Drake 1998) or the location of countries in a pattern of international diffusion (O'Loughlin et al. 1998). What is also evident is that the same cause may or may not have the same effect in different settings.

In this respect, democratization theories differ from many other theories in political science because they emphasize multiple causation and often conclude with equifinality, arguing that different variables or combinations of variables can produce the same result, namely a transition to democracy. This casts doubt on the prospects for building a single general theory of the origins of democracy. With the constant introduction of new causal variables and the multiplication of explanations, various scholars (Shin 1994; Diamond, Linz and Lipset 1995; Mahoney and Snyder 1999; Munck 2004) have made heroic efforts to synthesize these debates as well as the range of explanatory factors. Rational choice approaches, often making the claim of building towards generalizable game-theoretic models of democratic transition, have also tried to cope with complex and often chance causation, but their explanatory variables also vary considerably between models that highlight the critical role of triggers of the previous authoritarian regime (Geddes 1999) or the economic

interests of actors conceived in class terms (Boix 2000). Thus, despite some impressive progress on the causes of democratization, there is still no integration of these diverse factors into a hierarchy of explanation that could be called a general theory of transition.

The same cannot be said for democratic consolidation. Despite the debate over the notion of consolidation as a framework for thinking about post-transitional settings and despite the fact that it has been used in such different ways for such different ends that it has lost conceptual clarity, most scholars tend to agree with Rustow's (1970) proposition that what explains a transition to democracy may be different from what explains its subsequent fate. While the answers posed are still predictably varied and often controversial, one major feature of consolidation clearly differentiates it from transition: the consolidation of democracy is defined by the substantial reduction in the uncertainty that is so central to transition. Indeed, it is about institutionalizing some relative high degree of certainty through a common set of rules (both formal and informal), generally understood political roles and relatively well-delineated policy arenas. This means that consolidation is characterized by an internal logic composed of interdependent conditions – not the same degree of chance or incidental events that elucidate transitions. It also means that this logic can be identified, as Schmitter and Schneider (2004) have demonstrated by means of scalograms. In effect, the factors involved in the consolidation of democracy show a strong sense of internal ordering across regions that simply cannot be found among the characteristics of transition due to its more improvised nature.

Finally, in consolidation the full range of structural explanations kick back into the democratic equation and are much more predictive of performance. This means, for example, that the level of development or the absence of strong ethno-linguistic differences is strongly associated with successful consolidation. Consolidation is simply far more standardized, imitative and predictable than transition; thus it can more successfully draw upon democratic theory based on longer-term and less proximate structures, like the nature or states or changes in the global economy.

SHIFTING DESIGN: FROM REGION TO CROSS-REGIONAL COMPARISON AND BACK

The new democracy studies have also changed the design of research – with a significant impact on the generation of both theoretical and empirical findings. Beginning with *Transitions from Authoritarian Rule*, scholars regularly began to move beyond the original and valuable emphasis on area studies and embrace systematic cross-regional comparison and cross-temporal comparisons in order

to discover what is similar and different about regime transitions in widely variant contexts. The application of the transitions paradigm to Africa and the post-communist East challenged the theoretical and geographic reach of assumptions, concepts and conclusions based on the comparison between cases in Southern Europe and South America. It also raised the question of whether pre-existing scholarship might help in explaining these new regime changes, regardless of their geographic location (Bova 1991; Schmitter and Karl 1994; Bratton and van de Walle 1997).

But the suggestion to apply, test and modify the concepts and arguments from the transition literature to these later democratic experiences was not without controversy. Scholars initially argued that communist regimes had been unique and without precedent, that transitions from 'totalitarianism' would be much more difficult than transitions from mere 'authoritarianism', that democracy seemed highly unlikely given the legacy of communism and that the multiple and simultaneous transformations confronting these countries placed them in a different category (Jowitt 1992; Bunce 1995a, 1995b). Gradually this gave way to the understanding that what was (and still is) occurring in Central and Eastern Europe and the republics of the former Soviet Union is sufficiently analogous to merit comparison with the earlier experiences in South America and Southern Europe. Thus, instead of comparing post-communist regime changes only with each other, these transitions have become irrevocably linked to broader questions of regime change in general and democratization in particular.

This incorporation has led to new theoretical insights, especially with regard to the problem of prior stateness, the differential role of ethnic and national cleavages, and the influence of international factors. In effect, even as O'Donnell (1999) was insisting on the importance of stateness and legality in Latin America, the experiences of both Africa and some post-communist countries raised even more dramatically the problematic of 'democratizing backwards', that is, introducing competitive elections before establishing the basic institutions of a modern state such as rule of law or the accountability of leaders (Bratton and van de Walle 1997; Rose and Shin 2001).

This means that points of departure in the modal paths of regime change are often very different. That is, some transitions occur within the framework of relatively highly bureaucratized states with institutionalized channels of interest representation (for example, Southern and Eastern Europe). Others are almost totally 'neo-patrimonial' and centrally characterized by both informal and extralegal institutions (for example, sub-Sahara Africa). And still others are some mix between the two (for example, much of Latin America). In this context, the problem for new democracies is whether they can reverse the sequence that characterized previous waves of democracy; that is, create or enhance stateness and especially the rule of law after a transition and not before (Bill Chavez 2003).

Central to this continuum of stateness is the monopoly over the use of coercion and the control of territory. Events in the communist bloc, which differed from most of Southern Europe and Latin America where geographic borders were not at issue during democratization, encouraged transition scholars to correct their relative lack of attention to this, not only by introducing more than 20 new states but also by raising serious and unresolved claims to a future redrawing of state boundaries. Because in the post-communist cases (unlike Latin America), there was a long tradition of civilian control over the military, though coupled with the rise of armed civilian groups and party militias contesting territorial boundaries, the greatest threats to democratization came not from the military but from other sources. These included the rise of nationalisms, the fear of secessionist movements and the collapse of any monopoly over coercive capacity. In this respect, both the post-communist countries and Africa also highlight the importance of multiple nationalisms within the same territory.

Perhaps most important, cross-regional comparisons have generated significant new findings that would not easily have been apparent through a regional analysis alone. The fundamental hypothesis underlying the Eastern critics of comparison, at least initially, was the notion that transitions from 'totalitarianism' would be much more difficult than transitions from mere 'authoritarianism' because of their Leninist legacies and their simultaneous transitions in the economic and political sphere. But this has not proven to be the case. On the contrary, not only have the range of their different types of regime change been strikingly similar to the range of variations found in other regions, but also Eastern European countries achieved the same or even higher levels of democratization as earlier cases from Southern Europe and Latin America. They did so in a much shorter time and they show significantly greater popular support at comparable periods in the transition and post-transition process (Karl and Schmitter 2002; Schmitter and Schneider 2004).

What has proved especially difficult for democratization are, first, the so-called 'triple' transitions, where the definition of the political community and the drawing of territorial boundaries were added to the mix. But they are not alone in their difficulties. Most Central American countries (with the exception of Costa Rica) also show lower levels of democratization, longer time frames for moving to even a hybrid status, and less popular support for their regimes. This suggests that 'backyard' transitions, where the history of big power intervention has been especially high (for example, much of Central America and the Caribbean and the former Soviet republics), may be especially problematic, as numerous studies of democratic promotion demonstrate (Lowenthal 1991).

Cross-regional comparisons also suggest hypotheses and propositions that may help to explain these surprising findings. On the one hand, certain aspects

of the legacy of communism may prove positive for the consolidation of democracy – an explanation that the strong ideological basis of the former Sovietology has helped to obscure. For example, for scholars honed on the widespread poverty, extreme inequality and deficiency of educational opportunities resulting from the combined heritage of colonialism and authoritarian rule in Latin America and Africa, the legacy of highly educated populations, relative economic equality, relative lack of absolute deprivation and the absence of long-enduring social classes that characterizes most (but not all) post-communist countries is very striking. While this is changing rapidly and sometimes dramatically in the post-communist countries, Tocqueville's earlier argument that relative equality is a powerful enabling condition for building enduring democracy is confirmed by recent formal models investigating the development–democracy connection (Boix 2003). This gives most post-communist countries an enormous 'legacy' advantage over most of Latin America, where social classes are deeply entrenched, political institutions are often 'captured' and democracy has often been oligarchic.

On the other hand, the comparison with Latin America suggests that 'double' economic and political transition, that is, the simultaneous change from autocracy to democracy and from socialist to market economies, may be an advantage, not a disadvantage. As Fish (1998), Aslund (2002) and Bruszt (in this volume) argue, contrary to the earliest arguments that successful economic reform required restrictions on democracy to keep 'losers' from reversing progress (Przeworski 1991; Haggard and Kaufman 1995), the most successful economic transformations in Eastern and Central Europe have taken place in the most democratic contexts. In effect, where the balance of power during the transition is equal and inclusive, this keeps early 'winners' from becoming too entrenched, encourages regulated markets and produces a better equilibrium between citizenship rights and property rights. Where economic transformation takes place primarily outside the framework of democratic politics, either because it occurs under authoritarian rule or because the removal of its distributional consequences are a condition (implicit or explicit) of transition, the outcome is most often a corrupted market and oligarchic democracy at best.

Thus, cross-regional comparisons suggest one major lesson: communism may have been different from other types of autocratic rule; however, post-communism may not be all that different from other post-autocratic experiences. Where violence and abuse have been especially high, post-communist countries grapple (or fail to grapple) with ending the impunity of abusers and dealing with the past – just like countries in other regions. Where corruption has been especially widespread, the rule of law becomes a particularly important issue – just like in other regions. Where ethno-linguistic or religious minorities have been especially oppressed and democracy allows them to

advance their historic claims, their loyalties and obligations provide much of the substance of political controversy – as in other regions. Where civil societies have been suppressed, weak or fragmented, they have to be strengthened – as in other regions. Where state formation and bureaucratization have preceded democratization and are not changed by it, new democracies are likely to be more stable – just as in other regions. Where governments are dependent on revenues from oil or natural gas, democratization becomes especially problematic. The similarities and the differences are compelling enough to apply the same concepts, assumptions and hypotheses and to test them by using the relevant experiences of every region of the world.

Finally, cross-regional studies have made the case for acquiring regional expertise even more compelling. The shift to cross-regional comparison has underlined the continuing need for analysis based on specific regions and even clarified the analytical reasons for supporting area studies; comparison across regions permits the identification of what is distinctive about any given region. Take, for example, the relative importance of the international context and external pressures for creating a political ambience favourable to democratization: while the significance of powerful international diffusion mechanisms has been widely recognized (Whitehead 1986, 1996; Pridham 1991; O'Loughlin et al., 1998; Gleditsch 2002) and some of their active components have been identified, only a view through regional lenses has been able to demonstrate the fundamental importance of different regional dynamics in shaping the timing and prospects for transitions to democracy or democratic breakdown.

Simply put, geographic location matters. The findings are convincing. More than anything else, countries tend to become like their immediate geographic neighbours over time, and political developments in one country can have a strong impact on regime in other countries in the region (Gleditsch 2002). While this may seem self-evident, the notion of diffusion has not necessarily been based on a criterion of proximity. But the quality of the immediate neighbourhood is crucial. In Eastern Europe, the attraction of joining the European Union was so strong that even countries that had little in the way of pluralist traditions emulated democratic modes of political conduct in hopes of a genuine integration into the West. Indeed, one of the primary reasons Central European countries represent success stories of transition is that they are located closest to the core countries of Europe, while those countries geographically farthest from the West and with little prospect of EU membership have not fared so well (Pridham 1991). In Latin America, a larger number of democracies in the region in a given year enhanced the prospects that existing autocracies would undergo a transition; contrary to common wisdom, this is a more important causal agent of democracy than economic performance or international intervention (Brinks and Coppedge 2001).

Furthermore, a more democratic regional environment reduces the chance

of democratic breakdown in a particular country (Mainwaring and Pérez-Liñán 2004). This helps to account for importance differences in the timing of democratic regime change across regions as well as some remarkable geographic variations in regime type. Thus, while Eastern European and Latin American countries have been proven to be a more fertile soil for democracy, in part by 'contaminating' their neighbours, Arab countries, the Caucasus, Central Asia and sub-Saharan Africa tend to be authoritarian.

SHIFTING METHODS: REVISITING MODES AND PACTS

The new conceptualization of the origins of democracy put forward in the study of transitions has also required a change in understanding the 'devices' used by politicians when they try to craft regime change. Because transitions are understood to be based on short-term calculations that cannot be deduced ex ante or even imputed ex post from the structural positions of influential actors, the normal tools of social science have very real limitations in these situations (O'Donnell and Schmitter 1986). Such tools cannot explain whether a transition will occur, how it will proceed or why it occurs when it does.

This is best seen by revisiting the problematic of modes of transition. While authors have used diverse labels and means to identify the different paths taken, modes of transition are usually distinguished by factors such as the identity of the primary agent of change or the degree of control the outgoing rulers exert over the process, on the one hand, and their different strategies based on variations in the respective role of accommodation and conflict, on the other. For example, in Karl (1990) and Karl and Schmitter (1991), this specification of 'modes of transition' and their hypothetical impact produce four categories: (i) 'pacted', (ii) 'imposed' (either externally or internally), (iii) 'reformist', and (iv) 'revolutionary'. This means that more than one equilibria can be reached to bring about democracy. It can even mean, more definitively, that the logic of transition cannot be reduced solely to a 'cooperative' game in which the balance between supporters and opponents is relatively equal – a description which does not apply to all modes.

Because orthodox quantitative studies have been unable to capture any pattern of relationship between modes of transition and the durability of democracy, scepticism has been expressed about the significance of different modes for subsequent democratic consolidation. This scepticism has been strengthened by the apparent experience of democracies born out of different types of transition processes that do not seem to support what has been called the 'birth defects' or 'original sin' hypothesis. The most devastating critique of the significance of these various modes is that of *equifinality*. Contrary to all initial expectations, many polities have successfully negotiated, struggled,

forced or manipulated their way to democracy, and they seem to have done so irrespective of their differing modes of transition. Except for some cases of imposition, when either outgoing rulers or occupying foreigners may exert such strong control over the process that they can virtually write the new rules of the game, it does not seem to make much difference whether the transition was hammered out between incumbent softliners and moderate challengers or thrust upon the *ancien régime* by the mobilization of mass publics. Thus the proposition that modes of transition matter for the subsequent process of democratization has been cast in doubt. If they do not matter at all or if they simply 'wash out' when dealing with democratic durability, as Przeworski (1991) claims, then it would make sense to abandon the search for the impact of different modes of transition.

But this is not the case. Modes of transition are critical junctures in the long process of institutional accumulation; they are key moments in which the fragments and parts of the new regime are constructed, with each fragment becoming 'an incentive for the addition of another' (Sklar 1987, p. 714). The point is that they do not take place in a vacuum but instead reflect uncertainty about existing power relations and the 'possibilistic' manner in which they may or may not be subsequently reconfigured. They are highly contextualized and interactive with other factors. In effect, they help to produce specific 'packages' of the formal rules and informal arrangements that make up democracy, or what Schmitter (1995) calls 'partial regimes'. Thus what matters is not simply the construction of a single political institution but rather how a number of new political institutions (or older resurrected ones) relate to each other. For this reason, the significance of different modes cannot be assessed by examining particular elements alone. The fact that different modes of transition do not seem to have an independent discernible effect on the durability of democracies, at least when measured quantitatively, misses this essential point: one particular mode of transition will not correlate significantly with the consolidation of democracy, especially when defined narrowly as the durability of democracy. Instead, different modes can lead to what appears to be the same outcome, and the same mode in different contexts can produce different outcomes.

Confusing the problem further is the fact that the same mode of transition can produce very different outcomes, making it difficult to test whether any one path is preferable. The theoretical basis for the superiority of pacted transitions rests on their central properties of constant negotiations between authoritarian incumbents and the opposition as well as the presence of explicit and interlocking agreements. This permits actors to foster mutual trust, respect each other's vital interests and build a new political community through their construction of a commonly agreed upon set of institutions. Thus a pacted transition in Spain produced a broad agenda of economic and political reforms

in the form of the 1977 Moncloa Accords and spawned an ambitious process of bargaining that became the preferred mechanism for conflict resolution in the so-called 'Spanish model' (Linz and Stepan 1996). It also proved to be a superior device for peacefully moving post-apartheid South Africa to democracy through explicit agreements over proportional representation, decentralization and the constitutional process (Sisk 1995). But pacted transitions, at least in the context of high oil rents, have produced frozen institutional arrangements that have entrenched social divisions, reduced competitiveness, blocked innovation and ultimately subverted democracy – as the case of Venezuela poignantly demonstrates (Karl 1987). Testing the alleged superiority of pacted transitions can only be done when taking into account the larger social context and the quality of choices that are made.

These methodological problems do not mean that the significance of modes of transition cannot be determined or that the effort should be abandoned. There is cumulative qualitative evidence to buttress the claim that the mode of transition has an important impact on whether and how democracies consolidate – although whether these paths lead to different identifiable and enduring types of democracy and whether this has some enduring significance for the quality of democracy remains to be seen. This does not mean that different modes of transition necessarily leave permanent or irreversible legacies ('birth defects'); nor does it signify that they are the only factor affecting the possibility and pace of democratic consolidation. But their impact can be seen traced through distinguishable channels, most especially through the choice of particular institutions (see, for example, Geddes 1996; Offe 1995; Elster, Offe and Preuss 1998; Bastion and Luckham 2003). There is also evidence to demonstrate that where mass publics are considerably more involved in the transition the subsequent scope of contestation is greater (Collier in this volume) and the patterns of market regulation and distribution may be fairer (Bruszt in this volume). Furthermore, even under circumstances where the transition is almost entirely an elite affair, different modes of transition can affect the management of elite conflict and competition (Munck and Leff 1997).

Yet, as we have seen from the examples above, these outcomes are not easy to tease out. Non-decisions or 'roads not taken' may be as important as decisions leading to democratic consolidation (for example, the blocking of parliamentarism in Brazil). The process that characterizes different modes may be as important as the outcomes produced (for example, the intensive and continuous bargaining that defines pacted transitions in Spain and South Africa). And rational intentional design, based on political and economic calculations may result in unintended and even opposite consequences from those planned, as Pinochet's decision to hold a plebiscite in Chile demonstrates. For these reasons, the application of orthodox quantitative methods to test the significance of the

mode of transition threatens to obscure a fundamental insight challenging institutional approaches to politics, which is that actors make choices about institutions and not just within them.

STARTING A DEMOCRACY, DEMOCRACY AS A START

'Transitology' has given hope to practitioners, pointing out that they may be able to construct democracy in unfavourable settings and do not have to wait until the structural or cultural conditions are right. Nonetheless, agents of democracy need to be humble enough to recognize that many transitions are accidental or unintentional, and even those that seem to be consciously devised and imposed can end up becoming 'designer disasters'. This is especially true when the large-scale external use of force is involved, which has so often proved counterproductive. Because transitions are about rapidly shifting and highly specific power relations and understandings, only the best, most experienced and least ideological area experts can help make use of what are very fleeting political opportunities. Should practitioners embark on intentional regime change, especially in unfavourable neighbourhoods, they will usually have to negotiate with extremists of all sorts. Especially in violent settings, democracies are not built by democrats alone and they are not always built by democratic means. If democracy promoters do not heed these lessons in cases where some type of transition from authoritarian rule has been initiated, then the failure to originate a new democracy is most often a problem of strategic choice, not the absence of preconditions – an observation with special poignancy for Iraq.

Perhaps the most important contribution of 'transitology', in both theory and praxis, has been to lighten the burden of pessimism over the possibility of democratization that prevailed in more authoritarian periods when a long list of necessary and sufficient prerequisites (almost never present and only fulfilled by a small number of stable Anglo-American democracies) implied that the demise of autocracies would simply produce other autocracies. 'Transitions from Authoritarian Rule' and the works that followed imbued both academics and activists with Hirschman's (1971) 'bias for hope'. Rather than searching for probabilities, its authors adopted a 'possibilist' approach, understanding democratization as something that can be attempted, cultivated and even flourish under the most unfavourable conditions – with a little fortuna and a bit of *virtù*.

Whatever the ultimate impact of this latest wave of democratization there is no question that the current mix of consolidated democracies, unconsolidated democracies and hybrid regimes (*democraduras*) has far exceeded the initial expectations of the generation of scholars whose obsession was to get

rid of authoritarian rule. 'None of the countries we are studying have the conditions that the literature tells us are requisite for democracy,' Philippe Schmitter remarked at the initiation of the Transitions project, 'and if we accept the odds established by all previous attempts at democratization in Latin America since 1900, two out of every three of our potential transitions are soon doomed to fail'. Sometimes it is nice to be wrong.

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5. Democratization and the popular interest regime in Latin America

Ruth Berins Collier

Two of Philippe Schmitter's most important contributions to political science are his conceptualization of democratic transitions and his work on associationalism, particularly the class-based structure of state–society intermediation he labelled corporatism. In subsequent work, he bridges these two contributions (Schmitter 1992), suggesting that the nature of the transition affects the type of democracy that may be consolidated and providing a framework for analysing democratic types based on 'partial regimes' as distinct sites of political representation. He further suggests that those partial regimes that are constituted by associational activity are potentially becoming more important as the representational function of political parties declines. This chapter uses this later work as a point of departure for discussing democratization and interest intermediation in the post-transition politics of Latin America, the empirical base from which Schmitter primarily developed his original analysis.

Definitions of democracy have been hard to stabilize in the empirical study of the global third wave of democratization at the end of the twentieth century. Schmitter, with O'Donnell (1986), was influential in orienting comparative analysts of democratization towards a conception inspired by Schumpeter and Dahl based on 'procedural minima'. Although this conception met widespread acceptance, many analysts, reacting on the basis of cases they knew well which met the minimal criteria but did not seem 'democratic', imported additional traits into the definition to highlight the missing 'requirements', in order to preserve, for instance, a distinction between electoralism and democracy. I would argue that at the base of the definitional problem lies a question of domain: is democracy a type of regime (a set of institutions, such as free and fair elections and civil rights) or a form of sovereignty (specifically, popular sovereignty or rule by the people)? The former is attractive for the field of comparative politics in that it is more compatible with empirical analysis, which can focus on well-specified institutions and structures. The latter is the subject of centuries-old theorizing and presents the analyst with intractable problems: as a first step in proceeding with an empirical analysis based on this

conception, one must answer the question Held (1987, pp. 2–4) posed: Who are the people and what does it mean for them to rule?

Despite the difficulties, the conception centred on sovereignty continues to exert a compelling pull, especially as analysis moves beyond the study of democratic transition and as questions about the distribution of power and structures of representation become central. O'Donnell and Schmitter have each moved beyond the procedural minima in ways that implicitly reintroduce concerns of sovereignty. O'Donnell has questioned the degree to which democracy can be limited to regime institutions, problematizing whether it must necessarily involve a democratic state that can protect social and especially civil rights in order to enable the exercise of citizenship (O'Donnell 2001). In contrast to this approach to sovereignty through the notion of individual agency, Schmitter has focused on the issue of representation and the institutional structures that provide for mass representation, reconceptualizing democracy 'not as "a regime", but as a composite of "partial regimes", each of which was institutionalized around distinctive sites for the representation of social groups . . .' (Schmitter 1992, p. 160). Whether or not one accepts Schmitter's reconceptualization of democracy, it usefully points to the multiplicity of sites of representation and emphasizes the importance of those where societal associations operate.

This chapter examines Latin American democratization from the point of view of a shift in what I will refer to as the interest regime, or what Schmitter refers to as the associational system. Because the issue of lower-class representation has been so problematic for democracy in Latin America, I will focus on the interest regime of the urban popular sector, or the lower and lower-middle classes, which comprise the majority in the more industrialized Latin American countries under consideration here.[1] This heterogeneous popular sector represents an aggregation of different strata at the bottom of the socioeconomic hierarchy. As a class category, it is best understood in a Weberian rather than Marxian sense, in terms of relation to the market rather than production. Indeed, the shift is from an interest regime centred on a union–party hub and based in the formal working class to an interest regime of urban associationalism based in this more diverse popular sector. While unions used to be a principal vehicle for popular representation, they are now only one of a large array of organizations in the emergent associational interest regime.[2]

The present analysis does not examine organizational activity in the countryside, and, although unions continue to be a part of the new interest regime, within urban areas it focuses on non-union associations, what will be called 'popular' associations to refer to organizations by, of, or for the popular sector or lower classes.[3] A further caveat is that the present focus will be on associations primarily concerned with material issues. Though some analysts

emphasize the rise of 'post-materialist' values (Inglehart 1990; Kitschelt 1994), material issues remain at the core of popular concerns outside of the advanced economies. Popular associations have certainly been concerned with rights-based issues, and indeed in many Latin American countries they participated in the anti-authoritarian mobilizations. Nevertheless, the preponderance of popular associations is oriented towards a primary focus on material issues, especially given the region's macroeconomic crises during the last two decades.

The analysis begins with an overview of the decline of the union–party hub that characterized the popular interest regime in much of post-war Latin America, particularly those countries that proceeded the furthest with industrialization and are the primary focus of this chapter. It critically examines the argument that the decline of the union–party hub was an outcome of the process through which the democratic transition unfolded, preferring an explanation based in the change to neo-liberal or marketizing economic models. It then proceeds to an examination of the emerging interest regime. A comparison of the logic of collective action underlying popular associations and labour unions, the base-level organizations of the two interest regimes, suggests that popular associations form more easily but have greater difficulty in scaling.[4] A subsequent discussion suggests that although associations generally have greater autonomy, their relations with the state and political parties are diverse, and in some cases, states and parties shape associational activities. With some exceptions, states and parties rarely provide institutional spaces or political access through which associations can exert political influence on national policy.

THE DECLINE OF THE UNION-LBP HUB

The popular interest regime that characterized the more industrialized countries of Latin America throughout much of the last century had at its institutional core a union–party hub. This interest regime had its roots in the early stages of industrialization, when a new proletarian class was formed, indeed 'made', socially, ideologically and organizationally (Thompson 1963; Bartolini and Mair 1990; Katznelson and Zolberg 1986; R.B. Collier and D. Collier 1991). The growth of the proletariat gave rise to two new socio-political technologies: the labour union and the union-affiliated or labour-based political party (LBP). In Western Europe, the two emerged in tandem as part of the organizational drive of the socialist movement. Union links with socialist and communist parties were also established in Latin America. However, in a large number of countries, unions were legalized under conditions that displaced these communist and socialist parties in favour of multi-class populist LBPs, founded by 'middle-sector' interests, often under the leadership

of office-holding incumbents, rather than by societal forces 'from below' (R.B. Collier and D. Collier 1991). In either case, during most of the twentieth century popular-sector interest regimes in Latin America centred on unions and political parties – either populist or leftist – which had important links to labour constituencies and the union movement.

Of course, only a small part of the lower classes participated in unions. Among wage earners, or proletarians, union density varied substantially, by country and sector. Further, peasants were rarely included, although Mexico and Venezuela were exceptions. More importantly for present purposes, unions did not include the urban informal working class, which grew, particularly starting in the 1950s, with rapid urbanization and the failure of late industrialization to absorb labour at rates comparable to early developers. In the cities, various types of popular associations, most notably neighbourhood associations, began to proliferate, particularly in the newly settled squatter areas. Some of these neighbourhood associations even became important bases of popular support for national political leaders (D. Collier 1976).

While these associations were certainly a part of the post-war interest regime, they were nevertheless peripheral, as the popular-sector interest regime centred on the union–LBP hub. Unionized workers became the most politically privileged, relevant and mobilized popular-sector actor, benefiting from state attention and relatively favourable social policy, despite the fact that a restrictive labour code established a pattern of state corporatism through which the state controlled the formation, structure, and activities of unions, and despite the fact that links to populist parties also constrained unions (R.B. Collier and D. Collier 1979). While unions leveraged their political strength for particularistic gains for members, they also won broader concessions, such as subsidies on food and other basic consumption goods that had benefits across society but were particularly important to the popular sector as a whole.

Since approximately the 1980s, the union–LBP hub has been challenged, if not eclipsed, and associations, which had been peripheral, have proliferated and have become more central as structures through which the popular sector articulates interests and solves collective problems. The decline of the union–LBP hub corresponds temporally to two global macrosocial transformations: the 'third wave' of democratization and the acceleration of international economic integration. Both were manifested in Latin America as countries underwent dramatic changes in their political regimes and economic models. We may consider the impact of each.

Mode of Democratic Transition as Explanation

In most Latin American countries, the third wave of democratization corresponded not only to the 'transition from authoritarian rule', a field of inquiry

that O'Donnell and Schmitter (1986, henceforth TAR) shaped for at least two decades, but more specifically to the transition from military rule. In the large body of 'transitions' analysis that further developed these ideas, a recurring theme was that the mode of transition affected the nature of post-authoritarian regimes. The resultant outcomes under investigation varied, with successor regime characteristics such as stability, military prerogatives and an array of democratic deficits receiving particular attention.

We may draw implications from three components of the transitions as conceptualized in TAR to suggest the hypothesis that the democratization process unfolded in a way that weakened the union–LBP hub. First, most transitions were conceptualized as elite-led or (implicitly or explicitly) elite-negotiated processes in which the labour movement played only a brief, transitory role.[5] TAR asserted the 'decline of the people' (p. 56), after a momentary appearance of popular protest in transition politics. Second, in a transitional process emphasizing 'pacts' between moderate pro-democratic opposition leaders and authoritarian incumbents, attention was drawn to the incumbents' attempts to protect their interests. These included not only military immunity and prerogatives, but also the basic ways in which the military had restructured the economy and the polity. Particularly in some cases, at play in these negotiations or implicit understandings was a continuation of economic policy, which had often involved wage restraint, a labour law that had curbed the power of unions, and restrictions on the power of – or even the continued exclusion of – left parties. Third, the conception of a game of 'coup poker' highlighted the fear of an authoritarian backlash that could be provoked by 'maximalist' demands or protest. Any show of strength by the labour movement could evoke the conditions that had triggered authoritarianism in the first place: the strength of labour and LBPs had often been the single most important impetus for the advent of military rule, and most of the military regimes were bureaucratic authoritarian, a regime type in part *defined* in terms of the political exclusion of a mobilized labour movement (O'Donnell 1979).

This hypothesis that the transition process weakened the union–LBP hub is not sustained by the evidence. The TAR conceptualization of the transition suggested a particular framing that caused analysts to miss the influence of labour movements and their significant democratic accomplishments. Not marginalized in the transitions, labour's participation was nearly universal and, in general, its active involvement was more prolonged and consequential than the elite transitions framework suggests.[6]

Within this generalization, different patterns – and a few exceptions – can be discerned. In one pattern (Peru, Argentina), labour protest destabilized and delegitimated the authoritarian regime, and the government was ultimately unable to formulate an adequate response. These transitions are better characterized as forced retreat, with LBPs playing central roles in the hastily

arranged regime changes. In Peru, LBPs (APRA and leftist parties) won two thirds of the vote to the Constituent Assembly. Further, the Constituent Assembly solicited advice from union leaders, as well as from other social groups. In Argentina, union leaders were important interlocutors in the military withdrawal. Although denied, rumours were widespread that the military had concluded a pact, not with elites to the exclusion of unions, but precisely with the unions. Whatever the actual truth concerning such a pact, union leaders were prominent actors in the democratic transition.

In a second pattern (Brazil, Uruguay, Bolivia), the transition started to unfold more in conformity with the elite-centric TAR pattern, in the context of a legitimation project adopted by the authoritarian incumbents. In Brazil and Uruguay, the democratic transition began as an elite strategic game between authoritarian incumbents and those party leaders allowed to operate in an electoral arena restricted to government-approved political parties. However, popular pressure, expressed as electoral opposition and protest, was crucial to undermining these incumbent projects. Elite-centred conceptualizations that view popular pressure primarily as a resource for the negotiating leaders strip societal groups of agency and mischaracterize their activities. In fact, labour opposition worked to undermine government attempts to control and limit the party system, and it succeeded in creating room for the entry of a political left. In Brazil, labour protest gave rise to a new socialist party based in a new union movement. In Uruguay, the reconstitution of the labour movement and its protest activities provided a front for the banned leftist Frente Amplio, its participation in various opposition fora and, ultimately, its legalization and participation in the final negotiations that pushed forward the stalled transition process. In Bolivia, labour opposition erupted before the party arena opened and was central from the outset in derailing the government's project for electoral legitimation. The kaleidoscopic events in this particularly complex transition process comprised a game among military, labour and party actors, with the first two often the primary players.

In three other countries, the labour movement either played a less consequential role (Chile) or was not solidly behind democratization (Ecuador and Mexico). In Chile, the labour movement led the opposition for about a decade, starting in 1975–76. However, it was not able to derail the incumbent project, and the democratic transition went forward according to the timetable and the constitution set out and written by the military government nearly a decade earlier. The situation in Ecuador and Mexico was quite different: the military regime in Ecuador and the one-party dominant regime in Mexico included the labour movement in their support base, so that a transition, which was supported by the right, represented substantial uncertainty in terms of preserving labour's political influence, however limited that influence may have seemed. These, then, were the two unusual cases in

which the mainstream labour movement was not active and prominent in the pro-democracy movement.

Despite this considerable variation, it is clear that when labour movements were pro-democratic, their role in the transition was generally not limited to brief, transitory protest. The point is not that these were labour-led transitions, but rather that unions and LBPs were active participants in the transition process. The 'decline of the people' (O'Donnell and Schmitter 1986) and 'myth of moderation' (Bermeo 1997) that pervades the transitions literature flies in the face of the historical record: labour protest continued in Peru until the elections for Constituent Assembly and in Argentina through the new elections; demonstrations that included labour participation continued in Chile and accelerated in the final stages in Brazil. In Uruguay the labour movement continued to flex its muscles through a series of one-day strikes and the 1984 general strike, which substantially changed the balance of power, and as a result the opposition movement reorganized and consolidated to include the union movement and various banned left parties. In addition, in several cases, leaders of unions or LBPs participated in negotiations over the transition or were members of the constituent assemblies that oversaw the transition and adopted a new charter.

The important point is that in most cases labour participation in the transitions had the crucial impact of expanding the scope of contestation in the successor regimes by derailing the intentions of the military incumbents to exclude any future participation of left and populist LBPs. Labour participation secured the legalization of labour-based parties, whether of Marxist or populist background. Almost all of the military regimes were established as transformative regimes with the motivation of excluding precisely these parties, and through them the labour movement, from the political arena and from political influence. Yet the authoritarian incumbents were ultimately prevented from realizing their goal to exorcise these parties.

As a result, in a way that is unprecedented in many of these countries, these LBPs were admitted as normal participants to the democratic arena. If in Brazil the Vargas-founded, labour-affiliated PTB had looked threatening to the right before the 1964 coup, after the transition a new, avowedly socialist PT, which had its roots in an autonomous and more oppositionist labour movement, had to be admitted to the political arena. If in Argentina the military had taken power in 1966 because it had essentially run out of civilian options for excluding the Peronist party, after the transition the Peronists could no longer be prevented from coming to power. If the Peruvian military took the reins of government in 1968 in part under a similar impulse, after the transition the electoral arena had to accept a genuine left as well as APRA, which for the first time in history came to take power outright. If the Chilean military broke its long democratic tradition with the goal of permanently banning the Marxist

parties that, virtually uniquely in the world, had achieved a democratic electoral victory, at the last minute it had to abandon the prohibition of leftist parties it had carefully written into the Constitution that would govern the new democratic regime. If in Uruguay the military had tried to limit the party system to the traditional two parties, it proved unable to exclude the left – and the unions – even from the negotiations, no less from the successor democratic regime.

Furthermore, these reactivated (or, in the case of Brazil, newly founded) LBPs have often done surprisingly well in the new democracies. The subsequent decline of the union–LBP hub cannot be attributed to the marginalization of these organizations in the transition or the successful collusion of elites to compromise the position of labour. Rather, the democratic transition significantly widened the space for contestation by LBPs. A more compelling explanation for the decline of the union–LBP hub lies in the turn to the neo-liberal economic model.

Impact of the New Economic Model

The change in economic model from import substitution industrialization (ISI) to neo-liberalism, from a protected state-led model to an internationally open market-oriented model, offers a more convincing explanation of the decline of the union–LBP hub. The new model has fundamentally changed the social structural base of politics through widespread privatization of state firms, the restructuring of private firms, and state reform. Each has resulted in large layoffs and a change in the labour market, presenting a direct challenge to unions. Governing LBPs, in turn, have faced the challenge of responding to the new economic constraints by adopting neo-liberal policies that fray union–party ties. Those LBPs that have been successful have, in the process, substantially restructured the support base of the party; those that have been unsuccessful in meeting the challenge have met with electoral decline (Levitsky 2003; Burgess and Levitsky 2003). In both scenarios, the union–LBP hub has eroded.

The change in the structure of employment has been dramatic. The relative growth of formally employed wage earners that marked the ISI era has been followed by their relative stagnation or decline. Portes and Hoffman (2003, p. 49) report that whereas between 1950 and 1980 the public sector had accounted for 15 per cent of total job growth, more recently public employment has actually shrunk; and whereas large and medium firms in the modern sector had contributed an additional 45 per cent of total job growth, that sector's share of employment creation has been reduced to 20 per cent. Thus, although most new jobs used to be created in the formal sector (60 per cent), in the current period relative formal employment has declined virtually everywhere.[7]

The effects of these changes in formal employment hit unions especially hard. By the mid-1990s, union density had dropped, often precipitously, except in Brazil, where it increased during the 1980s but then levelled off.[8] Further, membership has declined precisely in those sectors where unionism had been especially strong: state firms and key manufacturing sectors. This change, combined with ongoing efforts in most countries to flexibilize the employment laws, has put unionized workers on the defensive as a declining rather than rising group, one which faces an erosion of the boundaries that had demarcated, even insulated, it from the informal sector.

A parallel change has occurred in the party arena. As has been widely noted, many governing LBPs have adopted – indeed, initiated – neo-liberal policies that contravene the interests of unionized workers. This change in economic orientation has brought about a coalitional change as LBPs have ceased to rely on unions as their core base of support and have restructured their constituencies, turning increasingly away from unionized workers and towards informal workers. In the process, LBPs have also turned away from class-oriented ideologies or discourses, as seen perhaps most dramatically in the abandonment by the Mexican PRI of any revolutionary discourse and the altered discourse of the PT in Brazil as it became a serious contender for national power. These changes have been divisive, and in 2005 the PT suffered several internal challenges. Roberts's (forthcoming) analysis of party systems in Latin America demonstrates the extent to which LBPs and the party systems based on them have been particularly vulnerable to decomposition or transformation, experiencing the greatest volatility, discontinuity and dislocation. The new economic model, then, has weakened unions and transformed their relationships with political parties. The day of the classic mass party that drew its core support and mobilizing strategy from union organization has been eclipsed. The result has been a disempowering of the union–LBP hub within the popular interest regime.

THE EMERGING INTEREST REGIME

Amid the upheaval of democratization and marketization, Latin America has witnessed an unprecedented proliferation of societal organizations, whose heterogeneity is reflected in the proliferation of labels: for example, civil society organizations, social movement organizations, community organizations, grass-roots organizations, non-governmental organizations (NGOs) and advocacy groups. The term 'popular associations' used here embraces this associational diversity, delimiting the category not by organizational characteristics but by socio-economic constituency. With the rise of these organizations, the relative weakening of unions, and the change in the nature of LBP linkages to unions

and civil society more generally, many analysts have posited a change from an interest regime centred on the union–LBP hub to one based on associational networks (Chalmers et al. 1997; Korzeniewicz and Smith 2000). As noted above, popular associations in some form have long existed in Latin America, but their prevalence and political importance were quite limited during most of the twentieth century. It was not until the 1970s and 1980s that 'civil society' became more dense and active and that associationalism began to thrive, gathering strength during authoritarian openings and escalating with the transition process and economic crisis. The 'resurrection of civil society' noted by O'Donnell and Schmitter is in this sense better understood as a genesis.

Both third wave democratization and economic changes were important factors in the rise of associationalism. While it was argued above that the mode of democratic transition did not weaken the union-based character of the interest regime, democratization did have a role in stimulating the proliferation of associations. Human rights groups, including those in popular neighbourhoods, were often early organizers in the anti-authoritarian struggle. While this type of rights-based activism diminished after the transition, it was an important part of the more general upsurge in associationalism (Foweraker 2001), supported both by transnational advocacy groups and official sources of foreign aid (Keck and Sikkink 1998).

The change in economic model was also a major factor in stimulating the rise of popular-sector associationalism. The neo-liberal era has been crisis prone, and many countries have experienced periods of declining real wages as well as increasing poverty or at best a halt to its downward trend. Popular-sector organizing around 'subsistence' issues, which received a big impetus from the debt crisis of the 1980s, has been sustained as a way of coping in the face of ongoing hardship, so that various types of survival associations, such as those providing food, have proliferated in popular neighbourhoods. Furthermore, targeted state social programmes adopted in some countries have relied on associational partners in civil society as a mechanism for implementation. The reduced role of the state has also been a factor, and many associations have been formed as self-help groups to supply goods and services in areas where the state has withdrawn or will not commit sufficient resources.

The associational world is both incredibly heterogeneous and still emergent, posing a steep challenge for description and theorizing. The diversity of organizations makes it difficult to conceptualize popular associations as an organizational category and the associational interest regime as a coherent 'system' of interest representation. Moreover, dynamics within the associational world are sensitive both to the neo-liberal economic model, which some countries may be adjusting after two decades of slow growth without concomitant reductions in poverty and inequality, and to the level of political decentralization, which also has been changing over the last decade. Bearing

in mind these heterogeneous and emergent qualities, it is nevertheless possible to draw some key contrasts between the emergent interest regime with associations as the base organizational unit and the earlier interest regime with unions as the base organizational unit.

AN ASSOCIATIONAL LOGIC OF COLLECTIVE ACTION

A first task in analysing the emergent associational interest regime is to compare the logic of collective action of associations and unions. Olson's original formulation of collective action problems included an analysis of unions (Olson 1965). Subsequent research has drawn a distinction between those organizational challenges faced by capitalists and those faced by the working class in industrial societies. In this vein, scholars have stressed both the more onerous problems of collective action faced by labour compared with capital (Offe and Wiesenthal 1980) and the further asymmetry that the market mechanism provides a degree of coordination that mitigates the need for concerted collective action among capitalists, especially regarding the application of sanctions (Lindblom 1977). Scholars have further disaggregated the capitalist side of this dichotomy, positing that differences in sector (Streeck 1990; Bowman 1989) and size of enterprise (Shadlen 2004) lead to distinct logics of collective action. Analyses have also pointed to the relative strengths or weaknesses of working-class groups, differentiating them according to their structural and associational power (Wright 2000, p. 962; see also Silver 2003, p. 13), for example, size of plant, isolated enclaves, competitive v. non-competitive sectors, skill levels, craft v. industrial organizations.

These analyses, rooted primarily in the experiences of early developers, are oriented towards wage-earners and do not consider what in Latin America is the larger group among the working classes: informal workers, who are more likely to pursue 'class' or material interests through consumptionist rather than productionist organizations. It is this basic distinction, between unions and non-union associations, that provides the first cut in the present attempt to differentiate systematically the logic of collective action underlying the earlier and emergent interest regime. In beginning an analysis of this differentiation, the following argument does not claim a universal logic of collective action for popular associations across all nations. Rather, it should be understood only to apply to countries exhibiting certain social structural characteristics – high levels of inequality, informality and poverty – common but not exclusive to Latin America. In this context, most popular associations are formed by resource-poor groups, primarily to advance discrete material demands or to serve material needs. This type of popular organizing should be differentiated

from that of better funded, often middle-class, citizen groups in advanced industrial countries.

Two types of collective action problems may be distinguished. The first is the fundamental question of collective action *within* base-level organizations. How do interest associations form and to what general patterns do they conform in their operation? The second is the question of collective action *among* or across organizations with compatible interests and agendas.[9] How do interest associations scale or act in concert in terms of either the routinized horizontal coordination of activities or the vertical formation of superordinate (con)federations, fronts, or coordinating structures? The distinction between collective action within and among organizations is important because it bears directly on a central difference between labour unions and popular associations: labour unions tend to have significant difficulty with organizational formation but substantial ability to coordinate and scale. In contrast, the opposite is true for popular associations. Needless to say, substantial variation exists among unions and, to an even greater extent perhaps, among associations. Nevertheless, despite the diversity within these categories, a general contrast may be drawn.

This contrast rests on three characteristics that combine to shape the logic of collective action of unions and popular associations. These are (a) resources: constituency participation and finances, (b) ideational cohesion: shared interests and collective identity within and between base organizations, and (c) the nature of demands: the degree to which they are fulfillable in the near term, and their disaggregability (Table 5.1).

In the following discussion it will become clear that these organizational characteristics may be affected by external factors. For instance, one clearly important distinction between unions and popular associations is that the former are regulated by labour law. In addition to outright constraints on union organization and activities, other legal provisions have been seen as 'inducements', or double-edged regulations, in that they serve as both organizational benefits and controls (R.B. Collier and D. Collier 1979). These provisions, such as registration and state recognition requirements and compulsory membership laws, tend to help extant unions scale and sustain themselves, while making opposition union formation difficult by creating barriers to entry. No comparable legal framework governs popular associations. Ideational factors are also at least in part external – while ideology might be a characteristic of an organization, no one would argue that it is completely internally generated. And, of course, some associations receive support from external NGOs. Nevertheless, the internal characteristics highlighted below can be seen as important proximate causes that shape the logic of collective action of each type of organization.

Table 5.1 Organizational differences and implications for collective action

Variables		Unions	Associations	Advantages in:	
				Formation	Scaling
Resources	Participants	legally sanctioned formal members	varies, but generally not formal members	Unions: – Assoc: +	Unions: + Assoc: –
	Finances	significant; future level of resources relatively clear; self-funded	varies, but rarely *both* significant and self-funded	Unions: – Assoc: +	Unions: + Assoc: –
Cohesion	Shared interests	varies, but significant both within and between unions	very significant within associations, less between	Unions: – Assoc: +	Unions: + Assoc: –
	Shared identity	high within unions, high among unions	high within and low among associations	Unions: + Assoc: +/–	Unions: + Assoc: –
Nature of demands	Disaggregability of policy area	varies, but often non-disaggreable	generally disaggregable	Unions: – Assoc: +	Unions: + Assoc: –
	Feasibility	generally feasible, concrete, material demands despite some historic orientation towards socialism	generally feasible, concrete, material demands	Unions: + Assoc: +	Unions: +/– Assoc: –

Organizational Resources

Labour unions and popular associations are quite distinct types of organization in terms of the resources at their command. Two differences are the nature of participation and the type of financing of base-level organizations. Labour unions and popular associations differ significantly in the manner by which they attract and retain participants. Unions have formal members, usually drawn from a delimited group of individuals who are employed in similar circumstances. Membership is strictly defined, and the rights and responsibilities of members are clearly delineated. In many instances, as mentioned above, the government legally mandates that this membership be compulsory for all employees in a given workplace; such labour code regulations historically have been among the most salient inducements offered to the labour movement by the state.

Popular associations exhibit considerably more variation than unions in the nature of participation, but rarely do they have formal members. Exceptions of course exist, such as some associations of street vendors (Roever 2005). In most cases, however, it is probably a misnomer to speak of membership at all. Rather, these associations have participants, whose involvement is voluntary and often intermittent. Finally, many associations in Latin America are engaged in a type of activity, for instance service provision, that makes it more accurate to divide participants into staff – either volunteer or paid – and constituents, clients or beneficiaries, with some individuals straddling the two categories.

Formal membership, with its attendant participation and financial commitments, generally hinders collective action for forming new unions. In contrast, the more flexible models of participation that characterize most popular associations tend to facilitate their formation. Attracting participants is easier if demands on them are not so clearly defined or can be tailored to fit their level of enthusiasm. The inverse relationship holds regarding the way these internal organizational characteristics affect the ability of organizations to scale. Formal membership facilitates cooperation and scaling among unions, as leaders are able to pursue long-term strategic goals that may impose short-term costs without fear of defection. The participation models of associations tend to make scaling more difficult. The long-term planning and investments of time and resources necessary for collective action among associations may cause individual participants with more immediate goals to lose interest.

Partly as a result of their formal memberships, unions also tend to have larger and more predictable resource pools at their disposal than associations, although significant variation can again be found among associations. Union dues provide predictable funding for day-to-day operations, professional staff, and long-term budgetary and strategic planning. Associations are less likely to

have ample resource pools and the ability to make long-term budgetary forecasts. Grass-roots or community associations tend to have less capacity to extract resources from what are usually poorer participants. Although most are at least partially self-funded, many tend to be dependent on outside sources of funding, such as the state, political parties, NGOs or international donors. This grant-based funding can vary greatly along multiple dimensions, including the overall level of funding, the degree to which funding is secured in advance and the formal or informal constraints imposed by donors. Some popular associations may be amply funded and enter into medium to long-term funding relationships with a given donor; but even then the necessity of renewing the grant puts some limit on associations' capacity to make plans well into the future. Much more commonly, popular associations struggle, or may even compete, to ensure funding in advance or find funding at all.

The means by which unions extract resources and budget can hinder initial formation but aid in subsequent lobbying and collective action with other labour organizations. Conversely, the negligible cost of participating tends to facilitate associational formation, but the scant resources and inability to make stable budget forecasts of many associations tend to hinder institutionalized scaling and cooperation.

Ideational Cohesion

While differences in organizational resources can provide substantial leverage concerning the disparate logics of collective action underlying labour unions and popular associations, ideational factors must also be considered. An important point made by Offe and Wiesenthal in their discussion of collective action among labour and capital can be used to frame this discussion. In their exposition of the classic labour–capital dichotomy, they posit that labour faces a particular problem of interest heterogeneity, which, following Olson, they attribute primarily to the large number of individual participants. Offe and Wiesenthal's answer, one also posited in much historiography of the labour movement, is that a collective identity among workers must be constructed to overcome this obstacle, a somewhat paradoxical dynamic in which 'interests can only be met to the extent that they are partly redefined' (Offe and Wiesenthal 1980, p. 81). It thus may be useful to consider both interest heterogeneity and collective identity as ideational factors shaping the logic of collective action of unions and popular associations both within organizations and across them.

Individual associations may tend to exhibit less interest heterogeneity among members than individual unions. Associations attract participants who have specific interests in common – for example, neighbours may participate in neighbourhood associations for specific infrastructural projects, or vendors

may cooperate to secure space on the streets when its use is threatened. This commonality of interest within associations is reinforced by the fact that participation is voluntary and membership not institutionalized, so that barriers to exit are low, and dissidents or participants with divergent views can simply leave the organization. These traits tend to facilitate association formation.

Within labour unions interest heterogeneity is likely to be somewhat greater, since once unions are initially established, membership is often either legally or contractually compulsory and there are no easy exit options. As a result, unions tend to be more difficult to form and/or some participants will be disgruntled or at odds with the direction or strategy of the organization. Of course, union organization itself serves an important homogenizing function. In a free labour market, workers compete against one another, driving wages down and making interest heterogeneity endemic to proletarian existence. Unions partially solve this problem of inter-worker competition, and to some extent homogenize the interests of members. But this effect ameliorates a problem that associations do not have to begin with. On the whole then, greater interest heterogeneity within unions creates more significant problems for collective action for formation when compared to associations.[10]

By contrast, at an aggregated level across individual units, the associational world covers a more heterogeneous set of interests than the organized labour movement, making scaling and coordination more difficult for associations. The union movement embraces a restricted subgroup of the popular sector, while the set of associations is potentially all-encompassing. The work situations of participants in associations vary widely. While most are in the informal sector, others are formal workers or are openly unemployed, having been laid off from formal work. Further, even informal workers are a diverse category, sometimes explicitly defined as including wage earners, microentrepreneurs who hire them, domestic workers, and the self-employed. Unlike members of labour unions, these participants do not share a common target of work-related grievances. Indeed, most associations have nothing to do with relations of production at all, but focus on a great variety of consumptionist issues. Interest heterogeneity across unions, particularly among those within a given economic sector, is not likely to be so great. Even across sectors, unions tend to have common interests in many macro-level policies, such as those that protect jobs, set minimum wages as a benchmark, and regulate individual contracts and collective rights. And even when union interests differ by sector, the most important of these sectoral unions are generally large and cohesive enough to scale and often to win bargaining rights at the national level.

The second aspect of ideational cohesion is collective identity among participants, which, as Offe and Wiesenthal note, may mitigate problems of interest heterogeneity. Unions might be seen as drawing on two sources of identity. The first is the highly elaborated ideology of the Marxist or quasi-Marxist left,

which has a long history in unionism in Latin America and which, at least to some degree, has historically imparted a class identity to unionized workers. In addition, the affiliation of unions to LBPs, through institutionalized organizational links, interlocking leadership or a history of collaboration, has often given unionized workers a common partisan identity. Moreover, until the current period political parties could be arrayed on a left–right programmatic continuum, and political battles occurred along that materialist cleavage. Hence, ideology and party identification reinforced or constructed an ideational commonality across base-level unions. Overall, this relative cohesion across labour organizations facilitates scaling and cooperation.

While it is difficult to generalize about collective identity within associations, across them collective identity seems generally weak. Many observers have seen in the associational world a common discourse of rights and grassroots, participatory democracy. A substantive tenet is an aversion to hierarchy and bureaucracy, making certain kinds of institutionalized vertical arrangements for collective action among associations less likely. Further, a vague ideological mooring should not be conflated with a strong and cohesive collective identity. While Offe and Wiesenthal offer an important insight by noting that collective identity can help overcome the problem of interest heterogeneity, such an identity may not be readily available when interests are as fragmented as they are in the associational world. The concept of the popular sector denotes a group that shares a relative position in the market, but which aggregates a range of lower socio-economic strata and positions regarding employment. The informal sector, the popular sector and the working classes are not just concepts that bedevil social scientists, but also lived realities, experiential fuzzy sets. If scholars have so much trouble determining who is in and who is out, then it is no wonder that a sense of commonality is difficult to construct on the ground (Peattie 1987).

Nature of Demands

A final factor shaping the logic of collective action is the nature of the demands central to each type of organization. Most urban popular associations and unions advance concrete, material demands that are quite different from the transformative, virtually unbounded, post-material demands typical of the ‘new social movements’. Though the latter do make more specific ‘deliverable’ demands, dominating their larger agenda is usually a much broader demand that is ultimately unfeasible within any reasonable time frame. Even a responsive government can only partially satisfy demands for peace, environmental protection, racial and gender equality, or the end of nuclear proliferation. This fact is a powerful inducement for continued organization and mobilization; indeed, responsiveness on the part of the government may

further energize rather than demobilize such movements. Such transformative and long-term orientations also provide a common, salient goal that subsumes the many immediate, concrete demands made by individual associations, thereby uniting the larger network. The opposite relationship exists for unions and especially for popular associations. While some unions have had a long-term socialist or redistributive vision, economism has been the prevailing orientation, with a focus on demands that are immediate and feasible in principle (even if not politically), such as wage increases. Similarly, most demands of popular associations are also immediate and fulfillable, such as food subsidies, works programmes, urban services, infrastructure investments or land titles. Evidence among popular neighbourhood associations suggests that having these demands fulfilled is more likely to demobilize than energize associations (Dosh 2004). This outcome affects associations more than unions because of the permanent, legal standing of unions.

A related point concerns whether demands are directed towards policies that are easy or difficult to disaggregate in terms of constituencies, or the degree to which demands are for targetable or excludable goods. The above examples of associational demands can be disaggregated, in the sense that a government response can be targeted to one association and withheld from another. Lowi (1964) insightfully argued that policies that lend themselves to disaggregation display different patterns of group contestation and are played out in different political arenas, or through different policy processes, from those not easily subdivided. A fundamental observation was that different types of actors are the primary political units in each policy arena: peak associations weigh in on redistributive issues, coalitions of more discrete interest groups tend to contest regulatory policy, and individuals, firms or small interest groups operate in the distributive arena of disaggregable policy. This 'fit' between interest groups and policy type helps us understand the differing logic of collective action of unions and popular associations.

While unions and associations may have multifaceted agendas and make a variety of demands that differ in their ease of disaggregation, it is possible to draw some general distinctions and posit some basic implications. Generally, while much union activism occurs at the plant level, key political demands of organized labour have traditionally been directed toward redistributive or regulatory policy areas that are not easily disaggregated – for example, labour market regulation, legal provisions that regulate unions and their activities, policies toward the public sector and heavily unionized private firms, and macroeconomic policy. This non-disaggregability may provide slight discouragement for base-level union formation but greatly increases incentives for scaling.

By contrast, the disaggregability of the distributive policies typical of associational demand-making provides an incentive to associational formation,

since success is more likely when the response is cheap (as it is when targeted), and would-be participants are more likely to join an effort that promises to reap quick rewards. However, the piecemeal, even discretionary, response to these demands – a sidewalk here, a health clinic there – is conducive to clientelism and cooptation and discourages the establishment of ongoing, institutionalized relations of cooperation among associations. Some associations may, of course, have a larger – and national – political agenda, for example, health and education policies, active labour market policies, poverty relief, and tax and redistributive policies. However, most associations focus on disaggregable demands, and the fact that core demands can be satisfied individually lowers the incentives for cooperation and scaling. Indeed, precisely because it is more easily attainable, associations may have an incentive to demand a particular subsidy or distribution for just one neighbourhood, rather than to present the demand as a form of 'entitlement' for all similar neighbourhoods.

ASSOCIATIONAL RELATIONSHIPS WITH STATES AND PARTIES

The logic of collective action of popular associations offers some basic insights into the emerging interest regime, but equally fundamental are the ways associations are inserted into politics, and their relationship to the state and political parties. All of these factors affect the capacity of associations to aggregate and articulate popular demands and to exert political influence. In the earlier popular interest regime, both the state and political parties helped unions solve these problems of formation and scaling. Yet, these relationships were double-edged: unions were generally inserted into the polity in a way that reduced their autonomy and responsiveness to the rank-and-file. Given the many types of associations, relationships with the state and with parties take many forms, and generalization is therefore difficult. However, associations do not necessarily escape the problems of maintaining autonomy. Rather, as many have come to recognize, associational activity is shaped by both the state and partisan alignment, albeit significantly less so than in the earlier interest regime. Furthermore, while these relationships can help associations scale, this aid is neither as pervasive nor as strong.

Another issue concerns the influence of popular organizations on macro policy and the way the interest regime fits into the pattern of politics writ large. Despite the many controls that derived from their relationships with the state and political parties, in most Latin American countries unions were able to gain some degree of influence over important macroeconomic and regulatory policy issues. Associations have not been able to gain commensurate influence, in large part because of difficulties in scaling, their relationship to parties

and the orientation of state policy. While some interesting national variations have emerged, the disarticulation from national politics is a general characteristic of associations in the new interest regime.

Association–State Relationships

Many analysts initially conceptualized popular associations in Latin America in terms of civil society or 'new social movements', pointing to their relative autonomy from the state and contrasting them with unions, historically plagued by varying degrees of state penetration and control. Yet while the associational world in the region may be more autonomous when viewed in the aggregate, this general assessment masks substantial heterogeneity in association–state relations. At the extreme, some associations are actually formed by the state or with the active encouragement of the state. But the role of the state need not be so direct in order to raise issues of associational autonomy. The formation, subsequent behaviour and substantive agendas of associations are often shaped by state programmes and activities in more subtle ways, with association–state relationships taking on a diversity of configurations.

One way to assess the relationship between the state and those associations not directly sponsored by the state is to consider four questions:

1. Does the association interact with the state at all?
2. Does the association rely on the state for resources?
3. Does association–state interaction predominantly revolve around one specific state programme?
4. Does the association primarily serve in the implementation of that programme, rather than make demands?

Response patterns should form a cumulative scale measuring the degree of associational autonomy. At one end, associational autonomy is substantial. During the ravages of the 'lost decade' of the 1980s and at other subsequent times of hardship, Latin America witnessed a growth of popular associations engaged in self-provisioning functions for communities, such as organizing neighbourhood crime watches and providing a local safety net. Lacking any direct relationship with the state, these self-provisioning organizations might be understood as the most autonomous (though non-state donors may shape priorities).

Most associations, however, do interact with the state, leading to a diverse set of association–state relationships marked by varying levels of associational autonomy. One distinction within this subset is between associations that rely on the state for resources and those that do not. Some popular associations share information with the state or are regulated by the state but do not make

demands for state resources or serve to implement state programmes. These associations, which do not have a material reliance on the state, tend to be more autonomous by avoiding the power of the purse strings.

In many cases, however, associational behaviour is influenced by the state, sometimes unintentionally. The very existence of certain state programmes shapes the agenda and activities of many associations and thereby, to some extent, the profile of the larger associational regime. State programmes signal a priority on particular demands directed at specific targets, such as certain agencies and budget lines. As a consequence, associations may turn away from or give less priority to other substantive goals. At the same time, precisely by reducing the active alternatives or prioritizing particular ones, these programmes may reduce the collective action problem of associations by coordinating and focusing their activities in a common direction. Perhaps the best example is the way many associations have coordinated to demand state labour programmes in Argentina. Furthermore, the existence of these programmes has 'diverted' the energy and demands of associations from other approaches to welfare and income support (Garay 2004).

A further distinction can be made between those associations that make a variety of different claims in response to changing circumstances and those whose activities revolve around a specific state programme. Both interact with the state but the former are likely to remain somewhat more autonomous. Associations whose activity revolves around a specific state programme run the risk of becoming overly dependent on that programme and its bureaucratic functionaries and finding themselves in an exchange relationship in which resources are traded for autonomy. Among associations in this position, the danger of state control may be particularly great for those that are not targeting demands toward a specific programme but implementing it. Although it is difficult to assess the prevalence of this phenomenon, in which associations serve as a privatized arm of a retrenching state for the purposes of social service delivery, it seems to be quite widespread. Again, it is often the priorities of the state – its policy direction and programmatic orientation – that encourage the formation of specific kinds of associations and direct their activities in a particular way.

Association–Party Relationships

Many analysts have noted that the roles of political parties have changed in Latin America's neo-liberal democracies, particularly in their relationship to constituencies. Parties were central in the earlier popular interest regime. LBPs affiliated unions through formal organizational integration, interlocking leadership or close coordination. Unions were important resources in electoral campaigns, cementing party identification and mobilizing the vote. Parties, in

turn, provided a channel of access and some degree of influence for unions in politics at all levels, from municipal to national. This exchange, including these benefits of party affiliation, came at the widely analysed price of subordination of unions to the party. The trade-off was particularly severe in the case of governing populist parties, but the subordination to party-electoral goals was also a feature of classist parties, like the Socialist party in Chile. Nevertheless, to different degrees, these relationships afforded organized labour a vehicle for representation, offered some degree of input into major policy areas and helped unions coordinate their efforts politically.

Compared with the union–LBP hub, relationships between popular associations and parties, when they exist at all, tend to be characterized by greater associational autonomy and less formal organizational integration. Associations do not have an institutionalized presence in political parties that is comparable, for example, to the PRI's labour sector in Mexico, the PJ's *tercio* in Argentina or AD's labour bureaus in Venezuela, in the earlier interest regime. In general, and in a way that affects unions as well, parties now have more distant relationships to societal groups, a widely noted dynamic also at work in advanced industrial countries (Katz and Mair 1995). As Roberts has argued for Latin America, the neo-liberal critical juncture 'has undermined . . . mass parties and led to a proliferation of individualized linkages to machine, personalist, or professional-electoral parties . . . A more fragmented, autonomous, and pluralistic civil society . . . [now has] fluid and tenuous linkages to party organizations' (pp. 67, 45).

Within this general commonality, association–party relationships vary substantially from country to country and also within countries, as these linkages are not uniform across geographic areas or across different networks of associations. Some ties are quite different from these individualized, often patronage-based, linkages. In Venezuela, facing a situation in which economic constraints are eased and domestic opposition is fierce and even undemocratic, Hugo Chávez and his MVR have mobilized a substantial support base. A major vehicle, encouraged by Chávez since 2000 through a variety of inducements, has been the *círculos bolivarianos*, associations which range from a handful to a few hundred members and are primarily involved in neighbourhood improvement and service provision (Hawkins and Hansen 2006). The formation of these *círculos* seems to have taken place through some combination of bottom-up and top-down processes, but the relationship between the *círculos* and the MVR requires further research.

Brazil's PT emerged out of a pro-democratic social movement in which a heterogeneous set of popular-sector organizations took part, both new labour unions and popular associations. Reflecting this bottom-up formation, the party has traditionally held a strong ideological commitment to internal

participatory and democratic procedures. In accordance with this orientation, at the local level the party has designed and implemented participatory institutions, most notably participatory budgeting, that allow popular associations to assume a larger role in subnational (state and municipal) policy-making (Goldfrank 2002). These institutions have succeeded in regularizing access to government for popular associations and encouraging the formation and survival of new associations as well as increased policy responsiveness. At the same time, they must be viewed as a partisan strategy to mobilize support in the context of electoral competition among centre-left parties (Goldfrank and Schneider 2005). These participatory institutions, however, have not been sustainable beyond the municipal level, and PT President da Silva thus far appears reluctant to implement such strategies nationally.

The remarkable adaptation of Argentina's Peronists (PJ) to the neo-liberal era has attracted significant scholarly attention. The major labour confederation remains linked to the party, but union–party relations are now more distant, as can be seen both in the founding of a rival non-Peronist labour confederation and the transformation of the PJ from a more 'classic' LBP (indeed, one in which labour for many years was dominant in relation to the party) to a party machine based in neighbourhood brokers to mobilize support (Levitsky 2003). Relying both on historical partisan identities and extensive clientelistic distributions, local party officials serve as patrons to individual clients and also to a variety of popular associations. While some popular associations remain distant from the PJ, others have close links. As the associations of the unemployed, the *piqueteros*, have grown and gained prominence, some of the most influential of these associations have aligned with President Kirchner's faction of the PJ and have modified their activities in order to support him (Garay 2004). A new institution, the Mesa Coordinadora para un Nuevo Proyecto Nacional, was formed by these more accommodationist *piquetero* groups and the Kirchner faction to coordinate and cement their relations, but the future of this initiative is unclear.

Macro Policy

The associational interest regime affords the popular sectors less capacity to affect macro policy at the national level than did the interest regime dominated by the union–LBP hub. This more limited influence is in part due to the greater difficulty of associations in scaling as well as a different relation to political parties. Under the old interest regime, the labour movement had a presence, albeit with varying influence, in national politics through labour confederations, which provided a voice in negotiations and a capacity to mobilize and protest, and through party linkages, which afforded access at the national level. By contrast, while some associations may have some points of access,

these tend to be limited, and peak associations that are in institutionalized political dialogue on national economic and social policy are rare.

Potential popular-sector influence at the national level is also dependent on the overall economic model, as Garretón et al. (2003) have highlighted in their discussion of the new 'sociopolitical matrix' in Latin America. The fundamentally different roles of the state under import substitution and neo-liberalism lead to distinct patterns of demand-making in terms of what policies are 'contestable' and the level of the state where contestation takes place.

The union–LBP hub predominated in a particular economic context that oriented demand-making toward the national state. Parallel to the Fordist logic of the Keynesian welfare state, ISI encouraged a form of 'organized capitalism' that favoured encompassing peak associations of labour and demand-making focused on policies at the national level. ISI was characterized by a large public sector (including state-owned firms and a state bureaucracy that were important sources of employment), the promotion of national industry, and (peripheral) Fordist regulation of the economy (Lipietz 1987) that both promoted production on the supply side and implemented policies that sustained aggregate demand. The demand-side logic of this inward growth model made room for the state to adopt national level policies that would help solve collective action problems of both workers and employers and reduce competition between as well as within those classes. Pro-union and pro-worker policies – rigidities in the labour market, minimum wages and rising wages in line with productivity gains, subsidies on basic consumption items, and health care and pensions – increased aggregate demand for national producers in settings where small markets were often limiting. Along with protectionist measures, the adoption of these policies at the national level helped remove certain labour cost pressures from competition among employers, while increasing aggregate demand, in which inwardly oriented producers had a collective interest. The degree to which these policies were put in place varied according to the configuration of political coalitions, their institutionalization in party systems and the resulting political dynamics.

With the implementation of the neo-liberal model, states have withdrawn from former areas of economic intervention and from many of the national policies that had been the focus of national-level demand-making. The privatization of pensions and removal of subsidies on basic consumption goods are examples. These changes have removed important policy areas from the agenda of demand-making, as Kurtz (2004) demonstrates for the rural sector. The effects on the new interest regime may be seen regarding unions as well as associations. Despite their ongoing advantage in scaling, unions have less influence in the new interest regime. They may retain some national clout in particular areas, and in some countries they have been influential in labour reform, limiting the flexibilization of the labour market regarding both individual

employment and collective rights. However, even the Argentine labour movement, historically the region's strongest, was not able to influence macroeconomic policy, although union leaders were able to negotiate certain compensations to unions in return for acceding to detrimental and costly reforms (Etchemendy 2004).

Another aspect of the neo-liberal model with implications for demand-making is the decentralization of the state. Many Latin American countries have devolved programmatic initiatives and budgetary control of various policies to lower levels of government. The devolution of social and neighbourhood services, around which popular associations are most likely to make demands, has been especially prevalent. These changes have opened up new spaces for interest intermediation between their constituencies and a more proximate and presumably accessible level of the state. The result has often been greater responsiveness to grass-roots demands, though experiments with 'deepening democracy' through direct participation have varied substantially.[11] However, with greater attention focused at lower levels of government regarding immediate demands, the incentives for scaling and national coordination are again reduced.

In many cases, then, there has been a trade-off in which popular-sector access to certain kinds of policy areas, especially those that are disaggregated and oriented to the neighbourhood, has improved while capacity to affect macro policy at the national level has eroded. While many staples of the ISI era have been taken off the agenda, many significant policy areas that directly affect the constituencies of associations, most notably social policy, are still contested at the national level. Yet with some exceptions, such as Argentina's *piqueteros* and some associations in Brazil, popular associations have not been able to coordinate and influence decisions on social policy and other 'second generation' reforms.

CONCLUSION

A shift in the popular-sector interest regime, although not labelled as such, has been widely noted. In the emergent interest regime, the role of unions has become less central, and a great array of popular organizations, of which unions are now just one type, has become prominent. Initial assessments of these other popular associations were optimistic, lauding the strengthening of civil society in political systems that historically lacked structures capable of making government accountable, of representing the majority or of sustaining democratic regimes. Particular traits of associations were also seen as beneficial. Unlike unions, associations relate to one another in networks rather than in the hierarchical and bureaucratic structures from which Michels derived his

iron law of oligarchy. Conceptualized as internally participatory, they were often seen as efficacy-promoting 'schools for democracy' and potential building blocks of an inclusionary system of representation responsive to the grass roots. Furthermore, some analysts have been sanguine – or at least hopeful – that associations could move into the representational void being vacated or unfilled by political parties, which are widely seen as becoming socially disembedded and engaging in 'audience politics' in the electoral arena (Manin 1997). After an initial period of enthusiasm, however, many scholars of Latin America have turned markedly more pessimistic, noting the inability of associations to apply pressure to political elites and meaningfully affect macropolitical outcomes, seeing not schools for democracy but a crisis of popular representation.

In exploring the emergent interest regime, this chapter has tried to lay bare its distinct logic of collective action compared to that of the union-based regime. The associational regime is characterized by easy entry: unlike unions, associations form readily and have proliferated dramatically. The associational interest regime is potentially all-encompassing, with unrestricted constituencies and agendas, thereby excluding no groups or interests. At the same time, associations face the fundamental problem of scaling, which derives from limited resources, heterogeneity of interests and the nature of demands. This problem is reinforced by changes in party politics and association–party relations and by the neo-liberal model, which in crucial areas has redefined the nature of state policy and the locus of policy-making.

As Schmitter suggested, the partial regimes in which associations operate are important sites of representation and hence central for distinguishing types of democracy. The associational interest regime in Latin America is characterized by some representational tensions that may be endemic. While popular associations may spur participation, gain access and win influence in areas of policy at the local level, they have largely been cut off from influence at the national level. The overall interest regime tends to be caught in a distributional pattern of local politics. And while the associational world as a whole may be characterized by greater autonomy from the state and parties, state policy nevertheless often shapes the overall set of claims, and partisan affiliation or insertion in electoral politics can moderate or subordinate the demands of associations.

Nevertheless, these tensions play out in diverse ways in different national settings. In Chile, associations have shown little ability to coordinate and affect major policy areas. Yet across the Andes in Argentina, the *piqueteros* have succeeded in scaling, displaying enormous mobilizational capacity at the national level and achieving quasi-institutionalized or at least regularized access to social policy-making. In a complex and interactive political process, a state works programme has shaped the nature of the demands of the

piqueteros, who have succeeded in expanding the programme tremendously, while the process has crowded out programmatic alternatives regarding income support or poverty reduction. While an interesting exception to the general pattern of associational exclusion from national policy-making, this pattern is unlikely to be replicated broadly. However, other political processes may shape national interest regimes in a particular direction. For instance, in Venezuela Chávez has not only induced the formation of a quasi-affiliated network of associations, but in so doing he has primed a national political cleavage in aligning a social-structural division, societal organization and a cultural or 'ideological' orientation (Bartolini and Mair 1990). This reshaping of the interest regime in Venezuela has been a central aspect of a general reorientation and unique polarization of politics.

Analysis of national interest regimes and their consequences for popular representation is still at a preliminary stage. The key questions concern how much political clout associations are able to gain, and how associations confront the classical dilemma between political access and influence, on the one hand, and autonomy, on the other. Garretón (1994, p. 245) has suggested that moving beyond this trade-off may involve the role of the state itself in constituting 'spaces and institutions within which actors can come forth who are autonomous with regard to the state without being marginal'. If the trade-off is indeed resolvable, the question for analysts becomes the conditions under which the interaction of associational demand-making and the projects of state and party actors will create such spaces and how associations can use them as sites of representation or interest intermediation.

NOTES

1. In the Latin American context, the word 'popular' has a decided class connotation. Hence the use of the adjective in the terms 'popular interest regime', 'popular associations', and 'popular sector' here specifically refers to the lower classes.
2. It might be noted that a similar shift in interest regime has not occurred in the polities of Europe in the same way. As Crouch indicates (Chapter 2, this volume), unions have been challenged but have maintained a more central position and greater strength, even as they take on a different set of issues.
3. Examples of popular associations are neighbourhood associations, communal kitchens, rotating credit associations, NGOs providing social services to popular–sector constituencies or organizational support to other associations, organizations of street vendors, and many others. The universe of associations under consideration is thus diverse, but does not extend here to associations geared towards the public interest at large rather than the popular sector in particular (Peruzzotti and Smulovitz 2000).
4. Scaling refers to either the vertical formation of superordinate structures or the horizontal coordination of activities.
5. Another type of transition – through regime collapse or breakdown – had different characteristics, but elite-dominated transitions received particular analytic attention in the Latin American cases. See Huntington (1991, pp. 113–114 fn.) for a discussion of typologies and

a scoring that characterized only one Latin American country as a collapse (but see R.B. Collier [1999, pp. 119ff.] for a different scoring of this case).
6. This analysis follows R.B. Collier (1999).
7. Using data that pre-dates the 2001 crisis, Portes and Hoffman (2003, p. 55) show Argentina as an exception.
8. In Chile, the 1990s saw some recovery from an earlier steep decline. These figures are taken from a database compiled by Kenneth Roberts, who used data from the ILO and other sources.
9. This distinction has not been drawn in much of the literature on collective action. For instance, while Offe and Wiesenthal discuss both the formation and growth of individual unions, they do not distinguish the latter from the problem of coordination and scaling among unions.
10. In highlighting the union-association contrast, the present analysis overlooks substantial variation within each category. The greater homogeneity of interests of some workers and its facilitation of union formation, such as those in isolated enclaves (as in mining), has been a well-recognized example.
11. See Roberts (1998) and Goldfrank (2002) on the failed cases of Chile and Peru and the more successful cases of Uruguay and especially Brazil, which has been particularly successful in designing local institutions of participatory budgeting that have substantially redirected local spending priorities towards popular neighbourhoods.

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6. Making capitalism compatible with democracy: tentative reflections from the 'East'

László Bruszt

INTRODUCTION

Making democracy compatible with capitalism is not the same as making capitalism compatible with democracy. The former is about extending citizenship rights in capitalist economies that are already established; the latter is about first creating the basic parameters of democratic politics and extending property rights *afterwards*. Examples of the first process were the (re)democratizations in Latin America in the 1970s and 1980s; examples of the second were the institutional transformations in the former state socialist countries. The two processes differed in their starting points and their initial dynamics; they converged however at a later stage and, in both cases, the variety of outcomes was the same: a certain form of autocratic capitalism, a combination of oligarchic democracy and an under-regulated market economy or, finally, the coming about of a certain degree of *co-habitation* between liberal democracy and a regulated market economy.

As to this last outcome – the coming about of compatibility between democracy and capitalism – one can find two diametrically opposing positions in the literature. According to one approach, dominant till the 1980s and revived in the 1990s, broad socio-economic changes allow the two to become compatible with each other. According to the other, conflicts and compromises between broad-based political forces make the two compatible. Politics is absent from the first approach that attaches a primary role to general socio-economic change or development. According to this strand in the literature, compatibility is about the coming about of the right patterns of interests, norms and behavioural patterns that are required for the coexistence of the two institutional domains. Social, economic (and related cultural) developments bring about the conditions for the emergence of these 'proper' interests, norms and behavioural patterns (for an excellent survey of this literature, see Rueschemeyer, Stephens and Stephens 1992, ch. 2). What exactly these

conditions are can be deduced from the experience of the most developed countries that are pictured in this strand of the literature as the endpoints in the development of the two institutional domains.

Political factors are at the centre of the second approach that was developed as the criticism of the previous approach and was based on the analysis of political change in Southern Europe and Latin America. In this approach, most forcefully expressed in the work of O'Donnell and Schmitter, compatibility is one of the possible outcomes of conflicts and compromises between broad-based political forces struggling for the preservation or the alteration of the political, and with it, the social and economic status quo (O'Donnell and Schmitter 1986, pp. 66–67). Development, social, economic or cultural, in this approach instead of being a precondition for democratization is one of the potential outcomes of political change. If successful, the process of making the two institutional domains compatible involves complex exchanges among contending forces. These constitute interacting coordination games taking place in parallel within several domains: uncertain coalitions shaped by a rapidly changing balance of forces (1986, pp. 66–67; Karl 1987, 1990). The possible outcomes of attempts to change the rules of the political game are shaped primarily by rapidly changing balance of political forces not predetermined by pre-existing conditions.

Several different outcomes are possible in that 'underdetermined' process of regime transformation. Purposive political action as much as unexpected events and unintended consequences of previous decisions shape the balance of forces between contending actors, and with that, the possible outcomes. In Latin America, authoritarian reversal, some limited extension of citizenship rights and a democratic regime highly constrained in altering economic institutions were the outcomes in countries where the dynamics of the changing balance of forces gave status-quo-preserving coalitions the upper hand in dictating the rules of the game. Revolutionary transformation of the basic parameters of the economy and the polity was the outcome where radical challengers to the status quo could unilaterally impose the new rules. The dynamics of conflict most conducive to making the two domains compatible was the one in which there was stalemate, that is, an uncertain and relatively even balance of forces between contending camps, not allowing any of the sides to impose the new rules and define the new roles unilaterally (O'Donnell and Schmitter 1986, pp. 59–65). It was this situation that forced actors to search for accommodation among diverse interests, to reach complex compromises sometimes instituted in the form of 'foundational' pacts and to seek for solutions that could make institutional change in the two domains compatible, if not complementary, with each other (1986, pp. 66–67; see also the insightful analyses of Karl 1987, 1990).

In this chapter, I will explore the use of the two approaches for the analysis of the post-communist developments. I start with a modified version of the

old preconditions literature as it was applied to the post-communist cases. The representatives of the Eastern variant of the precondition literature claimed that the newly democratizing countries, due to the backwardness of their social and economic structures have to face a forced choice between continued democratization and capitalist transformation. According to the pessimistic variant of this approach, in the absence of a highly stratified market society, the post-socialist condition, democracy and capitalist transformation are incompatible with each other (for a discussion and critique of this approach, see Stark and Bruszt 1998). Absent such a society with its 'correct' distribution of preferences, democratization would only allow for politicizing the process of economic transformation and the predicted outcome would be the blocking of economic change. According to the optimistic and activist variant of the same approach, there was a way out of this impasse. Economic transformations could and should be depoliticized via 'shock treatment' and rapid economic change would subsequently bring about a stratified market society with the right distribution of preferences – and make capitalism compatible with democracy.

As will be discussed below in detail, the outcome of interacting change in the two institutional domains in post-communist Eastern Europe was exactly the opposite of what was predicted or prescribed by the revived preconditions literature. In all the post-communist countries where decision-making on economic transformation happened primarily outside the framework of democratic politics, the outcome was some form of corrupted market and the degeneration of the democratic polity. The simultaneous consolidation of democratic institutions and the emergence of a regulated market economy occurred in those countries where institutional transformation in the economic domain was simultaneously politicized within the framework of emerging democratic institutions. These outcomes of the parallel changes in the fields of polity and economy are in line with the central claim of O'Donnell and Schmitter that compatibility is not the outcome of an apolitical process of development but, to the contrary, it is the outcome of successful politicization of development.

How and to what degree economic change could become subject to democratic political contestation and compromise was directly related to the outcomes of the respective regime transitions. In the countries where the transition produced a polity in which the political authority to make binding decisions was concentrated and the former elite could impose institutional change in the economic domain, uncontested by newly emerging social and political forces, the outcome was oligarchic democracy combined with a corrupted market. In countries where broad-based political mobilization brought about the transformation of political institutions and the political authority to make binding decisions was broadly distributed, the balance of forces after the initiation of economic transformation remained relatively even. This prevented

either incumbents or any other economic or political actor from imposing the new rules of the game unilaterally and forced them to search for accommodation and coordination among diverse interests.

The second part of the paper will be devoted to conceptual exercises with the goal of making changes in the institutional domains of polity and economy in the East more comparable with those in the South. Both the starting points and the initial dynamics of these changes differed in the two regions. A conceptual frame is needed that allows for the simultaneous discussion of interacting change in the two domains. As a basis for this, I will use the conceptualization of economic transformation implicit in the work of O'Donnell and Schmitter as changes in the rules of the game in the economy that define the scope of economic freedoms and determine the distribution of economic wealth and opportunities. Transitions away from diverse types of autocratic capitalism in the South were about attempts to repoliticize economic freedoms and, therefore, to make the rules that determine the distribution of economic wealth and opportunities subject to democratic political contestation and compromise. Synchronizing institutional changes in the two domains involved extending citizenship rights in such a way that those who were threatened by the transformation of the rules governing the economy would not use their de facto powers to halt the de jure transformation in the institutions of the polity. This process resulted in the parallel upholding of citizenship rights and property rights in those countries where the dynamics in the changes of the political balance of forces were conducive to make actors capable of negotiating complex exchanges across the two institutional domains.

In the East, as will be discussed below, during the first phase of the transition away from autocratic state socialism, the ruling elite had lower incentives and fewer opportunities to fight against the extension of citizenship rights. The challenge of finding accommodation between property rights and citizenship rights was absent. A large part of the former autocratic elite expected to win extended economic freedoms from the extension of citizenship rights. There was no need to negotiate complex exchanges between the two domains and therefore the dynamics of institutional change in that phase differed between the two regions. The East met the South only when the rapid economic liberalization and privatization introduced after the founding elections resulted in a dramatic increase in the concentration of economic wealth and power in the hands of the new elite. Economic regulation and, in general, the making of the rules that defined the parameters of the emerging capitalist order and the distribution of wealth and opportunities started after liberalization and privatization. It was in this later phase that the rules became subject to political struggle. As in the South, the stakes were not only the rules of the economy, but also the way decisions were made about these rules. To put it differently, in the East it was only after the founding elections that the form and the

substance of economic issues became the object of political controversy. In this struggle between diverse interests, some of the actors tried to extend the scope of democratic decision-making to cover economic matters, while others sought to depoliticize these rules and to neutralize the freedom of contending political forces.

I shall argue that, despite their different starting points and different initial dynamics, the Southern and the post-communist experiences were variations on a common theme: how to govern exchanges between the two institutional domains in such a way as to make the emerging rules in both domains compatible with each other. The logic at work behind the diverse outcomes was the same in the East as the one described and analysed by O'Donnell and Schmitter in the Southern European and Latin American cases. Parallel establishment of citizenship rights and property rights was the outcome where actors acted under conditions that forced them to search for solutions via cross-sectoral coalitions and compatibility between conflicting interests.

THE PRECONDITIONS LITERATURE AND 'EASTERN' DIVERSITY

The question about the compatibility of democracy and capitalism, once fashionable in the literature on Latin America, came in a somewhat modified form to the East. Until the 1980s the dominant view in Latin America was that broad structural (economic, social, cultural) changes were preconditions for this compatibility. Once these missing preconditions were present, democracy would become compatible with capitalism. The underlying assumption of the 'preconditions literature' was that the less developed countries of the South would converge towards the model of the most advanced societies of the 'North-West'. They would go through the same stages of development and imitate the same sequences in order to arrive at 'the end of the history' with the same outcome.[1] The main lesson of the North-Western path was assumed to be universal and clear: development first, democracy later. Once reaching similar economic conditions they would achieve the same political outcome – albeit with some delay. Or, to put it in a more positive way, development makes democracy compatible with capitalism.

In the East, the issue of the compatibility of democracy and capitalism arrived only at the end of the wave of democratization that began in 1989, but came immediately in two different versions. The pessimistic one was similar in its conclusion to the one sketched above although it differed somewhat in its argument. In the highly egalitarian post-communist societies, ran the argument, the parallel transformation of political and economic institutions was impossible. Because of their flat and inarticulate social structure, the economic

transformation would create too many losers and too rapid an increase in inequalities. The losers would not tolerate these changes and would use their newly acquired political rights to stop the process – also jeopardizing the potential transformation via populism. Absent a stratified market society with a large enough number of potential winners and a functioning capitalism that could bring about this society, democracy and capitalism were regarded as logically incompatible. '[Capitalist] development first, [liberal] democracy later' was the implicit slogan of this argument. (For a critique of this approach, see Stark and Bruszt 1998.) The optimistic and, for that matter, more activist version of the thesis that large scale socio-economic change would eventually bring about the preconditions for the compatibility of democracy and capitalism came from Western advisers linked to the International Monetary Fund (IMF). 'Get politics out of the way, put in place the missing elements by fast privatization and liberalization and the ensuing economic growth will make democratization possible' (for a critique of this approach, see Stiglitz (1999) and Roland (2000)). The stress was on the speed of the introduction of these policies by shock treatment insulated from democratic politics. Resolute political elites, depolitization of economic transformation, no experimentation with unorthodox policies – this was the mix that would get the missing structural elements in place and eventually make capitalism compatible with democracy.

Both the Southern and the Eastern versions of the compatibility thesis proved to be wrong. In the South, during the wave of democratization of the 1980s, enduring democracies were created under initial conditions dramatically different from the ones demanded by the preconditions literature. In the East, the interaction and sequencing between democratization and economic transformation was exactly the opposite of what was predicted or prescribed.

One can discern three broad patterns of change in the East in the institutional domains of polity and economy, and each resulted in different outcomes. Some countries experimented heavily with a broad politicization of institutional change, exploring and exploiting a diversity of organizational forms to interweave diverse principles of aggregation and coordination of heterogeneous interests. Here the outcome was what could be called compatibility of democracy and capitalism (Stark and Bruszt 1998; McDermott 2002; Orenstein 2001).

In these countries, now new member countries of the European Union, one can speak about the 'co-evolution' of capitalism and democracy; in a second group of post-communist countries, one would be more accurate to refer to the 'co-decomposition' of capitalism and democracy. The transformation of economic institutions in these countries came closer to the 'depoliticization' model promoted by the neo-liberal experts. More precisely, it was in these countries that decision-making on the transformation of economic institutions took place largely outside the framework of democratic institutions. Strong

executives insulated from mechanisms of accountability introduced sweeping economic reforms primarily by way of executive decrees. But while they were free to act unconstrained by other democratic institutions and, therefore, did not have to coordinate among heterogeneous interests, they were also unable to build the political coalitions needed for the enduring support of reforms and were easy prey for capture by powerful territorial and economic groups. Large oligarchic groups dominated economics and politics in these countries, corrupting both markets and democracies (Hellman 1998; Stiglitz 1999; Bruszt 2002). Russia and Ukraine were the most characteristic representatives of this group, which consisted of most of the post-soviet republics except the three Baltic countries.

Finally, in a third group of countries, institutional changes in the two domains went in cycles of stop and go, depending on the outcomes of competitive elections. In a polarized political field with unstable coalitions of political and economic elites competing for power, the 'over-politicization' of all aspects of the transformation did not allow for institutional experimentation with coordination of diverse interests. While the minimal level of electoral democracy was maintained and the elementary parameters of a market economy were gradually put in place, changes in each of the two institutional domains several times weakened institutional development in the other. In these cases, instead of co-evolution or co-decomposition, one could speak of a 'tense coexistence' between capitalism and democracy. Bulgaria and Romania were the best examples of this group of countries.

In the first group of countries the combination of liberal democracy and regulated market economy was the outcome of a continuous process of interaction between the two institutional domains. As a rule, policies and laws are contested and forged within a broader range of 'partial regimes' representing diverse interests and combining different decision-making rules. In this case, institutions rapidly consolidated (see Schneider and Schmitter (2004) and Schneider (2004) for a cross-regional comparison of this issue). By the second half of the 1990s these countries were able to introduce an extensive and more or less effective set of economic regulations. Economic activity evolves within the framework of encompassing social regulations embodying in an always temporary and contestable fashion the accommodation of diverse interests and evaluative principles. It is only in these countries that one can speak of a compatibility of the two institutional domains. Gradually, increasing societal coalitions were formed and powerful actors in one domain had few incentives and/or capacity to challenge the basic institutional parameters of the other one.

In the countries representing the second pattern, major policies and laws were made primarily outside the formal institutional framework of democratic institutions and tended to reflect the outcomes of informal bargaining between incumbents and diverse territorial and economic groups.[2] Democratic rights of

the citizens were limited as these polities sank below the minimal level of electoral democracy. Economic activity evolved in the framework of particularistic regulations reflecting the interests of the most powerful. This pattern, however, did not result in a stable equilibrium. In Russia, for example, the oligarchic coalition between state actors and diverse territorial and economic oligarchies was severely weakened by economic crises, and the unfolding conflicts within the coalition led to a strengthening of the authoritarian features of the regime. In Ukraine, on the other hand, a split in the oligarchic alliance, coupled with the broad political mobilization of civil society and extensive political support from the West, resulted in redemocratization.

Chronic instability of institutional arrangements was the outcome of interactions between the two institutional domains in the third group of countries. Incumbents in these countries did their best as a rule to weaken institutions that could make them accountable both within and outside of the state. Policies and laws were contested and often revoked by the opposition after changes in government. Economic regulations were weakly and selectively enforced and their durability was dependent on the outcome of the next election. While the recurring political and economic crises did not challenge the basic parameters of any of the two institutional domains, neither did they lead to institutional stabilization.[3]

These divergent outcomes of interaction between economic and political change have clearly contradicted the predictions and prescriptions of the revived preconditions literature. According to the proponents of that approach, the creation of a functioning market economy was the precondition for upholding citizenship rights and property rights. They also maintained that economic transformation could only be successful if unhampered by democratic politics. In realty, the creation of a functioning market economy was the outcome of the *simultaneous* extension and upholding of citizenship and property rights. Those countries could navigate to this outcome where 'the citizenship principle of equal treatment in matters affecting collective choices', as expressed by O'Donnell and Schmitter, were less constrained and the remaking of their economic institutions was subject to continuous democratic political contestation (1982, p. 11).[4] In the countries where the making of the new rules of the economy were most effectively depoliticized, the outcome was either a limited democracy or the re-establishment of autocratic rule, as well as the enrichment of the few at the price of the impoverishment of the many (Hellman 1998; Stiglitz 1999).[5]

The logic at work behind these diverging outcomes of the attempts to make capitalism compatible with democracy were, moreover, roughly the same as the ones described by O'Donnell and Schmitter (1986) based on their study of the attempts to make democracy compatible with capitalism in the South. Parallel upholding of citizenship rights and property rights was the outcome in

those countries where none of the contending actors could impose the new rules of the game and the dynamics of the changing balance of forces made actors search for compatibility among diverse interests in both institutional domains. In the countries where the former autocratic elite could impose institutional change in the economic domain uncontested by newly emerging social and political forces, the outcome was oligarchic democracy combined with a corrupted market. In those where broad-based political mobilization brought about the transformation of political institutions political power was more distributed and the balance of forces after the commencement of economic transformation remained relatively even, preventing either incumbents or any other economic or political actor from imposing the new rules of the game unilaterally. As in the Southern European and Latin American cases analysed by O'Donnell and Schmitter, it was in these countries where actors with contending visions of economic institutions were forced to search for accommodation among diverse interests, to negotiate complex compromises and to seek for solutions that could make institutional change in the two domains compatible, if not complementary, with each other.

In the East, where the basic rules of binding decision-making were put in place prior to the starting of the economic transformation, the new political institutions imposed additional constraints on the contending actors. In the countries where the mobilization and self-organization of diverse types of social actors brought about the change in the political regime, authority was institutionalized and distributed in a way that limited the chances of unilateral rule making. This prevented incumbents from serving solely some groups of private economic interests and forced them to search for accommodation among the diversity of private economic interests (Bruszt 2002; Gryzmala-Busse and Luong 2002).

DEFINING SOME CONCEPTS (AND EXPOSING SOME ASSUMPTIONS)

While the democratization framework of O'Donnell and Schmitter travelled well to the East, to make the Southern and Eastern cases more comparable one has to make explicit the assumptions about the transformation of economic institutions and the resulting different kinds of capitalisms. This is needed to allow interacting change in the two domains to be discussed in a common frame. In their original work O'Donnell and Schmitter identified diverse patterns of political change away from authoritarian rule in more or less well established capitalist economies. Since all of their cases were diverse types of capitalism, they focused on conceptualizing the political aspects of the regime change, primarily the interaction between (political)

liberalization and democratization. In their treatment of these dimensions one can also identify a definition of economic transformation (albeit implicit) as the altering of the rules that determine the scope of economic freedoms and the distribution of wealth and opportunities. As the basis for the conceptual exercise that follows, I will use and expand upon this scheme. I shall start by making explicit some assumptions about transition as the interaction of change in the two institutional domains. Then, I will discuss separately these two domains: economic transformation and political democratization. In the discussion of the latter, I will primarily rely on the formulations of O'Donnell and Schmitter. Finally, I shall bring together these two processes of change by identifying typical pathways away from autocratic capitalisms and autocratic state socialisms. It is not my goal here to compare cases or to analyse factors of divergence among them. My goal is more modest: to contribute to the creation of a conceptual property space within which specific cases can be better compared and their diversity better explained.

Transitions

'The present volume deals with transitions from certain authoritarian regimes towards an uncertain "something else" ' – this is the opening sentence of the 'Tentative conclusions about uncertain democracies' by O'Donnell and Schmitter. I could hardly imagine a simpler and better starting sentence for a book that discusses processes of change in a non-teleological way by stressing the non-linear and underdetermined nature of these changes. In this chapter I also speak about transition in this sense, as the interval between one combination of a political regime and economic order and an uncertain other combination. The common starting point is an autocratic political system either with a more or less established capitalist economic order or with a state socialist one.[6] In the case of the political regime, the 'uncertain something else' might be the installation of some type of liberal democracy, the return to some type of authoritarian rule or the emergence of a revolutionary alternative to both. In the case of the economic regime, this 'uncertain something else' might be capitalism with a redefined structure of public regulation and social distribution, the emergence of a 'private ordering', by which a coalition of private firms and persons in control of the state sets the rules of the economy, or some type of state socialism. There is no necessary 'double transition': the outcome could be that only the political regime changes and what is altered in the economy is in the nature of the system of defences around the basic parameters of the structure of pre-existing rules. The opposite can happen too: the political regime can remain intact and the economic order can be completely transformed – although, for that path to be taken, the only known alternative is the transition from autocratic state socialism to autocratic capitalism.

The most important characteristic of the political transition, as O'Donnell and Schmitter have stressed, is that during it the rules of the political game are in constant flux and arduously contested. Actors from different domains struggle 'not only to satisfy their immediate interests and/or the interests of those whom they purport to represent but also to define rules and procedures whose configuration will determine likely winners and losers in the future' (O'Donnell and Schmitter 1986, p. 6). From the viewpoint of the economic domain, the emerging rules of the political game will largely define who will be permitted to participate with what resources in determining the rules of the economy. The changing structure of political rules will largely define what scope of economic issues will become subject to politicization, which actors, public and/or private, will have a say in defining the rules of the economy and, in general, what range of interests will have a chance of being taken into account in that domain.

Besides the potential redefinition of the form and the content of direct state redistribution, the most important stake during the economic transition involves the redefinition of the rules that determine the scope of economic freedoms and, with them, the redefinition of the rights and obligations of different categories of propertied and non-propertied actors. The emerging rules will largely determine who, with what resources and what sort of enforceable rules, can become a player in the economic field and, as a consequence, what will be the likely change in the distribution of wealth and opportunities in the given economy.

If autocratic capitalism is the starting point, except in revolutionary transformations, the basic parameters of the economy are not challenged during the transition. What is usually at stake is the social and economic role of the state exercised through direct redistribution and through the definition of the public rules of the economy. This later implies the defining of the structure of public constraints on private economic freedoms and, in general, the scope and type of economic activities from which firms and persons can profit. Demands are made for imposing specific constraints on the freedom of property and extending rights for weaker categories of property holders, workers, consumers or other categories of stakeholders. Altering the rules and scope of direct state intervention in the economy or altering their characteristics may be another important dimension to the economic transition. Either way, both (re)regulation and altering patterns of social intervention or subsidization will have a direct effect on (emerging) classes, sectors and group interests and will have an indirect effect on influencing perceptions of what interests and frameworks of value will be recognized and rewarded.

Where state socialism is the point of departure, the extension of property rights protected against arbitrary government interference and the struggle over imposing public constraints upon these rights will be simultaneously on

the agenda of the economic transition. In principle, both citizens and their leaders could contest the dismantling of public ownership, either in the name of some type of democratic socialism or some revived form of paternalistic state socialism. However, in all the known cases where social mobilization has brought about political regime change away from state socialism, resistance to the extension of private property rights has been marginal. This is to say that the stakes of economic transition in most of the Eastern countries have been similar to the ones described above. As in the non-revolutionary Southern cases, actors in most of the Eastern countries have had to redirect their attention primarily to the public rules of the private economy.

Political Liberalization and Democratization

In defining political liberalization and democratization, I rely primarily on the original definitions of O'Donnell and Schmitter. Liberalization refers to guarantees of individual and group freedoms as they affect political action, and democratization refers to the altering of the structure of authority in order to make rulers accountable to citizenry. Political liberalization more specifically means

> making effective certain rights that protect both individuals and social groups from arbitrary or illegal acts committed by the state or third parties. On the level of individuals, these guarantees include the classical elements of the liberal tradition: habeas corpus; sanctity of private home and correspondence; the right to be defended in a fair trial according to pre-established laws; freedom of movement, speech; and so forth. On the level of groups, these rights cover such things as freedom from punishment for expressions of collective dissent from government policy, freedom from censorship of the means of communication, and freedom to associate voluntarily with other citizens. (1986, p. 7)

While the range of these rights can be expanded and there is no scholarly consensus on their exact range, the point is that the concept of political liberalization refers to a range of rights that are preconditions for individual and/or collective political action protecting citizens from arbitrary intervention (Schneider and Schmitter 2004). Democratization concerns the extension of the citizenship principle, that is, the right

> to be treated by fellow human beings as equal with respect to the making of collective choices and the *obligation* of those implementing such choices to be equally accountable and accessible to all members of the polity. Inversely, this obligation imposes *obligations* on the ruled, that is, to respect the legitimacy of choices made by deliberation among equals, and *rights* on rulers, that is, to act with authority (and to apply coercion when necessary) to promote the effectiveness of such choices, and to protect the polity from threats to its persistence. (O'Donnell and Schmitter 1986, pp. 7–8)

While the focus of their work is on the formation of political democracy, that is, the extension and application of the citizenship principle to public institutions and governmental processes, O'Donnell and Schmitter discuss separately the possibilities of extension of the citizenship principle in two other directions. The first, labelled 'social democracy' is about extending the citizenship principle to cover 'private' social institutions, such as workplaces, schools, universities, political parties, and so on. The second, labelled 'welfare democracy' and at times associated with 'economic democracy', is about extending formal equality of citizenship rights to the attainment of substantive equality of benefits and entitlements, such as wealth, income, education, housing, information or autonomy, respect and self-development (O'Donnell and Schmitter 1986, p. 12).

Political liberalization and democratization do not necessarily go hand in hand. Liberalization may or may not be followed by democratization. One or the other of these two processes can become stuck during transition or can even reverse itself after temporarily converging with the other. A relatively stable mix of political liberalization and democratization is what O'Donnell and Schmitter called *political democracy* or, using the term of Robert Dahl, *polyarchy*. Transition can, however, become stuck somewhere between the autocratic status quo and polyarchy. The transition to political democracy can be reversed and the outcome may be some type of hybrid regime. One of these stalemated outcomes could be a *limited political democracy*, also called *illiberal democracy*' what they call 'democradura'. The institutions for holding rulers accountable are present, but the political freedoms of individuals or groups are restricted and/or are not enforced. Another of these hybrid outcomes they call *liberalized autocracy* or a 'dictablanda'. It emerges when some of the guaranteed political freedoms are extended but the mechanisms that could make rulers accountable to the citizenry are not put in place or are abolished.

The coexistence of the electoral franchise and the right of citizens to act equally and collectively to contest the actions of the rulers constitutes political democracy or poliarchy. It can be sustained and institutionalized in several diverse forms. The emergence of what Robert Dahl has called the 'procedural minimum' for the exercise of these rights of participation and contestation (secret balloting, universal adult suffrage, regular elections, partisan competition, associational freedom, executive accountability) may or may not go hand in hand with the emergence of 'reliably known, regularly practiced and voluntarily accepted' rules for structuring political representation, resolving conflicts and arriving at binding decisions. This is a historically contingent settlement called institutionalized or consolidated democracy (Schneider and Schmitter 2004, pp. 7–12).

There are a variety of rules for structuring representation and decision-making, each distributing differently the chances that categories of diverse

societal actors will be able to participate effectively in making binding decisions. In a non-institutionalized democracy the rules of representation and decision-making are unstable, contingent, contested and, therefore, prone to short-term alterations in the balance of political forces. Mechanisms that would force incumbents to accommodate and include societal diversity in the making of binding decisions and to stay within the boundaries of respecting the citizenship principle or the rule of law are weak or absent (O'Donnell 1993; Schneider and Schmitter 2004; Bruszt 2002). Democracies might get stuck de facto in such a low equilibrium, without necessarily reverting to the de jure removal of some or all citizenship rights. Depending on the dynamics of the changing balance of political forces, these polities might stabilize into some form of hybrid regime, or they may eventually move towards some form of institutionalized democracy. The latter is a complex and perhaps never-ending process of arriving at a 'contingent consent' to structuring political representation and accountability in a way that allows for the coordination (some might say balancing) of multiple domains and their diverse interests and considerations.

Economic Liberalization and Public Regulation

From the viewpoint of rights, economic transition implies two, analytically separable, processes: (i) the eventual extension of the scope of protected economic freedoms and (ii) the (re)making of the public rules of the economy, the latter referring to the (re)definition of the structure of rights and obligations that put binding constraints on economic freedoms. The first process I label 'economic liberalization' and the second I call 'public regulation'.

Economic Liberalization

The extension of protected property rights means making effective rights that allow private actors to profit safely from rational calculative enterprise while being protected against arbitrary or illegal acts committed by the state or third parties. The most important of these guarantees are related to property rights, as well as the freedom of contracting. Protection from arbitrary or illegal acts implies the presence of a state that can wield enough power to maintain the rule of law and uphold economic freedoms with effective and credible capacity to honour these rights within its own actions. If such a state is present, and can maintain a predictable policy environment, then private economic actors can safely transact with each other without the fear of being deprived of their property either by economic predators or by way of arbitrary state intervention.

These freedoms in former state socialist economies might start with some informal acceptance of the right to produce and buy elementary types of

consumer goods and services in a 'second economy' without any guaranteed rights. Such informally tolerated commodification of consumer goods and services can result in the emergence of local markets (Nee 1989; Szelenyi and Kostello 1996). The most important characteristics of these submerged markets are that actors have strictly limited rights to own, buy or sell labour or capital goods. They have to rely primarily on informal mechanisms of enforcement and are exposed to a highly unpredictable policy environment. In these cases, one can talk about the emergence of a 'socialist mixed economy' when the state extends some enforceable legal guarantees, including the buying and selling of labour and capital goods, and even encourages private economic activities even though the public economy remains dominant (Manchin and Szelenyi 1987; Szelenyi and Kostello 1996). In their last years, managers in Poland, Hungary or some parts of the former Soviet Union were able to acquire some de facto property rights over the public firms they directed. In the absence of enforced property rights, however, they had low incentives to enter into rational calculative enterprise and had a high incentive to engage in asset stripping and hiding their gains. In China and Vietnam, under the conditions of unchanged autocratic political regimes, economic actors acquired de jure property rights in dominant sectors of the economy that extended to labour and capital markets. In these cases we can say that the economy transited to capitalism while under continuous one-party rule.

Large-scale privatization of the public enterprises together with liberalization of prices and trade after the fall of state socialist regimes per se did not result in the extension of property rights in the sense the term is used here. In several post-communist countries, states did not have the capacity to uphold economic rights, enforce obligations and maintain a predictable policy environment. Economic actors had to rely primarily on barter as the dominant form of economic transactions or on diverse forms of private law enforcement without stable guarantees that they could safely profit from rational calculative enterprise. If some de facto extensions of property rights herald the beginning of economic liberalization, the process of economic liberalization is over when a public power is in place with the capacity to uphold these economic rights and obligations.

Public Regulation

The guiding principle of economic regulation is the protection or promotion of some notion of public interest. It involves both the right of the public to define under what conditions private choices in the economy will further public interests and the obligation of private decision-makers to take these restrictions into account. Regulatory institutions frame private economic action by imposing the framework within which economic actors base their calculations. They

define a range of diverse interests and values that economic actors have to take into account when making their calculations. They bring together heterogeneous interests, define the boundaries between diverse institutional fields and sectors, establish mandatory rules about which combinations of interests and values should count within a given domain of economic action, and establish what general value frameworks should or could be applied to economic transactions.

Making the rules of the economy public implies coordinating (some might say balancing) diverse interests and considerations and establishing binding relations of varied temporality between them. The mere imposition of rules that reflect the interests of the most powerful economic actors is not regulation in the sense the term is used here. One can speak about the emergence of a regulative state when it becomes the stable self-interest of the incumbents to coordinate diverse interests and values while setting the rules of economic actions. A regulative state in this sense can exist in both autocratic and democratic political regimes.[7]

Both guaranteed property rights and public regulation of the economy are constituted with reference to some explicit conception of the public interest.[8] How these public interests are defined and what structure of rights and obligations will serve them is continuously contested. Their definition by a specific regulatory institution may have very limited temporal validity. A given specification of public interest may be replaced by another one that redefines what interests should be given priority and what association between diversity of interests and values will further a different conceptualization of public interests. Changes in the overall structure of economic rights and obligations are usually much slower. If they have been imposed by repression, they are likely to change under conditions of a dramatic shift in the balance of political forces. In democratic settings, this structure is more likely to reflect historically contingent compromises based on some hegemonic idea concerning the 'right' or 'fair' alignment of diverse group interests and social functions. These hegemonic concepts serve as 'master frames' or 'selective criteria' that set the boundaries for deciding on specific regulations and they may be more resistant to short-term changes in the societal balance of forces.

Changes in the structure of the public rules of the economy can go hand in hand with changes in the form of regulation. Until the 1980s, nationalization of specific enterprises was extensively used as a form of public regulation in Western Europe, alongside statutory rules. These capitalist mixed economies have 'transited' since the late 1980s towards the dominance of statutory regulation that had been the primary model of regulations in the USA since the late nineteenth century.

No single set of specific rights and obligations exclusively defines the public accountability of private economic activity. This is a historically

contingent matter, although there have been some regionally specific 'models' and, at global level, one can see the emergence of a 'regulative minimum'. The new Eastern member states of the European Union had to incorporate around 80,000 pages of regulations into their legal systems in order to demonstrate their readiness to participate in the European market-making regime. At the global level, there is a continuous struggle to counterbalance supranational regulation that gives priority to the liberties of selected categories of propertied groups against labour market or capital market norms that would defend the interests of non-propertied groups, ecological values or local cultural heritage. Rival calls for 'depoliticization' of economic issues usually entail demands for public sanctioning of private orderings and self-regulation by the most powerful economic actors. In extreme cases, highly exclusionary repressive regimes can maintain exclusively private orderings, which means the setting of binding rules by exclusionary alliances of the most powerful economic actors.

All in all, public regulation refers to processes of making or transforming the rules of the economy resulting in the (re)definition of the structure of rights and obligations of the different categories of propertied and non-propertied actors. These processes might involve the replacing of private 'self-regulation' with public rules where there were none before; putting private self-regulation under public regulative frameworks; and/or making state regulation public where exclusionary private groups dominated rule-making by the state before. The emerging rules will largely define who, with what resources and what sort of enforceable rights can become a player in the economic field and, as a consequence, what will be the likely change in the distribution of wealth and opportunities in a given country.

Democratizations East and South: Making the Rules of the Private Economy Public

Except in the case of revolution, the challenge of transitions both in the East and the South was to coordinate citizenship rights and property rights. That is, it was to synchronize the relations of accountability at the level of public institutions with the relations of accountability in the private institutions of the economy. Coordination between these two types of rights is a non-trivial undertaking. If 'the citizenship principle of equal treatment in matters affecting collective choices knows no intrinsic boundaries', as O'Donnell and Schmitter have put it, then the same holds for the principle of private property when it encroaches on 'natural rights' in the public domain. Synchronization involved extending rights in one domain in such a way that actors in the other domain would not use their power to halt the change.

One of the possible outcomes of the interacting changes in the two domains

is that actors will settle upon a mutually satisfactory solution allowing for the parallel upholding of citizenship rights and property rights. This implies agreement on the range of economic issues that can be politicized and the types of interests and values that can be publicly sanctioned in the private economy. Additionally or alternatively, it might imply agreement about institutionalizing the accountability of public institutions and rulers in such a way that the public accountability of private businesses is kept within acceptable boundaries. Such a compromise is historically contingent and never definitive. Its content might dramatically differ from country to country depending on variation in social, political and economic starting conditions, the organizational capacities of contending forces or the intervention of external actors and factors that influence the balance of domestic forces (see Figure 6.1). At one extreme, the outcome might be a settlement in which only the exercise of citizenship rights is constrained and the public accountability of the private economy remains minimal or unchanged. The political regime changes but what is altered in the economy is only the nature of defences around the pre-existing basic rules. The institutional façade of political democracy is there, with regular, more or less free and fair, elections but there is very limited room to politicize economic issues and the state sanctions rights and obligations that reflect the

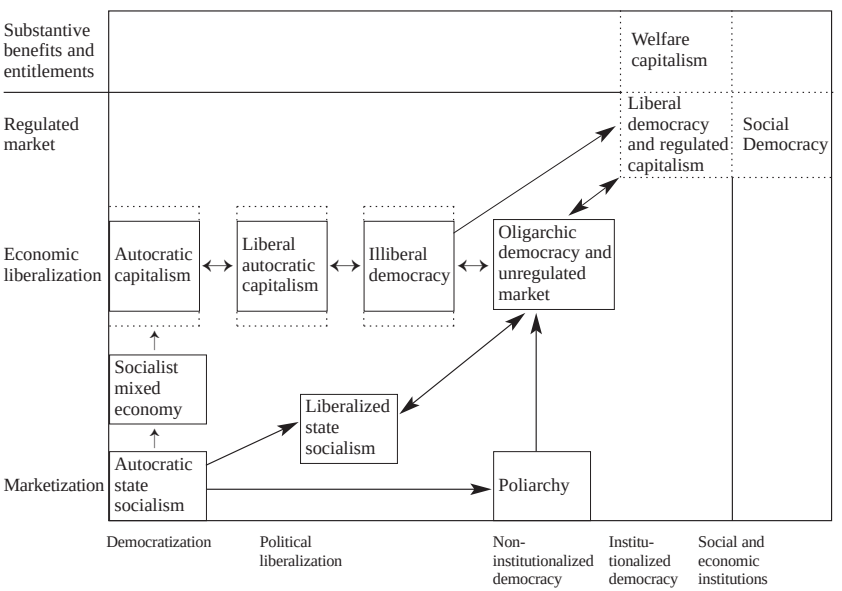

Figure 6.1 Transitions: democratization and economic transformation

interests of the most powerful economic actors.[9] This combination of polyarchy and unregulated (or, more precisely, privately regulated) economy is what we call *oligarchic democracy*. This is usually an 'unstable equilibrium' and, depending on the dynamics of the balance of forces, the demand to extend the citizenship principle to the level of the rules of the private economy might lead to two different outcomes.

One of these is the piecemeal extension of the citizenship principle and, with it, the gradual emergence of the public regulation of the economy – more often than not through the institutionalization of mechanisms of political representation and decision-making that allow for the inclusion of some formerly excluded interests. The other possible outcome might involve depriving some or all of the 'irresponsibly behaving' civic groups and parties of their citizenship rights. *Illiberal democracy* (limited democracy) is the outcome when the procedural minimum of elections is maintained but restrictions are put on the 'freedoms of particular individuals or groups who are deemed insufficiently prepared or sufficiently dangerous to enjoy full citizenship status' (O'Donnell and Schmitter 1986, p. 9). *Liberal authoritarian capitalism* is the outcome when only some of the guaranteed political rights remain. We can talk about (a return to) *autocratic capitalism* when even these rights are taken away.

These processes can also move in the opposite direction. Autocratic capitalist regimes, under actual or perceived pressure from below and fearful of a 'social explosion' might resort to extensive public regulation in the economy (Evans 1995; Doner, Bryan and Slater 2005) Besides trying to coordinate diverse interests, authoritarian leaders may also experiment with some political liberalization, a process that can lead to the full extension of citizenship rights, depending on the constraining factors and the right combination of *virtu* and *fortuna*.

The logic and the dynamics of the first phase of democratization have differed in the South and the East. In the former, the extension of citizenship rights took place in the presence of entrenched property rights with varying degrees of public regulation of the economy and usually in the presence of strong, well-organized coalitions with high incentives and capacities for defending the existing distribution of economic rights and obligations. The bourgeoisie (and its allies) saw the first attempts to change these rules as an encroachment upon their natural rights and basic freedoms. Only major changes in the political balance of forces could alter this perception (O'Donnell and Schmitter 1986; Streeck 2004).

From the viewpoint of institutional change, it makes a great difference whether the status quo ante is some form of regulated capitalism in which the interests of some disenfranchised groups counted, or a repressive oligarchy that completely excluded these groups. Severe frictions and potentially explosive

tensions were more likely in the latter case and some version of oligarchic democracy was the more likely outcome. The propertied class had lesser incentives and opportunities to obstruct changes when regulated autocratic capitalism was the status quo and the state had some relative autonomy from the economic elite.

When autocratic state socialism without any guaranteed property rights was the starting point, the ruling elite had less incentives opportunities to fight against the extension of citizenship rights. The most important difference between the ruling classes of the two kinds of autocratic orders was in the forms of capital they possessed. While the ruling class of the autocratic capitalist order had its capital primarily in physical or financial wealth and had much to loose from the extension of citizenship rights, the primary forms of capital that the state socialist elite enjoyed were social connections and cultural capital (Eyal, Szelényi and Townsley 2000). Both of these forms of capital were useful assets for the ruling elite to improve its position while extending the property rights. A significant part of the former elite could expect to win extended economic freedoms from the extension of citizenship rights. Members of the intertwined political and economic elite could lose these forms of capital only under conditions of an incomplete extension of citizenship rights.

As there was no need to negotiate complex cross-sectoral exchanges, most of the pacts during the phase of political transformation in the East were 'survivability pacts' (Karl 1990). These dealt primarily with legal continuity, allowing the members of the ruling elite to become legitimate (political and economic) players in the new regime, and with rules that could improve their chance of obtaining advantageous political positions in the new political regimes.[10]

In all the democratizing countries in the East, economic liberalization resulted in a rapid increase in the concentration of economic power in the hands of an 'old-new' elite. This dramatically altered the societal balance of forces. Once the new rules of the economy started to be chosen, the early winners of the economic transformation did their best to preserve their initial gains and prevent economic rule-making from becoming subject to democratic political contestation (Hellman 1998; Stiglitz 1999; Bruszt 2002). The East met the South at this point, just after the initiation of economic privatization and liberalization. In those countries where the socio-economic elite remained an autonomous political force without any major counterbalancing power within the state or the society, oligarchic democracy was the unstable outcome of the attempts to introduce public regulation over the emerging private economy. Institutional change progressed in uncertain ups and downs in those countries where political change was initially imposed from above, but after the first founding elections the opposition could consolidate its power and

mobilize broader societal coalitions. Those countries moved towards illiberal democracy or some form of autocratic capitalism where the newly emerging democratic opposition was weak or divided and could not mobilize broader social coalitions against the oligarchic alliance controlling the state. Synchronizing institutional change in the two domains was only possible where the mobilization of a broad societal coalition brought about political change, where the non-propertied groups had some organizational power and where the distribution of political authority did not allow incumbents to rule unconstrained.

CONCLUSIONS

In the comparative literature on democratization it has been commonplace to contrast the Eastern transitions with the Southern ones based on differences in 'transitional agendas', that is, the issues and challenges that actors had to face simultaneously (Bunce 2000; McFaul 2002; Offe 1991; Stark and Bruszt 1988). Having the redefining and remaking of states, nations, property and politics on the transitional agenda at the same time, the Eastern transitions were characterized as 'overloaded', in contrast to the 'simple' Southern processes of democratization. Above I have argued that, in terms of the key issue of coordinating citizenship and property rights, the difference between the two regions was more in the sequencing of the challenge than in the kind of challenge. The point of this chapter, however, is not that the Eastern cases were not so special and that the Southern cases were not so simple. Rather I have argued that studies of democratization that focus solely on its political aspects – without including interacting change across institutional domains – are likely to miss the complexities that are at stake when property rights and citizenship rights have to be made compatible with each other. It is in this issue, I have tried to demonstrate, where one can identify the most important and still unexplored contribution of the work by O'Donnell and Schmitter on the question of the relationship between democracy and development. Far from coming about automatically as a result of development, the coming about of the conditions of the sustained cohabitation of capitalism and democracy is the result of political struggle – with its outcomes not predetermined by pre-existing conditions.

More research is still needed to answer such questions as what were the factors that helped to sustain and enlarge cross-sectoral coalitions, how will the rapid transnationalization of economies and states or the differences in the patterns of transnationalizing these two regions effect the historically contingent settlements that have brought about the cohabitation of citizenship rights and property rights in both sets of countries. One of the lessons one can draw

from the Eastern cases is that the emergence of a regulated market economy with a relatively more equitable distribution of wealth and opportunities was the outcome of the evolution of specific types of democracies that had the capacity to organize and coordinate diversity.

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NOTES

1. See O'Donnell and Schmitter (1986) and Schmitter and Karl (1992) for the critique of this approach. As Wolfgang Streeck has pointed out (see his chapter in this book), the critique of this approach in its different versions has always been more or less present in Schmitter's work.
2. On the discussion of this phenomenon from a cross-regional perspective, see the pioneering work of O'Donnell (1992, 1993)
3. The more recent promise of future EU membership seems to be altering the balance of political forces in these countries and it seems to be moving these countries in the direction of an uncertain, but more stable, form of capitalist democracy.
4. In the literature on post-communist diversity there is general agreement that structural factors have no or only weak explanatory power in clarifying differences in the processes and the outcomes of institutional change. Supporting indirectly the claim of O'Donnell and Schmitter that what matters are the specifics of the politicization of institutional change, primarily diverse political factors are used in this literature to account for diversity, such as the distribution of political power, the characteristics of the party systems, the outcomes of the founding elections or the level of political polarization (Bunce 2000; Frye 2002; Hellman 1998; Grzymala-Busse and Luong 2002; Fish 1998).
5. In the Central European countries where governments were exposed to extended accountability during the period of economic transformation and were prevented from unilaterally imposing the new economic institutions, the percentage change in the Gini coefficient (a standard measure of inequality) was relatively low. The same coefficient was almost 100 per cent between 1988 and 1994 in Russia, where the major rules were introduced by presidential decree (EBRD 1999; Hellman 1998).
6. For a definition and an encompassing discussion of autocratic state socialism, see the work of Janos Kornai (Kornai 1992)
7. On the conditions of the emergence of regulative states in authoritarian regimes, see Doner, Bryan and Slater, 2005
8. Opponents of regulation like to see both economic transactions and the coming about of social order as self-constituting that should be prevented from public interference. The idea that private choices do not necessarily serve public interests and might even undermine market order and competition can already be found in the work of Adam Smith, who saw the danger in the 'self-regulations' of people in the same trade and, among others, forcefully argued against the publication of a registry of business people, claiming that it might encourage the combination of businesses in the same trade to conspire against free competition.
9. In my reading, some of the pacts in Latin America analysed by Terry Karl (1987, 1990) had an outcome that came close to this definition.

10. In the two most often cited pacted cases of transitions in the East, Poland and Hungary, there were encompassing exchanges between the rulers and the contenders but their results did not last long. In Hungary, the political pact was challenged at the moment of its signing by some members of the opposition and its results were overruled by a referendum two months after the signing of the pact. In Poland the pact was more encompassing, including basically two separate pacts: one political, the other socio-economic. The political pact lasted less than a year and the first non-communist government overruled most of the results of the socio-economic pact.

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PART III

Democracy and European integration

7. The problem of legitimacy in the European polity: is democratization the answer?

Claus Offe and Ulrich K. Preuss

IS THERE A LEGITIMACY DEFICIT IN THE EURO-POLITY?

No Problem, No Solution

Even though complaints and uncertainties about the 'democratic deficit' of the EU are as widely shared as the perceived need to think about institutional solutions which would remedy this condition, agreement on the actual presence of such a deficit is by no means universal. Before we address the nature of and possible solution to the problem, therefore, we need to deal briefly with views that deny either the existence of the problem or at least the availability of a solution.

Three such views can be identified. First, there is the *technocratic* view. This rightly claims that only the political choice between alternative courses of action advocated by different elite segments and mass constituencies qualifies as the substance of politics and hence needs to be made within a framework of rights, values and democratic procedural rules. If, however, the agenda of European elites consists of matters that cannot be reasonably debated, but must be competently deduced from some compelling technical calculus, then making choices through democratic procedures is bound to diminish the efficiency of decision-making and the quality of the decisions. These are better left to experts, professionals, epistemic communities and bureaucrats with their specialized knowledge in order to maximize ideological neutrality. The more reliably such technical decisions are insulated from politics and general legitimation demands, the more effective and efficient the process will be in which some 'one best way' will eventually be determined. As the purpose that rules are supposed to achieve is clear and unambiguous, namely Pareto optimality in the Single Market, the regulatory regime serving that purpose is entirely for the experts to determine. They have their tested

methods of dealing with the three familiar types of public-choice problems and market failures. These are: (i) negative externalities (that is, economic actors securing advantages at the expense of third parties); (ii) the inverse case of the provision of public goods (that is, economic actors having to be adequately rewarded for providing benefits to some collectivity, for otherwise they would not provide them); and (iii) common pool problems (that is, economic actors having to be prevented from inflicting damage upon their future selves through the unwise overutilization of scarce resources, such as fish or the environment). This view of the EU as a technocratic regulatory state is often associated with the work of Majone (1997). In order for an efficient regulatory regime to be available, decisions must be kept strictly out of the politicized circuits of democratic representation and accountability.

Second, there is the *democratic saturation* view which, in contrast to the technocratic view, does not deny the need for democratic legitimation of the European policy process but rather claims that the democratic requirements of accountability and representation are already sufficiently fulfilled in the current institutional set-up of the EU. From a normative point of view it may be asked why there should be a need for distinct mechanisms of legitimation for EU policies since the member states, first, have voluntarily acceded to the EU, based upon democratic procedures according to their respective constitutional rules, and, second, are fully represented in the institutions which draft and implement EU policies. In other words, there is a solid and continuous chain of legitimation from the individual citizens in the member states up to the institutions of the EU. After all, the members of the Council are members of democratically elected governments of member states, and Commission members are nominated by their governments and have to withstand the scrutiny of the EP, the directly elected European legislature. So democracy is in place, people do not generally complain about its absence, and concerns about a 'deficit' are unwarranted. The author with whose writings these views are often associated (as found in Follesdal and Hix 2005) is Moravcsik (1998).

Third, there is the *unfeasibility/undesirability* argument. This argument comes in one of two versions. As far as the feasibility of a stronger democratic legitimation at the EU level is concerned, it invokes the seemingly obvious absence of a European demos. The citizenries of member states are simply 'too different' (by size, by historical experience, by religion, by language, by level of economic development, and so on) to be able to form a minimally coherent political community with which even losers in elections would identify. The presence of a durable self-identified and robust political community, as opposed to a multinational population, is an essential precondition for any form of democracy. Turned on its normative side and regarding the issue of desirability, the argument is that democratic legitimation procedures at the European level would inevitably lead to a deepening of European involvement

in matters which properly belong to member states and thus would interfere with the desire of the latter to maintain and increase national autonomy. Czech president Václav Klaus (2005) is a prominent proponent of this view. The implication is that there is no democratic deficit because something that cannot or should not be changed cannot meaningfully be called a 'deficit'.

Why There is a Problem, and Not Just for the EU

So the very existence of the problem we are going to discuss in this chapter needs first to be established. In establishing it, we rely, among other things, on arguments advanced by Follesdal and Hix (2005), Beetham and Lord (1998), and Weiler, Haltern and Mayer (1995). Two points seem important. First, the lack of democratic accountability at the European level penetrates into the domestic arena and affects the quality and credibility of the practice of national democracy. Thus the problem is not primarily that the *EU* must *become* democratic; it is that *member states* must *remain* democratic. Second, major institutional actors at the EU level (the ECB, the ECJ and the Commission when operating as a rule enforcement agency) have a direct impact upon the citizens of member states and therefore must be subjected to an institutionalized legitimacy test.

As to the first of these points, Schmitter has argued that the democratic deficit does not just exist at the EU level of the policy process but, partly as a consequence of this, at the member state level as well. '[T]he shift of functions to and the increase in the supranational authority of the EU have been contributing to the decline in the legitimacy of "domestic democracy"' (2000a, p. 116). National parliaments are losing control, the making of collectively binding decisions is being denationalized and 'executive actors can effectively ignore their parliaments when making decisions in Brussels' (Follesdal and Hix 2005, p. 5). To a large extent this can be attributed to the fact that national governments, in particular parliaments, are no longer in the position to control the basic parameters of their national economies. The intensity of institutional interdependence between the national and the European levels of governance is bound to thwart all attempts to isolate the two levels and to protect the national political system from the effects of democratic deficiencies at the European polity. Thus there is in fact reason for concern that, if the shift of political power from the democratically legitimized national governments to the EU is not accompanied by some kind of compensation through additional channels of supranational legitimation, democracy within nation states will decay.

While this is clearly not the place to engage in a lengthy elaboration of the meaning of democracy, it still seems worthwhile to highlight one aspect of what we take to be one of its essential ingredients. A democracy is a system of

political rule, with a basic division between rulers and ruled. There are two characteristics of how rulers are institutionally positioned in a democracy, one passive and one active. As to the passive mode, rulers and their activity of ruling are subject to the scrutiny and evaluation of voters, the media, organized interests, and so on, by whom they are held accountable. As a consequence, democratic rulers are defined by the institutionalized possibility that they may lose their office. Yet in order for a system of rule to qualify as a democracy, there is also an active aspect to the practice of ruling: rulers need not only find support; they must be willing and able, both *de lege* and *de facto*, to transform this support into policies, thus determining, at least to some significant extent, the conditions and developments of the political community on behalf of which rulers rule.

This 'active' characteristic of democratic rule is less often focused upon by democratic theorists than the 'passive' one. To reverse this imbalance, we might say: a democratic system of rule is one in which rulers are actually able to 'make a difference' in terms of the public goods and protection they provide through the making of public policy. A system of rule in which rulers are held perfectly accountable by the ruled yet cannot accomplish anything is as much a caricature, or an impoverished version, of democracy as a system of rule that is highly effective in shaping conditions and developments without being accountable to the ruled. Moreover, the two aspects of democratic rule hang together, as it appears unlikely that the ruled will have good reason to support a set of rulers whose capacity for significant policy-making and problem-solving has evidently evaporated.

The ruled are powerless when the institutional resources to control rulers are absent. But the rulers themselves can also be powerless, and thus do not qualify according to our second criterion of what a democracy is, when they find themselves incapable of dealing effectively with problems of providing public goods or of protecting society from 'public bads'. When this is the case, the system of rule loses its policy-making capacity, and democratically constituted political power is idled. Rulers can be deprived and dispossessed of (all or significant parts of) their policy-making capacity by, for instance, military threats. In modern capitalist societies, however, the major cause of incapacitation of rulers is of an economic nature. Markets hold would-be policy-makers to ransom: as soon as they adopt an activist approach to the solution of social problems through policy-making, they may be 'punished' by the adverse reactions of economic actors, such as investors or employers, on whose activities policy-makers depend for their tax base as well as their political support. The present configuration of the Euro-polity and its 'negative integration' is clearly such that it enables economic actors to make extensive use of this mechanism of 'punishment' and thus to disable the making of public policies.

It follows from this brief conceptual exploration that the democratization of

the Euro-polity would hinge on two conditions: not just on the institutionalization of mechanisms by which ruling elites are made accountable and responsive to the ruled, but also on the enhancement of the rulers' capacity for action, that is their capacity to withstand and constrain the exercise of economic power if and whenever such power stands in the way of the making and implementing of public policy. This latter condition applies to the EU level of rule as much as it does to the policy-making capacity of the governments of member states – a capacity that has been vastly decimated at the member state level by the process of EU integration, without being resurrected at the EU level itself.

As to our second point, the widely shared belief is that there is a growing imbalance between what the EU can do to European citizens and the role the preferences of European citizens are permitted to play in the EU. To be sure, European citizens can register their preferences in European elections. Yet the political resources of the EP remain limited in relation to what it can do in terms of both the selection of Commission members and the substantive legislative proposals of the Commission. European elections reveal even more of the malaise that is familiar from national elections, some of the symptoms of which are low turnout, decline in voters' party identification, and a very widespread ignorance about what European legislation involves and what the alternatives are. The low turnout in the EP elections is not necessarily a sign of citizens' indifference towards the EU but may rather be an expression of feelings of frustration and perceived powerlessness, which at some point might also undermine the trust in the regular working of national democratic institutions. In addition, as a consequence of voters' cognitive, as well as affective, distance from the issues and agendas before the EP, European elections are perceived to be somehow less important electoral contests within member state arenas, a misperception that is also suggested by the fact that the parties competing for votes are the national parties, according to the electoral law under which EP elections are held. 'Voters in Euro-elections are simply not offered an opportunity to choose between rival partisan elites presenting alternative programmes at *that* level of aggregation' (Schmitter 2000b, p. 230; emphasis added). For what is at issue in European elections is hardly what European leaders have done in the past or promise to do in the future. It is rather an expression of support or disapproval aimed at national parties and governments. To be sure, members of the main legislative body of the EU, the Council, obtain their mandate as the result of a democratic process. But this mandate, again, is typically both sought and won in terms of an executive role at the national level, not a legislative role at the European level. This is almost inevitable, since the Council's negotiations take place behind closed doors, typically concern policy packages and involve mechanisms such as log-rolling and variable coalition-building that remain highly opaque to the national

public. Rule-making within the EU is based upon 'highly secretive and technically obscure decision-making practices' (Schmitter 2000b, p. 227). The result is an extremely thin kind of accountability, leading to the condition that 'the EU adopts policies that are not supported by a majority of citizens in many or even most member states' (Follesdal and Hix 2005, p. 6). Moreover, the main actors in the field of European economic and monetary policy (the Commission, the ECJ and the ECB) remain to a large extent unaccountable[1] to any representative body, pursue policies that privilege market-making 'negative integration', and are informed by 'a neo-liberal regulatory framework and a monetarist framework for EMU'. As a result, these policies are consistently to the right of the policy preferences of the median European voter. As the Commission, in its role as agenda setter and rule enforcer, is unaccountable to both the Council and the EP, it is all the more open to pressures and influences from organized interests that are present in Brussels.

If actors involuntarily suffer losses or disadvantages inflicted by other specifiable actors (rather than anonymous market forces), and if the infliction of such losses is not stipulated by national law (such as tax law or civil law), then such losses require justification and, failing that, compensation. While it doubtlessly provides for gains and opportunities, the EU routinely inflicts such losses. First, and due to the principle of the direct effect of EU law on member states, citizens have to comply with or are exposed to the effects of European rules even if they have not been decided upon unanimously, but by qualified majority decision in the Council. These can be described as political losses, sometimes dramatized as bordering on 'foreign rule'. Second, the EU rules and orders which the citizens of member states have to comply with, beginning with the four market freedoms, have virtually always, and in spite of the pretension of a distributionally neutral enhancement of technical efficiency ('Pareto optimality'), (re)distributive side effects, which benefit some category of economic actors and hurt others. These are equivalent to losses of economic opportunity. Third, as EU-level actors impose constraints and conditions which limit the policy-making capacity of member states in such crucial policy areas as fiscal, monetary and competition policy, states and their democratically accountable governments suffer losses in terms of their political autonomy – losses which can be perceived by national constituencies as plain cases of uncompensated 'political expropriation'. These three types of losses can be sufficiently severe to require justification.

Standard Justifications and their Weaknesses

The two standard justifications that Europe offers its member states and citizens are: (i) the backward-looking justification that member states have, after all, voluntarily given up some of their sovereignty at the point of joining the

Union; and (ii) the forward-looking, or functionalist, justification in terms of 'output legitimacy'.The latter is claimed on the grounds that general observance of European constraints and universal compliance with European regulations will eventually turn out to be for the better, in terms of prosperity, equitable burden-sharing and security from negative externalities, for all sides involved. Losses, Europeans are assured, are of a transitory nature, and corresponding gains of a long-term nature. However, because of the long time that has elapsed since the EU-6 member states originally decided to form the Community, and because of the fact that the Union was a *fait accompli* to the new members of EU-25 when they joined in 2004, justification (i) appears weak. So does justification (ii) in view of the debatable question of whether the promises and hopes for universal gains in prosperity have actually realized or, for that matter, will be redeemed at some (indeterminate) point in the future. It is in view of these two weaknesses that it seems desirable that, in addition to the backward-looking and the forward-looking justification, a third more presentist justification mechanism should be developed.

It also seems consistent to argue that the more harm and loss an institutional actor is capable of inflicting, the more strictly it should be supervised and held accountable. As Scharpf (2004) has pointed out, the institutional structure of the European policy process consists of two constituent arenas. On the one hand, we find the arena of institutional actors (Commission, ECJ, ECB), who control highly concentrated power resources with a major impact upon European member states and citizens; yet these actors and the ways their resources are employed are not accountable to anybody. On the other hand, there is the arena of the Commission in its agenda-setting role, of the Council and of the EP; this is a set of institutions in which power is extremely dispersed and the number of veto points is arguably greater than it is within any national democracy. Given the highly consensual and consociational nature of this latter arena, it seems effectively prevented from doing much harm. Taken together, the proportionality rule stated in the first sentence of this paragraph is stood on its head: the more power, the less accountability, and vice versa.

As far as the second arena (Commission as agenda setter, Council, EP) is concerned, one of the most striking differences between the domestic democracies at the member state level and the EU polity is that the latter does not have an institutionalized opposition. One might say that, lacking hierarchical enforcement capacities and taxing powers of its own, the EU cannot afford an opposition, as the policy process is utterly dependent upon consensus and is extremely vulnerable to non-cooperative moves on the part of member state governments. As a consequence, legislative outcomes emerge from bargaining behind closed doors in the Council and are adopted under decision rules based on either unanimity or 'oversized majority'. In its legislative activities, the EU

rules by elite consensus and compromise, and it cannot rule where these are not forthcoming. This style of ruling without an opposition is what is meant by governance – a concept whose rise to amazing popularity in academia and beyond is itself symptomatic of the scarcity of power resources that are both legitimate and effective. 'Governance' means coping with conflicts and policy problems through negotiation, compromise, deliberation, voluntary cooperation, and non-coercive ('soft') modes of persuasion and policy coordination. The Commission's White Paper on 'European Governance' (European Commission 2001) urges the 'use of non-legislative instruments', 'co-regulatory mechanisms' such as the 'open method of coordination', 'involving civil society' and strengthening a 'culture of consultation and dialogue'. 'Good' governance can thus be described as an activity that tries to create and maintain order in a complex world of highly interdependent elements with a blurred line between state and non-state (that is, economic and 'civil society') as well as national and supranational actors, and with multiple veto points and a severe scarcity of sovereign power resources. In this world, the activity of 'ruling' loses much of its vertical dimension of bindingness and 'giving orders'; it transforms itself into horizontal acts of winning support through partnership and a highly inclusive participation of all pluralist collective actors to the extent that they muster any capacities at all for vetoing or obstructing policy results or for contributing to desired outcomes.

Both of these institutional subsets, however, share the feature of deficient accountability. They lack what we have termed 'presentist' legitimacy. In spite of the normative appeal of some of the catchwords (such as 'openness', 'participation', 'accountability') employed in the document on European governance, we must note that the type of governance the document outlines is an elite-sponsored executive strategy to win support and cooperation in a supranational context. This strategy is driven by the necessities of scarce political resources rather than by normative principles, and it is advertised, with an evident technocratic ambition, as 'good' governance rather than normatively 'right' governance, which would be based upon and answerable to the preferences of European citizens. The legislative process is all-inclusive and non-partisan rather than based upon a set of (essentially contested) political values and programmatic priorities. The European style of governance is strongly non-adversarial and consociational, often slow, erratic and opaque as to who is responsible for which policy, its conceivable alternatives and the outcome of its implementation. Lacking an opposition and, as a consequence, an ongoing contest between governing and opposition forces, European governance at the elite level and beyond is deprived of the creative 'learning pressure' that democratic political competition can instil.

Instead of a political opposition, it is individual countries or groups of countries that are perceived to act as contestants in European policy debates

within the Council. But member states and coalitions of member states are not equivalent to an opposition proper. Citizens have no choice between being, say, Spanish or Irish, while they do have a choice between supporting, say, social democratic or market-liberal policy proposals, provided such a choice were offered to them. The absence of an equivalent to an opposition (or a counter-elite to the governing elite, preparing for taking office after the next elections) has, we argue, three implications, all of which are relevant for issues of legitimacy:

First, a regime of European governance that has no opposition does not allow for institutionalized dissent. It thus tends to leave dissenters with the only option of populist, nationalist, xenophobic and protectionist anti-EU mobilization. Such of fundamental opposition movements, located partly on the political left but mostly on the right, have been gaining momentum in virtually all member states and even have achieved a not insignificant minority of seats in the EP itself. The elite consensus reached in the Council and the Commission remains vulnerable, and increasingly so, to what Beetham and Lord (1998, p. 14) refer to as 'direct popular counter-mobilization'.

Second, the highly consensual and opaque style of legislation within the Council, as well as the uncontested agenda-setting role of the Commission, leave most European citizens in a state of semi-illiteracy concerning European matters and issues. As Follesdal and Hix (2005, p. 13–17) convincingly argue, the lack of knowledge and interest that citizens show in these affairs and policy issues does not have to be genuine, but may well be an artefact of the lack of public debate and controversy at the elite level. Voters form and, as it were, 'discover' their preferences endogenously in the policy process itself, that is by following the contest between alternative policy packages and political programmes. Both the lack of such contests and the technical complexity of many of the issues make it exceedingly difficult for citizens to gain and apply what citizenship requires, namely an 'adequate understanding' (Dahl) of issues, agendas and their own 'rightly understood' interests and preferences. Perceiving very well that European legislation is in some way consequential for them and their interests and values, but at the same time being deprived of the wholesome 'learning opportunity' that comes with the public debates on democratic politics and the contest of clearly distinguishable parties and programmes, citizens observe the EU policy process with a sense of apathetic fatalism and sceptical non-involvement.

Third, the legitimacy of the domestic democratic policy process itself is bound to suffer if the citizens of member states perceive that elected national governments are embarrassed by having to submit to 'Brussels-based' policy decisions which contradict the expressed preferences and evident interests of the member state government and its constituency. These citizens have reason to feel politically dispossessed if national legislatures are being by-passed[2] by

the Council and the EP as institutions authorizing laws that apply to the national citizenry. Inversely, and to mitigate voters' frustration with this inconsistency, member state governments have strong incentives to delay and obstruct unpopular Council decisions whenever national elections are forthcoming and the governing parties must fear losses due to the impact of EU policies upon critical parts of the national electorate.

We conclude from this discussion, to repeat, that stronger and more 'presentist' forms of legitimating EU-level decisions and policies are called for – not just for the sake of building European democracy, but equally to preserve the credibility of democratic arrangements within member states. Technocratic, or what Beetham and Lord call 'performance-based', justifications are no longer good enough. For one thing, and as the 'European Employment Strategy' (as adopted by the Lisbon European Council in 2000 and significantly watered down in its ambitions by the Brussels European Council of 2005) serves to demonstrate, indicators of actual performance are not as compelling as they would have to be if the burden of justification of EU policies were to be borne by them alone. For another, there is no such thing as exclusively 'technical' policy-making that follows a 'one best way' charted by experts or, for that matter, the ECB. Any presumably expert decision has (re)distributive effects and can be politically challenged in terms of their fairness and appropriateness. Moreover, virtually all students of the politics of European integration agree that the 'permissive consensus' that used to generate passive and detached acceptance of EU decisions is wearing thin with the European citizenry, and that the EU has turned from a generator into a net consumer of generalized support.

Another reason that leads us to conclude that a more robust procedural framework of legitimation is needed derives from the dual fact that: (i) the redistributive impact of European policies is making itself felt ever more acutely by citizens (an example being the Commission's abortive Services Directive), and (ii) the tolerance for redistributive effects appears to decline with enlargement. For as long as there is a sense of shared identity, solidarity and familiarity with 'our neighbours' (say, within the EU-6), we do not object to them profiting from some redistributive effects. It is an entirely different matter if beneficiaries can be framed as 'those other people' or 'those poor newcomers' who gain (major, permanent and perhaps even seemingly 'undeserved') advantages 'at our expense'.

A final reason that adds to the urgency of legitimation issues is the fact that the EU is a moving object that is still in motion, and will remain in motion for the foreseeable future, continuing to be involved in a dynamic process of maturation, evolution and further expansion. These dynamics concern both the (mutually conflicting) objectives of territorial expansion ('widening') and of the (re)allocation of policy competences within the Union ('deepening'). We

further conclude that if legitimation of EU policies can neither derive from unquestioning trust in the technical correctness of expert decisions (aptly described as 'Pareto authoritarianism' by Follesdal and Hix) nor develop from the reliance on sentiments of widely shared sympathy, identity and solidarity with our fellow European neighbours, and if neither the chain of justification of domestic member state democracy that extends from national elections to the Council and the Commission is strong enough nor opposition-free consociationalist European governance is an adequate answer, then there is ample reason to explore additional options for the legitimation of European rule.

DEMOCRATIC LEGITIMACY IN THE ABSENCE OF A DEMOS?

Legitimation is a set of procedural norms from the application of which legitimacy emerges. Legitimacy must first of all be distinguished from 'acceptance', as one is the opposite of the other. The latter terms comprises favourable habitual attitudes, opinions, calculations of interests, and sentiments which, taken together, condition the empirical agreement of parts of a population with political decisions and regimes. Legitimacy, in contrast, is the effect of the compliance of actors with 'pre-established norms' (Schmitter 2001, p. 2) that generate the 'rational' motivation (which is open to argument and insight) of all members of a political community, the demos, to comply with acts of political rule, even if these acts (laws, executive and court decisions) are in conflict with the habits, opinions, sentiments and interests of those who still comply. These pre-established norms generate motivational force because they are believed to be intrinsically and demonstrably just and valid. They stipulate the (limited) right of rulers to rule and the (equally limited) obligation of the ruled to obey.

The source of validity of the constitutive norms can vary widely: it can be divine revelation, national tradition, the universally shared belief in the exceptional qualities of a ('charismatic') leader, or the belief that these norms, in addition to being intrinsically valid, will also have desirable consequences (such as domestic and international peace). As far as the EU and its member states are concerned, this source of validity cannot be anything other than democratic in nature, meaning, at a minimum, the equal political rights of citizens, the free exercise of these rights under a regime of civil liberties, and procedures that hold rulers accountable for what they do while ruling. These rights and obligations are always thought to be embedded in a constituted political community whose members, due to the longitudinal stability of a shared past and a hoped-for shared future, encounter each other with greater

expectations of trust, reciprocity and solidarity than the expectations they have of people who do not belong to that constituted community or demos.

The problem, however, is that the European political community for which both the right of rulers to rule and the obligation of non-rulers to obey must be designed is different from the demos as we know it from consolidated national democracies. The notion of a national demos, because it invokes a shared past and the commonality of a common future fate, provides a powerful and pervasive reminder of the collectivity in whose collective interest rule must be conducted and in whose favour (namely that of 'our' fellow citizens and, as such, the democratic co-authors of the law) compliance is called for (from all fellow citizens).[3] There is clearly no equivalent of the national demos at the transnational European level. Moreover, there is hardly a prospect of the national populations of current and future EU member states undergoing a fusion that will make them into a demos. Even if the Treaty on the Constitution of Europe (TCE) had been adopted, the capacity of such a unifying document to integrate its subject-citizens into something remotely resembling a demos would remain in doubt (Grimm 2004).[4] As a rule of thumb, a durable and solidly self-recognizing political community – that is, a demos – is created by constitutional design only under two rather exceptional context conditions: either a historical rupture associated with a liberating revolutionary experience (France, the USA) or a similarly deep discontinuity after historical defeat and breakdown, with widely shared resolve to make a new beginning (France, Germany, Italy after World War II). As neither of these conditions applies to today's Europe, the energies of passion that are released by the shared awareness of a dark past of dictatorical rule or a shining future of liberty are not generally available to drive the process of European integration. Such passions may play a limited role in the Central East European states that after 1989 escaped from the supranational regime of authoritarian state socialism. Yet in spite of all the rhetoric of 'returning to Europe', what these countries are eager to return to is the condition of their own nationhood, with joining the EU being largely perceived as a tribute to economic expediency, not to political aspiration.

If anything, the process of European integration, the substance of which has largely been 'negative' integration into the Single Market, has tended to release considerable centrifugal in addition to integrative energies. While the proverbial saying that 'good fences make good neighbours', if applied to European state borders, has been at best of limited truth in the history of the twentieth century, the opposite does make some sense in the recent experience of the Single Market: the absence of 'fences' may create tensions between neighbours. While the small North West European economies (Ireland, Denmark, Benelux) as well as the Baltic countries have every reason to appreciate the added opportunities that market integration has offered them, such is

not necessarily the case with the large continental economies of France, Italy and, in particular, Germany (with its persistent burden of integrating the new *Länder* and its liability of a still basically Bismarckian social security system). In this latter group of countries, and given the new mobility in the context of vastly diverging labour costs, there are increasingly vocal groups of 'integration losers' (which come by country, by region, by sector of industry, by trade, by occupation, by size of enterprise) who relate to their more fortunate foreign neighbours with a sense of economic fear, intense rivalry, resentment, distrust and jealousy. These sentiments are bound to lead to demands for better protection and more lenient constraints for 'us' and fewer European subsidies for 'them'. It also leads to the spread of the strategic pattern of the 'competition state' that is constantly searching for ways to make conditions more attractive to foreign and domestic investors by lowering taxes and the costs of employing labour relative to conditions that prevail in neighbouring countries.

The tensions that are generated by the Single Market do not just affect integration at the international (that is, European) level; they also impact on national integration and the cohesion of national societies and economies. Political parties and movements within the wealthier regions of member states (in the South West of Germany, the North and East of Spain, the North of Italy, the North of Belgium and elsewhere) have obvious interest-related reasons to turn to their national governments, as well as to their regional constituencies, with pleas backed by powerful regional interests to relieve them from the burdens of interregional fiscal redistribution within their nation states, so that they can compete more effectively within an environment of denationalized markets.

Both European political elites and academic Europeanists have for a long time been aware of Europe's Achilles' heel of lacking a demos that is remotely equivalent in its internal coherence and its compliance-generating potential to the various national demoi. Numerous efforts have been made by European elites to alleviate this perceived defect, to build and promote through symbols the awareness of a European identity, and to stimulate the public's imagination of a Europe-wide political community. Eight types of approaches to strengthening an all-European sense of identity, belonging and common interest will be briefly mentioned here.

First, many EU documents and legal texts try to provide assurances that thinking of oneself as a 'European' need not interfere with, let alone overrule, narrower identities of a national or regional kind, as Europe is supposed to be committed to the recognition of cultural (linguistic, religious, ethnic, historical) diversity and legitimate pluralism.

Second, there are philosophical and educational initiatives that probe into the common heritage of traditions and values that may potentially overarch diversity. These include Greek antiquity, Christianity and Judaism, the

Enlightenment, and the lessons from the disasters of totalitarianisms and international warfare which marked Europe's 'short twentieth century'. These references, together with the visionary assertion that European states and peoples aspire 'to build a common future' (TCE I–1) and the reference to the distinctiveness of European values and visions, may help establish an affective dimension for European identification.

Third, a common European cultural space has been created to bridge cognitive distances between European citizens. It includes well-funded programmes for transnational scientific collaboration and student exchange programmes, including the emergence of a European scene in the 'high' as well as popular arts, entertainment and sports.

Fourth, there are the major economic programmes of structural, regional, agricultural and cohesion subsidies designed to boost the competitiveness of member states and regions and to facilitate the process of their upward harmonization.

Fifth, there is the legal framework of secondary European law with its emphasis on creating a Europe-wide 'level playing field' of fair competition, through the protection of labour, consumers, and the environment that is made binding on all producers or employers. For the euro zone, the EMU is the main framework of denationalized monetary policy. Sixth, there is the promise of prosperity through integration. The Treaty of Rome already lists among the fundamental objectives of the European Community the constant improvement of the living and working conditions of the European peoples. Seventh, there is a dimension of integration that is abstractly referred to as 'the European social model' (ESM), comprising the combined objectives of prosperity, dialogue and inclusion in matters of social policy. The latter, however, remains firmly under the control of member states and has increasingly become a factor in member states' strategies to bolster national competitiveness. Eigthth and finally, we come to the TCE, whose intended ratification by 2006 looks highly unlikely in mid-2005. As commented upon above, the TCE's integrative potential is limited, and its content undertakes to 'Europeanize' democratic principles and values, rather than creating new rights beyond what is presently constitutional law within member states. It would serve, inter alia, to specify and expand the stipulations of the Maastricht Treaty on the European Union (TEU Art. 17–22) concerning the rights attached to the status of European citizenship.

Let us briefly turn to an assessment of the empirical outcome of these various initiatives to integrate the populations of member states into something that approximates an equivalent of a European citizenry or demos. In doing so, we use the summary and analysis of Eurobarometer surveys provided by Nissen (2004). When EU-15 citizens are asked whether or not they think EU membership of their country is a 'good thing', the answers are roughly 50 per cent 'Yes' and 50 per cent 'No' for 2003. This is the same distribution that was

found in 1983, while in the early nineties it was 70 per cent 'Yes' against 30 per cent 'No'. Support for and identification with the EU can be either of an affective or of an instrumental (or functional) kind. The latter is based on an assessment of the perceived costs and benefits of membership whereas the former values EU membership as part of one's own identity. As far as the 'sense of European identity' is concerned, one robust finding stands out: identification becomes stronger with the duration of membership, with the EU-6 countries leading the field. However, as far as utilitarian motivations ('membership is advantageous for the country') are concerned, it is equally evident that much depends upon whether one's country is a net recipient of EU funds or a net contributor to them. All the major net contributors (Germany, Austria, Sweden, the UK) are to be found at the lower end of the scale of utilitarian supporters (close to or in the cases of Sweden and the UK, substantially below 40 per cent), whereas all the 'cohesion countries' (Greece, Ireland, Portugal, Spain), with the substantial net benefits they are enjoying, turn out to be utility enthusiasts with positive answers of above 60 per cent.

The policy implications of these findings are rather clear, as stated by Nissen (2004, p. 29). First, the sustained efforts of the EU to cultivate a sense of European identity by cultural, symbolic and educational strategies have not been significantly successful. Countries still differ according to their identification with Europe, and the variable that explains these differences is duration of membership, or habituation. Obviously European elites cannot administer identity any more than anyone else. Second, utilitarian support for the EU is fluctuating and is largely contingent on the perceived distributional impact of EU policies and finances. As a rule of thumb, the EU has to buy support through its allocation of costs and benefits, rather than being able to rely on robustly entrenched normative orientations. What holds European citizens together is the systemic integration of interests, interdependence and exchange, and much less so – and in markedly asymmetrical ways – the social integration of shared norms, identities and solidarities (Delhey 2004a). This imbalance of the two kinds of integration is widely expected to increase in the aftermath of the transition from EU-15 to EU-25.

What makes the incomplete and unsystematic list of the integration approaches and initiatives so far undertaken in the EU interesting is what is not included in it. First, Europe does not have a foreign policy capacity, the ambitious proclamations of a 'Common Foreign and Security Policy' and the debates on a 'European security identity' notwithstanding. As the war in Kosovo of 1999 and the other post-Yugoslav conflicts have amply demonstrated, Europe has neither the military resources nor the resolve to conduct an autonomous and coherent foreign and security campaign of its own. The EU is often, in our view, wrongly credited (cf. Beetham and Lord 1998, p. 102) with being an institutionalized guarantor of international peace between its

member states. That peace is guaranteed in Europe is surely no small accomplishment, but it is an accomplishment not of the EU, but of NATO (under its US leadership), to which the majority of member states belong. Also, a lacuna in the security capacities of the EU is its failure to address open or latent separatist civil wars within member states (Northern Ireland and the Basque country respectively), as these are left to the exclusive authority of the latter. Any attempt by the EU leadership to unify Europe by the conduct of an autonomous foreign policy would immediately backfire by deepening the divide between the 'old European' West of the continent and much of the 'new European' East that was so effectively invoked by the US administration on the eve of the American attack on Iraq.

Second, Europe does not have a consistent and reasonably promising policy on employment and social security, in spite of the increasing ESM rhetoric and the European Employment Strategy (EES) inaugurated at the Luxembourg (1997) and Lisbon (2000) summits. While these problems are themselves partly caused by the competitive conditions of the single market and negative integration, the EU largely leaves it, in the name of 'subsidiarity', to member state governments to cope with unemployment and social security finance. The policy choices for dealing with these problems in effective ways, however, are severely constrained by the monetary and fiscal regime governing the euro zone. To be sure, a rich variety of innovative and promising policy proposals for coming to terms with ever more pressing problems of poverty, exclusion and marginalization (proposals such as basic income schemes designed to raise all European citizens beyond the poverty line by entitling them to an unconditional and tax-financed minimum income, or Schmitter's proposal for a 'Euro-stipendium' (2000a, pp. 44–46)) have been advocated. Yet it is in the nature of open economies that member states that adopt such policy innovations unilaterally will immediately find themselves in the 'sucker' position, that is of an actor who provides uncompensated advantages to others. Meanwhile the political costs of forming a policy consensus across all or a significant number of member states appear prohibitive. If the EES, to date hardly a success story, can be taken as an indicator, it signals the growing awareness of European policy elites that issues of employment, social security and poverty will either be resolved at the supranational European level – and by policies of 'positive integration' that would have to trump or bypass existing 'subsidiarity' reservations – or they will not be resolved at all.

EUROPE – UN OBJET POLITIQUE NON-IDENTIFIÉ

What can these and similar efforts to integrate European societies transnationally and to create some approximate equivalent to the demos within the nation

state conceivably result in? The answer cannot possibly be that the European Union will assimilate itself to the familiar pattern of the European nation state – which, as we have argued before, is the necessary precondition for political democracy and the legitimacy that flows from it. We know that the EU is a 'non-state and non-nation' (Abromeit 1998; Schmitter 2000a). This negative classification does not tell us what kind of legitimation is both appropriate and feasible for this fabulous entity which Jacques Delors allegedly once called *un objet politique non-identifié*. In fact, its combination of territorial and functional elements is puzzling and defies unequivocal classification. As an 'ever closer union among the peoples of Europe' that develops 'a single institutional framework which shall ensure the consistency and the continuity' of its activities and that has established the status of citizenship for the nationals of its member states, the EU is equipped with some of the basic features of a territorially defined polity. At the same time, the EU is hardly more than a bundle of partial regimes with varying participants, such as the internal market pursuant to Articles 3, 14 and 95 TEC, the currency union pursuant to Articles 105ff., or the common defence policy of those EU member states which are also members of the WEU (Article 17 paragraph 2 TEU).

One of the most creative attempts at a classification of the institutional particularities of the EU so far is Philippe Schmitter's distinction between *stato/federatio*, *confederatio*, *condominio* and *consortio* (1992, 1996). These types represent different combinations of territorial and functional dimensions of political entities. The *condominio* is the one which comes closest to the EU in that it combines the same variants of functions and of territorial units. If we try to translate Schmitter's typology into the conceptual framework and the terminology of state and constitutional theory, the *stato/federatio* is the federal state (*Bundesstaat*), the *confederatio* is a confederation (*Staatenbund*), arguably the *consortio* can be understood as a pattern of intensified intergovernmental cooperation (like the EU's common defence and security policy), and a *condominio* is an entity which unites elements of a federal state (*Bundesstaat*) and of a confederation (*Staatenbund*) without strictly conforming to either of them. According to the conventional legal distinction, federal states are based upon a constitution and have a direct legal relationship to the citizens of the federal units (states, cantons, provinces, *Länder*). In contrast, confederations come into being through the conclusion of international treaties, and a legal relationship exists only between the federal entity and its member states and does not extend to the citizens of the latters. The EU combines both of these elements: it is based upon a multilateral international treaty (which does not lose this character even if its most recent version [29 October 2004] is to serve as a 'Constitutional Treaty' after its hoped-for ratification in all of the 25 member states by November 2006). At the same time, because of the principle of direct effect as well as the institution of union citizenship, there is also

a direct legal relationship between the EU and the citizens of the member states. To underline the hybrid nature of this political entity, the German Federal Constitutional Court has invented the untranslatable German term *Staatenverbund*.[5]

Unfortunately, the new term does not necessarily help us to understand the genuinely political character of the EU, nor does it provide us with a new concept. Without a minimal degree of conceptual clarity about the EU, the criteria by which we can determine the requirements for the legitimation of this polity and its policies remain vague at best. In what follows we suggest an understanding of the EU as a political entity for which a wide variety of names would fit, ranging from union, federal union or confederacy through confederation, community and system of states to perpetual league, *république féderative* and *Bund* (Forsyth 1981, p. 1). Whatever the appropriate term, what constitutes the particular character of the EU is its origination in a treaty which not only creates a distinct political entity – the union or the *Bund* – but which at the same time transforms the political status of the parties to this treaty, the member states. In the following we will elaborate on this.

There are three basic forms of relationship between sovereign states, namely hegemony, balance of power, and those composite entities the potential terms for which we just mentioned and which we prefer to call union or, in German, *Bund* (Forsyth 1981, p. 204). Unions originate from treaties between sovereign states. In order to understand their particular character it is helpful to distinguish between three general classes of contracts. When actors have complementary interests and enter into a voluntary legal relationship under which they exchange valued items (goods, services, ideas and so on) this legal bond is what we call an exchange contract. When actors have identical interests and enter into a voluntary legal relationship, the contract which they conclude is what we call a purposive contract (*Zweckvertrag*). Finally there is a third kind of contract which is intended to transform, confirm or nullify the status of at least one of the parties (one dramatic example being the German Unity Contract, which stipulated that at the moment it became effective one of the two contracting parties, the GDR, would cease to exist). The marriage contract between two people is typical of what some authors call a status contract (Greber 2000, p. 175). For those familiar with Henry Sumner Maine's famous statement in his 'Ancient Law' that 'the movement of the progressive societies has hitherto been a movement *from Status to Contract*' (Maine 1986 [1864], p. 165, [emphasis in original]), the notion of a 'status contract' must appear oxymoronic. In fact, an act by which the existential conditions of a person are changed is normally not an act of the same character as a contract affecting a thing which he or she can forfeit or contribute. A status contract differs from the two other types of contract in that it is an existential contract in which a person with a particular identity enters into a new

legal relationship with another person or persons, for the purpose of changing this identity in a new way. The ensuing union does not absorb the partners; but it mutually obliges them in an ongoing relationship that is basically intended to be indefinite. Note that this kind of contract is often the legal confirmation of a pre-legal relationship, such as the relationship of love in the case of a marriage contract. Such a pre-legal relationship consists in a relationship of trust between the partners and requires diffuse mutual duties of loyalty and the shared expectation of irreversibility.

The EU as a 'Republican Empire'

Status contracts are also concluded between states,[6] the relevant category for our discussion being treaties that constitute a union (or a *Bund*) between them. A union is different from a mere alliance between independent states that pool certain resources but retain their independence and identity. What is required for the creation of a union is the readiness of the parties to the status treaty to enter into mutual ties of solidarity. Tocqueville, analysing the conditions of durable confederations, emphasized 'a uniformity of interests' and the 'same stage of civilization, which almost always renders a union feasible' (Tocqueville 1835 [1990], ch. VIII, pp. 169f.). Similarly, John Stuart Mill claimed that federal unions between foreigners are workable only if, among other requirements, there is 'a sufficient amount of mutual sympathy among the populations' (Mill 1991 [1861], ch. XVII, p. 320). Others have referred to this requirement as that of homogeneity (Schmitt 1965 [1928], pp. 375ff.; Forsyth 1981, pp. 116, 207). But such similarity does not necessarily lead states to enter into a union. Similarity is not even sufficient to hold an existing union together. The dissolution of the union of Norway and Sweden in 1905 is a striking example, the dissociation of Libya and Egypt in the seventies of the past century another one. Even more unlikely is the formation of a union between foreign nations. But it is precisely this that is constitutive of the EU. We do not deny that the majority of the European nations which are members of the EU share a cultural heritage (as based upon the cultural tradition of Greek and Roman antiquity, the Christian-Jewish religious sources of their culture, and the ideas of the Enlightenment). However, there are strong empirical indications that their populations perceive themselves mutually as foreigners, because they do not speak the same language, have different national histories and myths, have developed different concepts for understanding their political identity and, last but not least, harbour strong national prejudices, sometimes even resentments, against each other.

It is against this historical background of perceived mutual foreignness that the peculiarity of the EU must be assessed. Having been established for the purpose of 'an ever closer union among the peoples of Europe' (Article 1 para

2 TEU), the European Union is the first – by definition voluntary – federation in the history of mankind that recognizes the dissimilarity of its constituent parties. The EU is a political body which is committed to respecting the distinctive national identities of its member states and citizens, yet at the same time subjects them in many significant areas to the jurisdiction of a common government. In the history of political formations, most cases in which distinct peoples have been subsumed under a common regime are those in which integration is accomplished through the hegemonic prevalence of an imperial centre and the coercive power originating from that centre.

Due to their coercive mode of integration, empires can extend themselves, depending upon the military resources at their disposal, over huge geographical areas. By doing so, they come to incorporate an increasing number and variety of peoples, tribes and nationalities. In contrast, and up to the end of the eighteenth century, republics – polities based upon the voluntary participation and the active involvement of their citizens in common affairs – had existed only at the local level of relatively small city states, and their citizenries were usually highly homogeneous in terms of their origin, language, religion and culture. Both the Federalists and Tocqueville observed that the federal system of the USA had overcome the small-scale character of the traditional republic and, for the first time in history, established a republic that resembled an empire in its spatial extension. This became possible because what Tocqueville speculated upon in his prophetic last two pages of the first volume of Democracy in America did come to pass:

> A time will come when one hundred fifty millions of men will be living in North America, equal in condition, the progeny of one race, owing their origin to the same cause, preserving the same civilization, the same language, the same religion, the same habits, the same manners, . . . imbued with the same opinions. (1961 [1835], p. 521)

The first spatially extended republic in history was built upon, as Tocqueville foresaw (and considered the indispensable precondition for a durable federation), the ethnic, linguistic and cultural uniformity, or at least similarity, of citizens. If anything, this melting-pot vision of a homogeneous empire-sized republic is being trumped today by the EU polity, in that the latter has not only achieved the territorial expansion of an empire, but also allows for and consistently encourages the maintenance of national and regional diversity. The massive presence of entrenched, ineradicable, subterritorially based and legally recognized diversities makes up the most significant difference between the EU of the twenty-first century and the USA of the eighteenth and nineteenth centuries. Even though the ‘melting pot’ of US society has turned into a proverbial ‘mosaic’ in the twentieth century, the latter refers to individual and group differences, not territorially entrenched and

localized ones.[7] The European Union is the first spatially extended union of a great number of highly distinctive peoples that is governed as a republican regime. It reconciles the main attribute of an empire – multinationality – with an essential quality of a republic, political freedom, the latter resulting from the voluntary character of the former. To put it oxymoronically: the EU is a republican empire.

Legitimacy in a 'Republican Empire' with Redistributive Policies

But that oxymoron makes the question of legitimacy even more puzzling. What is conceivably the normative basis of rule (and as such the equivalent to either the force of imperial coercion or the bond of Tocquevillean 'similarity') that might keep the Union together? Can the absence of coercion quasi-automatically produce feelings of 'mutual sympathy among the populations' which Mill claimed is an indispensable condition of durable federations, or is the voluntary decision to join the federation in itself a sufficient warranty for its durability? Is it the republican form of government – political freedom – which is strong enough to bind a union of foreigners together, as suggested by Habermas' vision of a rise of supranational 'constitutional patriotism'?

Note that there is a European tradition for dealing with a situation in which groups are alien to or even have hostile feelings towards each other. Europeans have found a way of coping with their mutual distinctiveness within the relatively narrow and densely populated geographical boundaries of the European continent. Here we refer, of course, to the principle of toleration, which developed in Europe during the second half of the seventeenth century as a first step towards religious peace. After the disasters that plagued the first half of the twentieth century and as a consequence thereof, nationalist collective feelings of grudge and hatred have largely faded away, although national stereotypes, prejudices and a certain degree of distrust between the populations of the EU member states clearly remain. Still, this has not prevented the EU from becoming a closer union of European peoples, if perhaps only in terms of its system of governance. This is aptly grasped in Joseph Weiler's statement:

> In political terms, this Principle of Tolerance finds a remarkable expression in the political organization of the Community which defies the normal premise of constitutionalism. . . . A majority demanding obedience from a minority which does not regard itself as belonging to the same people is usually regarded as subjugation . . . And yet, in the Community, we subject the European peoples to constitutional discipline even though the European polity is composed of distinct peoples. It is a remarkable instance of civic tolerance to accept to be bound by precepts articulated not by 'my people' but by a community composed of distinct political communities: a people, if you wish, of others. (2001, pp. 67f.)

The – admittedly sometimes disgruntled – acceptance of EU policies of gender equality and anti-discrimination, which impose severe constraints upon some member states and their political cultures, shows that the idea of constitutional tolerance is a real European phenomenon and not the offspring of constitutional idealism. We should not overlook the fact that tolerance is not an inherently democratic argument for legitimizing public policies (cf. Forst 2003); in the political history of Europe it evolved as a pre-democratic disposition of the absolutist state towards religious diversity. Modern democracies, under the impact of a 'politics of difference', have become increasingly responsive to their citizens' demand for recognition of their identity and respectful coexistence of their mutual otherness. Thus the respect for 'otherness' has become an inherent element of the democratic cultures of (most of the) current EU member states and can be extended relatively easily across national boundaries, which in many respects have lost their exclusionary function. Although there is always some danger of backlash, the values of toleration and respectful coexistence seem to be firmly rooted in contemporary European political culture. In that sense, Europe can be described as a political community of ethnic, religious, linguistic, historical and other communities (Kraus 2005).

What interests us here is the fact that this achievement is not primarily one that can be attributed to the regime quality of liberal democracy. Apart from the value of toleration being older than democracy, the latter, at least in its majoritarian variants, does not inherently foster toleration. Liberal democracy, on the other hand, has always been advocated and defended in terms of historical projects that were related to other emancipatory values, namely individual freedom vs. authoritarianism, national unity and self-determination vs. princely prerogatives and imperial rule, social progress vs. the rule of capital, or international peace vs. belligerent dictatorship. In terms of these and similar oppositions, there has always been in the history of democratic thought and practice a compellingly plausible answer to the question: What is democracy good for? This plausibility, we submit, has to some extent faded away in Europe, partly because its opposites (imperial rule, authoritarianism, the denial of national self-determination) have disappeared from the scene, and partly also because we see that large and persistent problems of social justice defy the democratic method of rule, as the ubiquitous and, it would seem, democratically irremediable crisis and decline of welfare states indicate. Democracy is being separated from the social project, the national project and (after the demise of state socialism) the anti-totalitarian project as well. Also the verb 'to democratize' has lost some of its normative appeal as it has turned from a reflexive verb ('doing something to yourself') into a transitive verb ('doing something to others'), meaning that foreign states and their populations are made, in the name of their 'democratization', objects of wars, such

as in the current American war in Iraq. Others have argued that democracy is essentially a domestic national regime form that loses much of its appeal and potential under the prevailing conditions of globalization and denationalization (Zürn 1995; Leibfried and Zürn 2005).

Thus, in response to the question raised in the sub-title of the present essay, democracy does not appear to be the answer to many, and arguably the most pressing, of our contemporary problems. For the basic notion inherent in any concept of democracy is a 'vertical' one: we, the people, want to make sure that our rulers 'up there' do the right thing (the social democratic version) or at least make sure that they do not do the wrong thing (that is, interfere with our liberty – the ever more popular libertarian version); and for this we need the political resources afforded by democratic institutions. We are certainly far from a situation in which these two versions of the failure of rule have become irrelevant, and democratic antidotes obsolete. But there are other categories of problems which are, so to speak, outside the reach of national forms and scales of democracy.

What is the nature of these other problems? We think that they are located in a horizontal dimension and thus do not affect the relation between the ruled and their rulers, but instead involve border-crossing relations between the ruled plus the rulers 'here' and 'there'. While constitutional toleration is a norm that encourages difference-bridging and coexistence-enhancing practices 'here', what is called for in border-crossing relations is solidarity, perhaps best defined as an attitude of practical non-indifference towards the needs and rights of others who do not belong to 'our' national citizenry. While national citizenship has been defined as the 'right to have rights', solidarity within the 'republican empire' of the EU can only mean the denationalization of rights. While democracy, as we have demonstrated, is inevitably tied to the demos of a nation state, solidarity as the endowment of others with rights and claims is an achievement that supranational agencies specialize in and derive their legitimacy from. To the extent that the EU (as a special case of a supranational agency) is able to free rights, including social and economic rights, from their national containers and make them available to all Union citizens, it gains access to the same kind of legitimacy.

Border-transcending solidarity based upon the recognition of the rights of others is no doubt a demanding and risky policy. Its proponents must have institutional means at their disposal with which they can condition the willingness of Union citizens to share not just 'respect' but also resources with others, who are foreigners. It is one thing to recognize 'the other' as an equal, but it is much harder to share with him or her parts of one's income. For instance, a Belgian steel worker must be prepared to accept income losses in favour of, say, a Greek olive grower and the EU must be able to control political resources that induce him to do so. Democratizing Europe after the model

of the nation state will not increase but undermine the capacity of the Europolity to allocate rights and claims in a 'nation-blind' manner. Even the most robust national democracy (or, rather, precisely the most robust national democracy) does not help here, as it will function as an obstacle to, rather than a promoter of, such an institutionalized form of solidarity.

So far European citizens have been called upon to believe that negative integration through market creation will trigger an ongoing positive-sum game of Pareto optimality. As many Europeans, including entire European countries and regions, are still awaiting the onset of this game, an equivalent effect can be achieved through the carefully designed endowment of all Europeans with social and economic rights. After the most recent enlargement by the ten predominantly post-communist countries of Eastern and Central Europe, the number of recipients of EU subsidies has considerably increased; hence the sacrifices required by the populations of the relatively wealthy few net contributors to EU funds may become so painful that their national governments are likely to limit their share, lest they fall victim to anti-European popular movements. Thus constitutional tolerance is a necessary but in all likelihood insufficient condition of the domestic legitimation of transnational redistributive EU policies. The EU, in order to gain legitimacy through a 'nation-blind' and rights-based policy of solidarity among all Europeans needs to acquire the political resources that emancipate it from the transnational repercussions of national democracy.

Embryonic structural and institutional elements are visible within the present set-up of the EU which hold out some hope for the project of a solidarity-based type of legitimacy. As Karl W. Deutsch pointed out a generation ago, there are constellations among political units which may be conducive to transnational solidarity, namely mutual interdependence and mutual responsiveness (1970, pp. 34ff.; cf. Delhey 2004b). In both cases, political units interact: in the former case due to a particular division of labour, in the latter as a consequence of the capacity to 'perceive one another's sensitive spots or "vital interests", and to make prompt and adequate responses to each other's critical needs' (Deutsch 1970, p. 37). Mutual responsiveness is largely experienced through transactions, that is, the exchange of information, ideas, capital, goods, services and people. According to Deutsch, not only states but also individuals and populations can be integrated through transactions and this also applies to the European Community (1972, pp. 133ff., 185ff.). While transactions do not necessarily create solidarity and the willingness to share one's income with one's partners, a high volume and frequency of economic, cultural or political transactions may have 'an assimilatory impact upon people' (Delhey 2004b, p. 12) and eventually create trust among them. Whether this causality has materialized already within the EU is far from clear, though. It is a matter of further empirical

research to explore the correlation of these data with the transactions among the populations of the member states.

There are also embryonic institutional patterns that might be able to develop into a culture of 'mutual responsiveness' (Deutsch), both among the citizens and member states. These would have to cultivate the capacity for role-taking and self-distantiation, both based upon the demanding insight that 'your' interests and values are as strange to me as inversely 'my' interests and values are to you, while there is no standard by which one trumps the other. We will conclude with a brief discussion of the nature and potential of Union citizenship.

If the citizens of the Union, rather than member states, can advance to the status of a constituent factor of the Union, this may be a step towards a kind of democracy without a demos. This seemingly oxymoronic phenomenon would mean that people who do not form one particular body of associates on the basis of their (national and other) similarities, but rather share the characteristic of being alien to each other, are still able to make collectively binding decisions. We consider the formation of a post-national collective agency as the core problem of European democracy.

While the component elements of the EU are: (i) member states, and (ii) citizens, under the present rules there is no corporate body which represents the 'citizenry of the Union' per se. The European Parliament is the representative body of the peoples of the member states,[8] that is, national subcollectivities of European citizens. However, the right of the citizens of the member states to stand as candidates in elections to the European Parliament and in municipal elections in their state of residence under the same conditions as nationals of that state is indicative of the fact that the voters in the member states do not have be represented by their fellow nationals; non-nationals, too, may run and win in national elections to the EP. In other words, democratic representation in the European Parliament and in the municipalities of the member states has already marginally overcome the 'nationality principle' and tends to allow for the representation of diversity. A French citizen who has been elected to the EP on a German party list represents neither German nor French citizens; his status is explicitly detached from his national origin as the necessary condition of his taking the role of a representative. What he represents, in a way, is the multinational character of the Union, and citizens voting for him or her would thereby express their commitment to the trans- or supranational character of European politics. On the other hand, and for the time being, the dominant interpretation (and reality) is of course that nationals of member states, not European citizens, are represented in the EP.

However, an increased significance of the nationally 'de-coloured' EU citizen might be implied by the TCE coming into effect. It envisages that the

citizens of the Union 'are directly represented at Union level in the European Parliament'.[9] The qualification 'directly' suggests that they are so far only indirectly represented through their affiliation to a member state. So far, the national coding of representation stands in the way of the formation and strengthening of forces that can act independently of national affiliation. The unique trait of the notion of Union citizenship is the dissociation of nationality and citizenship. This status connects people who are strangers by conventional legal, political and cultural standards to an abstract and overarching community of citizens. The recognition of the 'foreigner' as a fellow citizen, and the solidarity out of which 'foreign' representational needs are catered to, is clearly a fundamental challenge to the Europeans' entrenched tradition of regarding only co-nationals as fellow citizens.

It is this embryonic form of non-nation-based citizenship which suggests an entirely new construction of the 'we' in the field of political action. This construction would only be a further step in the long and multifaceted history of the idea of citizenship.[10] Might Union citizenship define a new political identity, a new 'we' which is able to shape the fates of people in a new manner?

To conclude, the problem of European democracy is not that there is no European demos. The demos presupposes the fusion of the many into one body whose coercive character requires homogeneity of the rulers and the ruled in order to legitimize the necessity of obedience. This is not the political vision of the European Union. The vision is, rather, the idea of solidarity grounded in the mutual recognition of otherness. This vision, it appears to us, derives its legitimacy from being appropriate to a world where people have become neighbours and still remain strangers to each other. This genuine political and institutional innovation is the contribution of Europe to the problems of our world at the beginning of the twenty-first century.

NOTES

1. Pursuant to Article 201 TEC, however, the European Parliament can introduce a motion of censure on the activities of the Commission. If it is carried by a two-thirds majority of the votes cast, representing a majority of the Members of the European Parliament, the Commission has to resign as a body. The same rule is stipulated in Articles I-26 paragraph 8 and III-340 of the 'Treaty Establishing a Constitution for Europe' (TCE), signed in Rome on 29 October 2004 and due to enter into force by 1 November 2006, provided that all signatory states have ratified the treaty by then (Article IV-447). Given the fact that the EP is not organized along the government–opposition divide, this high quorum for the motion of censure can hardly be fulfilled. In fact, no motion of censure against the Commission has ever been successful. Even the Santer Commission, which resigned on 15 March 1999 after an investigation into allegations of corruption, had easily survived a vote of no confidence on 17 December 1998.
2. In this respect a major change is envisaged by the TCE in that the national parliaments will be empowered to enter into the political arena of the EU and to play an important role there.

Protocol No. 1 to the TCE (which will be no less binding than the Treaty itself after ratification) recognizes the significance of national parliaments for the particular constitutional organization and practice of each member state and encourages their greater involvement in the activities of the EU. For instance, parliaments are entitled to be provided with more thorough information from the Commission. All relevant documents and draft legislative acts of the EU are therefore to be forwarded to them, and they may send to the President of the European Parliament, the Council and the Commission reasoned opinions on whether a draft legislative act complies with the principle of subsidiarity laid down in Article I-11 para 3 TCE. Second, pursuant to Protocol No. 2 they are involved in the supervision of the application of the principles of subsidiarity and proportionality (the latter being laid down in Article I-11 para 4). Any draft legislative act must contain a detailed statement as to its implications for the principles of subsidiarity and proportionality. If the aforementioned reasoned opinions are put forward by one-third of the national parliaments, that act must be reviewed. Moreover, each national parliament has the right to appeal to the European Court of Justice on grounds of infringement of the principle of subsidiarity. These rules, although purely procedural, force the Commission to take the political particularities and problems of member states into account and to respect the need of their parliaments and governments to legitimize their policies. Admittedly, this falls short of the stimulating proposal of uniting the national parliaments of Europe and assigning them an active role as a European political actor suggests (Grözinger 2003).

3. In order to become, say, a legitimate member of parliament in the nation state X, a person must not only win a mandate on the basis of fair, clean and contested elections, but must also hold the national citizenship of X. How could it be otherwise? The virtual self-evidence of this norm shows how deeply legitimation is rooted in the notion of demos and demotic identity. This demotic principle applies also to the members of the EP, who are elected by the citizens of their country of citizenship, and whose number of seats corresponds (in somewhat modified ways) to the size of population of their country of citizenship.
4. Although, admittedly, it does not even aspire to this goal.
5. This conceptual ambiguity was already captured by Toqueville when he anticipated a polity (actually, quite similar to the EU) which would be a 'form of society . . . in which several states are fused into one with regard to certain common interests, although they remain distinct, or only confederate, with regard to all other concerns. In this case the central power acts directly upon the governed . . ., but in a more limited circle'. Short of using the sui generis formula, he adds that 'the new word which ought to express this novel thing does not yet exist' (Tocqueville 1835 [1990], pp. 158f.).
6. The status treaty is a well-known institution of public international law. Such a treaty is present if 'a group of Great powers, or a large number of States . . . assume a power to create by a multipartite treaty some new international régime or status, which soon acquires a degree of acceptance and durability extending beyond the limits of the actual contracting parties, and giving it an objective existence' (Int. Court of Justice, Reports of Judgments, Advisory Opinions and Orders, Int. Status of South-West Africa, Separate Opinion of Judge McNair, pp. 146–163 [153f.]; see also Dahm 1958, pp. 23ff.; Klein 1980).
7. It is not by accident that the Afro-Americans as 'beings of an inferior order' (as the Supreme Court decreed in the Dred Scott case of 1857) were legally excluded from the polity until the 14th Amendment (1867) and socially until the Supreme Court's decision in Brown v. Board of Education (1954).
8. Articles 189, 190 TEC [Treaty of Nice]; pursuant to Article I-20 TCE, the EP shall be composed of representatives of the Union's citizens. Since the number of seats is apportioned according to the population size of the member states, the representatives remain essentially representatives of their peoples.
9. Article I-46 para 2.
10. Cf. Riesenberg (1992)

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8. The neo-functionalists were (almost) right: politicization and European integration

Liesbet Hooghe and Gary Marks

In a recent paper, Philippe Schmitter laments that 'no theory of regional integration has been as misunderstood, caricatured, pilloried, proven wrong and rejected as often as neo-functionalism' (2002, p. 1). And he goes on to explicate, embrace and elaborate neo-functionalism in his inimitable way.

Almost 50 years of neo-functionalism have taught us a thing or two about regional integration. Neo-functionalism identifies basic building blocks for any valid theory of the subject and, more generally, for any valid theory of jurisdictional architecture.

Neo-functionalism argues that regional integration is shaped by its functional consequences – the Pareto gains accruing to integration – but that functional needs alone cannot explain integration. Regional integration gives rise to potent political tensions. It shakes up relative capabilities, creates new inequalities, and transforms preferences. Above all, it leads to politicization, a general term for the process by which the political conflicts unleashed by integration come back to shape it. Neo-functionalists recognize that a decisive limitation of functionalism is that it does not engage the political consequences of its own potential success. What happens when the 'objects' of regional integration – citizens and political parties – wake up and became its arbiters?

In this chapter, we begin by taking a close look at how neo-functionalism and its precursor, functionalism, conceive the politics of regional integration. Then we turn to the evidence of the past two decades and ask how politicization has shaped the level, scope and character of European integration.

FUNCTIONALITY AND POLITICS

Neo-functionalism's point of departure is that functional efficiency is the engine of regional integration. The functional premise remains a vital one in

regional integration theory. It grounds Sandholtz' and Stone Sweet's transactionalist theory of supranational governance (1998; Stone Sweet, Sandholtz and Fligstein 2001), Pollack's application of principal–agent theory to the European Union (2003), and Moravcsik's liberal institutionalist account of EU treaty making (1998).

Functionalism identifies a rational basis for political choice. Welfare gains or losses – Mitrany's 'common index of need' (1966, p. 159) – determine whether a particular policy will, or will not, be selected. Neo-functionalists counter that functional pressures are necessary, but not sufficient, to change the scope, level or character of regional integration. They conceptualize three intervening processes. *Functional spillover* occurs when an original integrative goal can be assured only by integration in a functionally related area. *Externalization* describes the pressure on the members of a regional regime to adopt a single, and therefore integrative, policy towards third parties. And, most importantly, *politicization* describes a process by which regional integration becomes contested among a widening circle of political actors (Schmitter 1969).

This stands in stark contrast to functional theory. Functionalism assumes the 'inevitability of socio-economic gradualism and the supremacy of welfare and technology over power politics' (Pentland 1975, p. 9). Functional needs are presumed to have self-evident consequences for the scope, level and character of regional organization. As integration bears fruit, so experts and beneficiaries learn that integration can effectively be extended to other practical, non-controversial needs. But there is a certain automaticity to the process. Hard political choices, political mobilization and, above all, conflict are irrelevant or harmful. David Mitrany argued that successful integration requires consensus about practical goals and abstinence from power politics. As Caporaso points out,

> Functionalists . . . believe in the possibility of defining certain nonpolitical aspects of human needs, nonpolitical in the sense that there is a high level of consensus concerning them. Such areas are labeled 'technical' or 'welfare-oriented' . . . The end result would be a community in which interest and activity are congruent and in which politics is replaced by problem-solving. (1972, p. 27)

Politicization is the point at which functionalists and neo-functionalists part company. For Ernst Haas, Leon Lindberg and the early Philippe Schmitter, politics is not a drag on regional integration, but an essential ingredient. Haas' *Uniting of Europe: political, social and economic forces, 1950–1957* is a study of political calculation – of 'nationally constituted groups with specific interests and aims, willing and able to adjust their aspirations by turning to supranational means when this course appears profitable' (1958, p. xiv). Schmitter argues that, 'alone, functional interdependence based on high rates of mutual

transactions is impotent. It must be perceived, interpreted, and translated into expressions of interest, strategies of influence, and viable decision making styles' (1969, p. 164). Functionality – the Pareto gains accruing from integration – is the engine, but politicization is the drive shaft – a decisive intervening variable – determining whether, when and how functional pressures lead to regional integration.

At its core, politicization refers to the increasing contentiousness of decision making. According to Schmitter,

> [p]oliticization . . . refers initially to a process whereby *a)* the *controversiality* of joint decision making goes up. This in turn is likely to lead to *b)* a *widening of the audience or clientele* interested and active in integration. Somewhere along the line *c) a manifest redefinition of mutual objectives* will probably occur. . . . It . . . involves some collective recognition that the original objectives have been attained . . . and that the new ones involving an upward shift in either scope or level of commitment are operative. Ultimately, one could hypothesize that . . . there will be *d) a shift in actor expectations and loyalty* toward the new regional center. (1969, p. 166 [original emphasis; alphabetization added])

The early neo-functionalists were sanguine that politicization would raise the level and extend the scope of regional integration. A federal polity, or something like it, would result. Haas described the European Economic Community in 1958 as a 'new centre, whose institutions possess or demand jurisdiction over the pre-existing ones' (1958, p. 16). He argued that 'even though supranationality in practice has developed into a hybrid in which neither the federal nor the intergovernmental tendency has clearly triumphed, these relationships have sufficed to create expectations and shape attitudes *which will undoubtedly work themselves out in the direction of more integration*' (1958, pp. 526–527 [our emphasis]).

But as early as 1969, Schmitter was at pains to assume no automaticity, fixed sequence or unidirectionality (1969, 1970). Reflecting on the original research programme three decades later, he stresses that neo-functionalists had too rosy a view of the transformation of governance, and notes that 'any comprehensive theory of integration should potentially be a theory of disintegration' (2002, p. 2).

So regional integration can contract as well as expand. Haas, Lindberg and others began also to doubt their initial prediction of a single end point, a European federation, and conceived of several possible outcomes. In a provocative piece initially written just after the Maastricht negotiations, Schmitter (1996) conceptualized non-state scenarios characterized by growing dissociation between territorial constituencies and functional competencies (see also 2000, p. 15). Ironically, given their differences, neo-functionalists and functionalists converge in their speculations about the jurisdictional architecture of integration. Mitrany was a passionate opponent of federalism, which

he felt was rigid (1948, reprinted in 1966). Schmitter is sceptical of federal schemes for Europe,

> . . . because, in the immediate future, the Europolity is likely to retain the status of a 'nonstate and nonnation' – it would be inappropriate and even counterproductive to define its citizens, representatives, and rulers in the usual manner for a large-scale, socially heterogeneous, advanced capitalist nation-state, that is, in the manner of a federal polity. (2000, p. 15)

The most extreme non-state scenario conceptualized by Schmitter – *condominio* (1996) – shares some basic features with David Mitrany's functional vision. The European polity has no fixed centre, but is a network of jurisdictions with variable membership, variable decision rules and of variable durability, depending on need and acceptability. These features, we will argue, are strengthened by politicization.

THE STRUCTURE OF POLITICAL CONFLICT

Neo-functionalism kicked off a 30-year research programme analysing politicization in the European Union (Lindberg and Scheingold 1970). One neo-functionalist prediction has come to pass: European integration has become more controversial, as Schmitter foresaw. What few predicted is that the sign would be negative.

Support for European integration among the public has not risen, and in some countries has declined, since the early 1990s (Eichenberg and Dalton 1993, 2003; Franklin, McLaren and Marsh 1994). Elites were always likely to be more favourably oriented to integration than the public as a whole; a fact that has become politically combustible as European integration has instigated 27 national referenda in 19 member and candidate countries since the Maastricht Accord (1991).[1] In short, Leon Lindberg's *permissive consensus* has been transformed into something approximating to its opposite, a *constraining dissensus* (Olsen 2004; Hix 1999; Hooghe and Marks 1999; van der Eijk and Franklin 1996; Marks and Steenbergen 2004; Niedermayer and Sinnott 1995).

At the same time, the interested audience has widened, again as predicted by neo-functionalists. The mobilization of interest groups, social movements, unions, firms and subnational governments at the European level has generated a broad stream of research substantiating the neo-functionalist expectation that, 'Once a regional integration scheme is established, it may serve as the stimulus for private groups to create . . . regional organizations to reflect and protect their common interests' (Nye 1970, p. 205; Imig and Tarrow 2001; Marks, Haesly, and Mbaye 2002; Marks and McAdam 1996; Mazey

and Richardson 2001; Streeck and Schmitter 1991; Wessels 2004). The issues arising from European integration reach deeply into political parties and into the public itself.

Even in the early days, neo-functionalists were alert to the fact that domestic conflict about European integration could stretch beyond sectoral or business associations. Ernst Haas stressed that sectoral associations leant heavily on their national governments where their particular economic interests were concerned – a line of analysis that was later taken up by intergovernmentalists – but he was also keenly aware that political parties were decisive both for the creation of a coherent Euro-polity and because, in Europe, government is party government. In *The Uniting of Europe* (1958) Haas begins by describing in detail the positioning of political parties in the major party families, and moves on to national trade associations, trade unions and national governments.

The difference now is that decision making on big issues has shifted away from producers. The positioning of political parties and of citizens has, since the Maastricht Accord, grown in relative importance while that of sectoral associations has declined.

How, then, does conflict over European integration connect to the dimensions that structure public opinion and competition among political parties? The first of these dimensions is an economic left/right dimension concerned with economic redistribution, welfare and government regulation of the economy. Contestation on this dimension has predominated in most Western nations in the post-war period (Bartolini and Mair 1990; Lipset and Rokkan 1967), and is diagnosed as the main dimension in Central and Eastern Europe (Evans and Whitefield 1993; Kitschelt et al. 1999). A second, non-economic or cultural, new politics dimension has gained strength since the 1970s in Europe – in the East as well as in the West (Evans and Whitefield 1993; Flanagan 1987; Franklin 1992; Inglehart 1977; Kitschelt 1995). In some societies this dimension is oriented to environmental protection; in others, it captures conflict over traditional values rooted in a secular/religious divide; in others still, it is pitched around immigration and defence of the national community. We therefore describe the poles of this dimension using composite terms: Green/Alternative/Libertarian (or *Gal* and Traditionalist/ Authoritarian/Nationalist (or *Tan*) (Hooghe, Marks, Wilson 2002).

Left/Right

When EU issues have distributional economic effects within societies – as is the case for social policy, employment policy and, above all, for policies that reduce the transaction costs of international economic exchange – the positions that political parties take can be predicted from their left/right location (Table 8.1).

Table 8.1 Left/right positioning and position on economic EU policies (correlations)

Internal Market	0.34
Employment	–0.53
Cohesion	–0.25
General position	0.04

Note: Data from the Chapel Hill 2002 party expert dataset, tapping 238 country experts to evaluate the ideological and EU policy locations of 98 political parties in the West (EU-15 minus Luxembourg). Experts locate parties on a scale from 1 (strongly opposed) to 7 (strongly favouring). Parties weighted by vote percentage in the most recent national election.
Internal Market: 'Consider internal market liberalization. Some parties want to strengthen EU powers in the internal market and competition policy. Other parties are reluctant to support stronger EU powers for internal market liberalization.'
Employment: 'Consider EU employment policy. Some political parties want the EU to strengthen its common employment policy; they view EU employment policy as a means toward reducing unemployment. Other parties argue against a common employment policy.'
Cohesion: 'Consider EU cohesion or regional policy. This policy transfers resources to the poorest regions in the EU, and is the second item on the EU budget. Some political parties wish to maintain or expand the EU's cohesion policy, whereas others wish to reduce or eliminate it.'
General Position: 'How would you describe the general position on European integration that the party's leadership has taken over the course of 2002?'

To return to the level/scope distinction, distributional politics directly engages the *scope*, but not the *level* of integration. Should the EU spend money to reduce unemployment, aid poorer regions or promote social cohesion? The debate is about *for* whom, *from* whom, and *how much*; it is not intrinsically about *by* whom. Hix (1999), Pollack (2000) and others have pointed out that left/right speaks to supranationalism with many voices. The logic, as in the USA, is one of 'regime shopping'. When liberals were ascendant at the federal level of the USA, conservatives found themselves convinced of the virtue of states' rights. Now that conservatives are ascendant, it is the liberals' turn. What matters is the structure of political opportunity as it exists in a particular time and place.

In the context of the EU, the economic *right* is satisfied with the combination of market integration and nationally segmented political authority. Market integration involves the creation of a single market, a transnational goal that demands limited supranational authority. Neo-liberals support European institutions, and the European Court of Justice in particular, to achieve 'negative' integration (Scharpf 1996). But it would be self-defeating for neo-liberals to extend the scope of integration in ways that would diminish regulatory competition.

Those on the economic *left* wish to create redistributive capacity at the European level, but they do not want to constrain redistribution and other

social democratic policies at the national level. Left parties were the chief concern of early integrators, including Jean Monnet, who realized that such parties might resist functional economic integration on distributional grounds. Monnet made every effort to persuade socialist party and trade union leaders that European integration deserved their support. By the late 1950s, Ernst Haas identified a 'sinistration' of support for a federal Europe (1958, p. xiv). But the debate on European integration was still raging among French and British socialists in the early 1980s. Most socialists eventually came to the conclusion that, if exit was impossible, they should try to extend the scope of integration to include the distributional policies that were in Jacques Delors' vision.

We detected this in the mid-1990s (Hooghe and Marks 1996, 1999), but in the meantime the left's enthusiasm for the Delors project of regulated capitalism has cooled. Although European political economies are more welfare-oriented and redistributive than the US, they vary in ways that make convergence on a single European model the least likely of future scenarios. Institutional variation across the EU sharply constrains the feasible scope of continent-wide regulation. Step-by-step integration – the (neo-)functional recipe – is inhibited by country-specific institutional complementarities among institutions responsible for economic governance (Crouch and Streeck 1997; Streeck 1996; Hall and Soskice 2001).[2] Moreover, institutional differences exist within, as well as among, countries that are said to have a particular type of governance. Denmark, for example, finances its welfare state primarily through income taxation, while Sweden relies to a much greater extent on social security contributions, a contrast that would complicate integration of these social democratic welfare regimes (Scharpf 1999).

Moreover, social democrats have become acutely aware that redistribution is constrained by cultural diversity (Offe 2000). The relationship can be hypothesized as a 'law' of culturally constrained redistribution: the more culturally diverse a polity, the smaller the scope for redistribution. At one end of the scale are encompassing global organizations, including the UN, the World Bank and the WTO, which redistribute at most a tiny fraction of global GDP. At the other extreme are relatively homogenous national polities, which redistribute up to about one-third of the national product. While the EU is more culturally coherent than most other international regimes, it is considerably more diverse that the most diverse federal states. No other international or transnational regime redistributes anything like the 0.8 per cent of GDP that the EU devotes to agricultural and cohesion funding. Because a shared sense of community is lacking in Europe, it is difficult for social democrats to campaign for more.

Given that neither the left nor the right has managed to achieve durable political hegemony at the continental level, and given high decisional barriers

for institutional innovation, the struggle over economic redistribution has not done much to deepen integration.[3] The main thrust of integration has been functional, not redistributive. The scope and level of regional integration in Europe has been constrained by the area of agreement between centre left and centre right on the collective benefits of internal peace and transnational economic exchange. European integration has largely followed the prescriptions of classical federalism: (a) centralize those areas of public policy where economies of scale are present; (b) internalize positive and negative externalities by encompassing in the relevant jurisdiction all those affected by the policy; (c) otherwise, decentralize.

Does this mean that left/right conflict has no bearing on European integration? Not quite. Functionalism is opaque. What does 'affected by the policy' mean? Was slavery in the South an externality for those in the North of the United States? Does the denial of equal pay for women, or of political rights for immigrants, in one part of the Union 'affect' citizens in another part? This invites a debate about the implications of cohesion in a political community, a debate that is fundamental to the left/right divide. The front line of redistributive conflict in the EU is in the application of European-wide regulation in areas such as social policy and environmental policy (Caporaso 2000; Falkner 1998; Leibfried and Pierson 1995; Sbragia 1996).

So the conclusion to this section is double-edged. Distributional conflict has not driven regional integration forward. But social regulation (with distributional consequences) is an ineluctable tension in regional integration. Functionalism cannot arbitrate conflict over the allocation of authority in a multi-level polity. The struggle between left and right over social regulation leads to unstable and contested outcomes about the scope of policy, in which the level of policy-making – the degree of supranationalism – is a by-product reflecting which side happens to have authority at which level.

Identity

Functionalists and neo-functionalists alike stressed the constraining effects of national identity on integration.

> We are favored by the need and the habit of material cooperation; we are hampered by the general clinging to political segregation. How to reconcile these two trends, both of them natural and both of them active, is the main problem for political invention at this juncture of history. (Mitrany 1948 [1966], p. 151)

But functionalists and neo-functionalists believed that national identity would ultimately give way to a more encompassing loyalty. According to Mitrany, national identity is just one, and not the most important, kind of identity: 'Each of us is in fact a bundle of functional loyalties; so that to build a

world community upon such a conception is merely to extend and consolidate it also between national societies and groups' (1965 [1966], p. 204). In one of the first analyses of public opinion on European integration, Ronald Inglehart predicted that a shift of loyalties was a matter of generational replacement. Younger cohorts, he argued, were being socialized in societies where nationalism was discredited and where supranational institutions were providing an expanding range of collective goods (Inglehart 1970, pp. 182–190).

Recent research arrives at a different verdict: national identity remains a supremely powerful constraint on preferences concerning the level of European integration (Carey 2002; Hooghe and Marks 2005; McLaren 2002; Hermann, Brewer and Risse 2004). This is true both for political parties and for the general public.

As noted above, national identity connects to the second dimension of conflict across Western societies, which we describe as a Green/Alternative/Libertarian (or *Gal*) versus Traditionalist/Authoritarian/Nationalist (or *Tan*) dimension.

The position of a political party on the *Gal/Tan* dimension powerfully predicts its position on European issues that engage the *level* of integration. So, as Table 8.2 reveals, party location on *Gal/Tan* is strongly associated with

Table 8.2 Gal/Tan positioning and position on institutional EU policies (correlations)

	West	East
EP Powers	–0.50	–0.57
Enlargement	–0.38	–0.71
General position	–0.30	–0.65

Note: Data from the 2002 Chapel Hill party expert dataset, tapping 238 country experts to evaluate the ideological and EU policy locations of 98 political parties in the West (EU-15 minus Luxembourg) and 73 in the East (EU-12 minus Cyprus, Estonia and Malta). Experts locate parties on a scale from 1 (strongly opposed) to 7 (strongly favouring). Parties weighted by vote percentage in most recent national election.
EP Powers: 'Take the position of the party leadership on the powers of the European Parliament. Some parties want more powers for the European Parliament. Other parties argue there is no need to expand the powers of the European Parliament further.'
Enlargement (West): 'Consider enlargement to Central and Eastern European countries. Some parties believe that the new countries should have exactly the same rights and duties as existing members. Others believe there should be separate rules for them (for example, on agricultural policy, cohesion policy, internal market, movement of people, currency).'
Enlargement (East): 'Consider EU enlargement to the candidate countries of post-communist Europe. Some parties strongly support major domestic reforms to qualify for EU membership as soon as possible. Other parties oppose major domestic reforms to qualify for EU membership as soon as possible.'
General Position: 'How would you describe the general position on European integration that the party's leadership has taken over the course of 2002?'

positioning on European integration in general and on the powers of the European Parliament. The association is anchored on the right side of this dimension by parties with a strong *Tan* leaning – for example the Front National, Vlaams Blok/Belang, Austrian Freiheitliche Partei and Danske Folkspartiet. This is a relatively new phenomenon. In 1984, the first year for which we have reliable data on party positioning, the main source of opposition to European integration came from social democratic parties. Not until the mid-1990s was the largest reservoir of opposition on the radical right (Hooghe, Marks and Wilson 2002; Taggart 1998). Such parties oppose integration because it undermines national sovereignty. They link European integration to other perceived threats to the national community: foreign cultural influences, cosmopolitan elites, international agencies and, above all, immigrants.

National identity also mobilizes Euro-scepticism in conservative parties with a national character – as in Britain, France, Ireland and Spain. Conservative parties in these countries combine defence of the national community with support for market solutions. European integration puts these in tension, fuelling conflict between market liberals, who are willing to water down national sovereignty in the cause of market competition, and nation-oriented traditionalists, who are not. The result is internal party dissension that in some cases – the British Conservatives and the French Gaullists – has threatened to tear these parties apart.

By the mid-1990s, the political mobilization of national identity led to the 'dextrification' of opposition to European integration. Enlargement to Central and Eastern Europe has reinforced, not weakened, this. The strongest opposition to European integration in Central and Eastern, as in Western Europe, is found among parties that espouse traditionalist, nation-centred ideologies (Marks et al. 2006).

National identity also constrains public opinion on European integration, but in a double-edged way. On the one hand, national identity and European identity reinforce each other. In his dissertation on the topic, Richard Haesly (2001) finds a positive, rather than negative, association between being Welsh or Scottish and being European. European allegiance can fruitfully be conceived as embedded in national allegiance (van Kersbergen 2000).

But it is also true that many opponents of European integration see themselves as defending their nations against control from Brussels. Diéz Medrano (2003) details how national histories condition the consequences of national identity for support for European integration: English Euro-scepticism is rooted in Britain's special history of empire; West German pro-Europeanism reflects Second World War guilt; the Spanish tend to support European integration as a proxy for modernization and democratization (see also Stråth and Triandafyllidou 2003).

National identities are formed early in life, as Inglehart recognized in his

1970 piece. Children as young as six or seven know full well whether they are English, German or Swedish. But the impact of identity on political attitudes is neither automatic nor uniform. The connection between a person's identity and her attitude toward European integration is constructed in political debate, and that construction is cued by national political parties, national elites and national media. Where the political elite is more or less united on Europe, national identity and European integration tend to coexist; where it is divided, national identity feeds Euro-scepticism (Hooghe and Marks 2004).

Neo-functionalists recognized that regional integration had to be understood as a broadly based political process that engaged a variety of domestic actors, not just national governments. They believed politicization would deepen European integration. But did neo-functionalists get the sign right?[4]

If one were to extrapolate the experience of contestation over redistribution and identity described above, one would be compelled to answer 'no'. Politicization appears to be – at least at this point in history – neither positive nor open-ended with respect to regional integration. If recent research is valid, politicization is powerfully shaped by nationalist reaction to perceived loss of community and national sovereignty.

In retrospect, it seems unexceptional that a quantum shift in authority – which is, after all, what sixty years of European integration adds up to – should jolt nationally embedded emotions. A student of modern European history might heed a simple warning: 'Never underestimate nationalism.' Group attachments can be extraordinarily powerful, and few more so than attachments to territorially defined communities. The mobilization of exclusive national identity in defence of national sovereignty is a predictable reaction to Europeanization.

Neo-functionalists and functionalists feared as much, and they urged a course of incremental steps that would lead Europe around, not through, national identity. This was the guiding principle of the Monnet method, a neo-functionalist strategy prior to the theory (Duchêne 1994). Mitrany believed that the creation of multiple functional regimes would defuse nationalist reaction. It was better that authority seep away from national states in several directions, rather than towards a single new centre.

One neo-functionalist caveat is in order here. We have witnessed the politicization of identity in the EU in the absence of the most powerful force that has shaped it historically: external conflict. Neo-functionalists argue that externalization – solidarity induced by conflict with a foreign power – can be a powerful source of integration. Could this shape European integration? There is no prospect (at present) that the European Union could engage in the kind of war-making that consolidated national identities and states in Europe (Tilly 1990), but the current push for a common foreign and security policy at the European level appears to be a reaction to sustained US unilateralism.

POLITICIZATION AND THE FORM OF MULTI-LEVEL GOVERNANCE

The politicization of integration, and in particular the mobilization of national identity, has constrained European political architecture. The functional logic of regional integration is as strong as it ever was, but the institutional strategy is changing. Instead of seeing an ever more extensive set of policies bundled in a coherent European federal polity – a common set of policies for a given territory – we seem to have witnessed a growing dissociation between territory and function. The result is a system of multi-level governance which takes on the characteristics of a *consortio* modified by growing reliance on *condominio*.

Practising neo-functionalists, including Jean Monnet, conceived their challenge to be the building of Europe in the absence of Europeans. They believed that Europeans could be created indirectly, as citizens felt the policy effects of regional integration and transferred their loyalties accordingly. Regional integration was to be built piecemeal, in the confident expectation that the emergent polity would be considered legitimate. The strategy was to shift an ever wider set of competencies from national states to Europe. Each act of integration was justified in its own terms, but the effect was to transform European political architecture in a federal direction. This strategy survived Charles de Gaulle in the 1960s and Margaret Thatcher in the 1980s. These leaders rejected supranationalism, but accepted the logic of piecemeal integration where justified on efficiency grounds.

From a functionalist standpoint, a federal Euro-*stato* would be a king with no functional clothes – as Mitrany wrote in a blistering critique of Walter Hallstein's federal plans (Mitrany 1965). A European federation was a political goal cherished by post-war elites who had to contend with the absence of Europeans. In more recent times, reformers have also had to confront populist nationalism. No major policy area has escaped Europeanization to some degree, but domestic support for European supranationalism is as weak as it has ever been. Enlargement to Central and Eastern Europe appears to have hardened rather than softened the edge of national opposition, as one might expect in countries that have been denied independence for so long (Taggart and Sczerbiak 2004). At the extreme, minorities in several EU member states appear willing to sacrifice functional benefits of cooperation on the altar of national sovereignty. While their numbers are proportionately low, they threaten to take political advantage of the gap that exists in every EU society between Europhile elites and a more sceptical public. The nationalist right punches above its weight in referenda on European issues. It is ironic that the most important innovation in democratic practice arising from European integration has become its greatest obstacle.

How can one reap the collective gains of transnational cooperation without running foul of national identity? This is the challenge for elites seeking to safeguard the functional benefits of cooperation (Hooghe 2003). Their answer appears consistent with the following principles:[5]

- Focus on policy problems for which decision making can convey transparent benefits to stakeholders.
- Separate policy problems into discrete chunks. Minimize policy externalities; maximize decomposability.
- Tailor decision rules to the particular task at hand.
- To the extent that pareto-optimal solutions involve redistribution, pick problems where side-payments are feasible.

What kind of polity would emerge if cooperation on certain functions was desirable, but member states tailored it to the problem rather than to existing European institutions? Independent European agencies for, among other things, aviation, drug addiction, the environment, food safety, maritime safety, medical product evaluation, satellites, training, work safety and health, and vocational training are examples. And what if certain forms of integration were considered efficient for some member states, but not for others? This question was raised sharply on monetary union and for social policy, and the institutional solution has been to allow individual member states to derogate, that is opt out, if they so wish.

Schmitter, who saw more clearly than any of his contemporaries the storm gathering over Maastricht, speculated about the form that regional integration might be taking. 'What if either the functional or the territorial domains (and even more if both) were not congruent with the same authority?' (1996, p. 132). Schmitter diagnosed three alternatives to a federal state. A *confederatio* is a loose arrangement in which territorial units may enter or exit at will, but where functional competencies are rigorously fixed in order to protect members from encroachment by central authorities. In a *consortio* a fixed number of national authorities cooperate on a variety of functional tasks through specific, flexible, and overlapping institutional arrangements. And finally 'the most unprecedented, even unimaginable, outcome of all' (p. 136) is the *condominio*, where *both* territorial units and functional tasks vary to create multiple specialized, flexible, and overlapping regimes.

> Instead of one Europe with recognized and contiguous boundaries, there would be many Europes. Instead of a Eurocracy accumulating organizationally distinct but politically coordinated tasks around a single center there could be multiple regional institutions acting autonomously to solve common problems and produce different public goods. (p. 136)

Consternation and disbelief greeted this possibility when Schmitter presented it at Nuffield College Oxford, where one of the authors was lodged in 1992, but with the help of hindsight, Philippe's contemporaries are catching up.

NOTES

1. This includes nine referenda in 2004 accession countries as well as four referenda on the European Constitutional Treaty. *Source*: Centre d'études et de documentation sur la démocratie directe in Geneva, Switzerland (http://c2d.unige.ch/, accessed 16 May, 2006).
2. Scharpf (2001) makes the point that preferences differ across countries in ways that decisively constrain integration. He observes that the British would revolt against the high taxes that sustain the generous Swedish welfare state, that Swedes would not settle for a poorly funded educational system as in Germany; and that German doctors and patients would protest against attempts to emulate the British national health system.
3. It therefore comes as no surprise that the left/right dimension only weakly frames public opinion on European integration. A variable that taps left/right self-placement is significant under controls if allowance is made (via an interaction term) for the fact that in Scandinavia, in contrast to the rest of the EU, it is the left, not the right, that is more opposed to integration. But the size of the effect is small (Hooghe and Marks 2005).
4. In a recent publication, Schmitter acknowledges that neofunctionalist theory underestimated the enduring character of national identity and its constraining effect on European integration (2002). As we have noted, this criticism is least appropriate for Schmitter's own work.
5. Elsewhere we describe this as type 2 governance, oriented around task-specific jurisdictions, which can be contrasted with type 1 governance, oriented around general-purpose jurisdictions (Hooghe and Marks 2003).

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9. Collective participation in the European Union: the 'Euro corporatism' debate

Gerda Falkner

Philippe C. Schmitter's impact on the study of European integration can hardly be overestimated. In addition to his work on (neo-functionalist) integration theory,[1] on Euro-democracy[2] and on EU enlargement,[3] his, partly co-authored, articles on EU-level interest representation and public–private relations in policy-making have also been path breaking.

This chapter will place Schmitter's work in the wider context of recent writing on EU-level interest representation and interest politics. I will begin by discussing his conclusions and those of others on the issue. Since the differences mainly result from different notions of corporatism and its rivals such as pluralism and statism, it is important to mention already at this point that the approach of this chapter is to regard corporatism as a two-dimensional phenomenon without a predetermined policy outcome (following early texts by Schmitter and Lehmbruch), which exists in different 'generations' corresponding to changed political and economic conditions. This leads to two insights that will be discussed in the next section: the absence of a third-generation neo-corporatist system to govern the EU economy; and the need to study and compare different policy areas when it comes to the issue of a potential fourth-generation corporatism ('corporatist policy communities') at the EU level. Then the co-evolution of the political and the interest group regime in one policy area will be outlined, to show that corporatist variants of policy networks are not alien to the EU. The conclusions therefore suggest that a current version of corporatism can indeed be found even at the EU level, and that it still seems useful to have such an ideal type to hand as a contrast to more pluralist or even statist patterns. It must be emphasized, however, that the overall political significance of such policy-specific phenomena cannot be compared with that of the third-generation macro-corporatism of the 1970s.[4]

EURO-CORPORATISM? NO AGREEMENT ON THE EXISTENCE AND NATURE OF THE BEAST

The most famous treatise on the issue of EU corporatism was co-authored by Philippe C. Schmitter and Wolfgang Streeck. Under the telling title, 'From national corporatism to transnational pluralism' they analysed why the EU falls short of centralized labour–industry–state relations that would govern economic policy decisions across specific policy areas. Streeck and Schmitter concluded that

> the evolutionary alternative to neo-liberalism as a model for the European political economy is clearly not . . . neo-corporatism. More likely to be seen is an American-style pattern of 'disjointed pluralism' or 'competitive federalism', organized over no less than three levels – regions, nation-states, and 'Brussels', and characterized by a profound absence of hierarchy and monopoly among a wide variety of players of different but uncertain status. (1991, p. 227)

Many authors arrived at similar conclusions. In the broader Europeanization debate, however, others have used different labels to characterize EU governance. Schmidt talks about 'statist pluralism' in EU policy formulation (1997, p. 138). Kohler-Koch's ideal-typical EU-style is 'network governance', characterized by cooperation (instead of competition) between all the interested actors and by joint learning processes (1996a). According to her, hierarchy and subordination give way to an interchange on a more equal footing, aimed at joint problem-solving, which will furthermore dissipate in the multi-level system (Kohler-Koch 1999, p. 32). This suggests a much more cooperative process than self-interested lobbying on the part of many individual private groups according to the pluralist, non-corporatist ideal type[5].

On closer inspection, it seems that existing accounts of EU policy styles (about which see Richardson et al. 1982) are not necessarily contradictory. It all depends on the definition of corporatism and on the level of analysis. Including the meso level of specific policy areas, one finds a variety of types of governance coexisting at the EU level. Therefore, we need to briefly clarify here (a) the *concept* of corporatism applied in this chapter, and (b) to which level it can be applied most usefully in the case of the EU.

On the basis of work by Schmitter and Lehmbruch (for the details of which see Wolfgang Streeck's chapter in this book), a corporatist policy-making process has been described as

> a mode of policy formation in which formally designated interest associations are incorporated within the process of authoritative decision-making and implementation. As such they are officially recognised by the state not merely as interest intermediaries but as co-responsible 'partners' in governance and social guidance. (Schmitter 1981, p. 295)

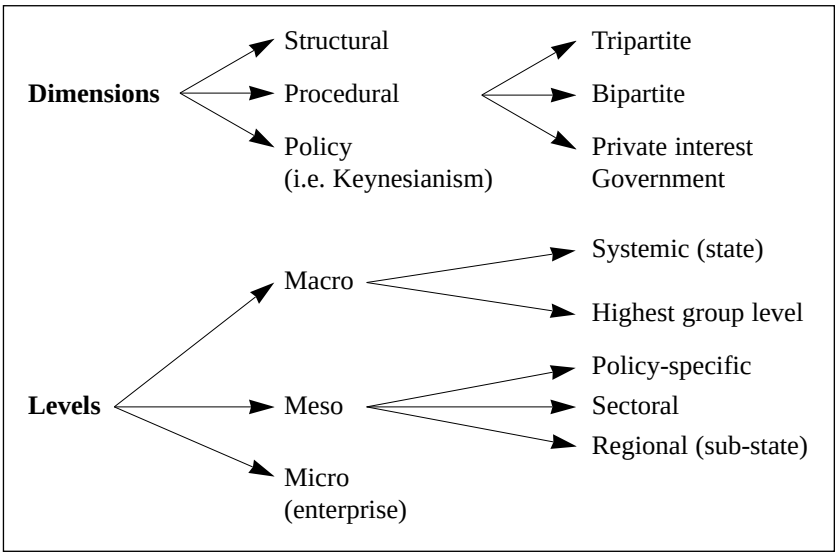


Figure 9.1 Dimensions and levels of 'corporatism' found in the literature

Unfortunately, however, various authors attributed and added multiple features and prefixes to corporatism over time, and matters of definition were confused with empirical features of specific examples of corporatism (Figure 9.1). 'Corporatism has been defined as an ideology, a variant of political culture, a type of state, a form of economy, or even as a kind of society' (Schmitter 1996c, p. 3).

Faced with this conceptual stretching, which has led to much confusion, it seems useful to stick with the narrower, two-dimensional concept as formulated by Schmitter and Lehmbruch, which combines only structural and procedural aspects. Any other facets with regard to further dimensions, or levels,[6] can be discussed with the relevant empirical examples to hand. They should not be part of the definition itself.

Most importantly, it seems that no specific policy (for example, Keynesianism) should be linked as a matter of definition to the formal properties of corporatist decision-making by privileged interest groups and in a co-responsible style. Otherwise, the concept of corporatism would no longer wield much practical clout if such a dimension were included. There are also good reasons in principle to separate the characteristics of a system of policy-making from the characteristics of its output. In terms of the 'EU and corporatism' debate, this is quite an important decision. It implies that the apparent lack of Keynesian demand-side economic policy does not necessarily make a

political (sub-) system not-corporatist. The implication is that the question of corporatism at the EU level might remain worth discussing.

Further confusion has occurred regarding the levels of corporatism. Both Schmitter's and Lehmbruch's original ideal types had referred to the macro level, that is to entire political systems. Over time, however, changes at the economic and the political level have made it even more improbable that, within otherwise increasingly fragmented political systems, corporatism should still cover all the crucial issues of policy-making as Lehmbruch's ideal type assumed (1985, p. 94). Today sectoral economies are becoming increasingly internationalized. This represents yet another major challenge to corporatist regimes at the system level (Hollingsworth and Streeck 1994, p. 289). It may therefore be useful to distinguish between systemic and more fragmented types of corporatist public–private relations, perhaps in terms of different ideal-typical 'generations'. While they share a basic corporatist pattern that corresponds in structural and procedural respects, both their scope and their framework conditions differ. As a consequence their immediate output and their wider effects cannot be expected to be identical either.

Compared with the 1970s corporatism (which typically was macro-corporatism with demand-side intervention in the economy), contemporary corporatist arrangements now seem more restricted in functional scope since the policy-making process is typically broken down and varies between policy subsystems (Atkinson and Coleman 1989, p. 157) (Table 9.1). Schmitter (2001, p. 6) confirms this in a recent piece: 'Modern democracy should be conceptualized, not as "a single regime", but as a composite of "partial regimes" ' (see also Schmitter 1989, p. 71) .

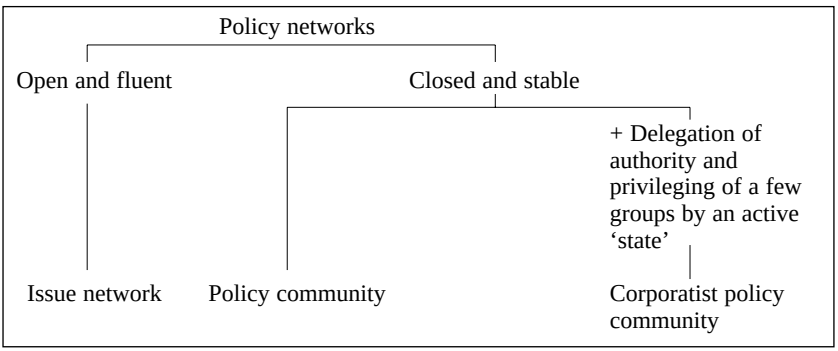
Since the policy networks approach was developed explicitly to capture sectoral constellations that emerged in response to growing dispersion among public and private actors of the resources and capacities available for political action (Kenis and Schneider 1991, p. 28), one may conceptualize a corporatist type of policy network as a subgroup of policy communities (Figure 9.2).

The connection to the policy networks debate at the policy-specific meso level of political systems makes the debates on corporatism and European integration more easily compatible. After all, the EU is a prime example of a sectoralized polity. Corporatism should therefore be more practicable in the shape of corporatist policy communities than as a pattern encompassing the entire EU regime. On the basis of this conceptualization of corporatism as two-dimensional and of different 'generations' of corporatism, two insights (to be discussed in the remainder of this chapter) seem apparent: the absence of a third-generation neo-corporatist system that might govern the EU's economy; and the need to study and compare different policy areas when it comes to the issue of fourth-generation corporatism at the EU level, that is potential corporatist policy networks. It must not be forgotten, however, that the impact of

Table 9.1 Genealogy of 'corporatisms' in Europe

	Scope	Main period	Political system	Markets	Economic policy doctrine
Traditional corporatism	Profession	Middle Ages	Feudal	Local, pre-industrial	Management by closed guilds
Second generation: 'authoritarian corporatism'	State	1920s and 1930s	Authoritarian étatism	Closed	Dirigisme
Third generation: 'neo-corporatism' (liberal)	State	Post-WWII but pre-internal market	Western democratic	Predominantly nationally-oriented	Keynesianism (growth + employment-oriented)
Fourth generation: 'corporatist policy communities'	Policy	Post-1992	Fragmented and multi-level	Internationalized	Neo-liberalism (competitiveness-oriented)

Source: Adapted from Falkner (1998, p. 38).



Source: Adapted from Falkner (1998, p. 48).

Figure 9.2 Policy network ideal types

such fourth-generation corporatism is by no means identical to that of former generations (and, quite clearly, not to that of Keynesian central steering of entire national economies; see the concluding section).

EURO-CORPORATISM: THE FAILURE OF A THIRD-GENERATION TYPE

Vague concepts of the EU (or its predecessors) as of tripartite polity have existed as long as European integration itself.

Early on, an Economic and Social Committee (ECOSOC) was created which included nationally appointed representatives of employers, workers and various other interests. It had (and still has) a consultative function, delivering non-binding 'reasoned opinions' on policy proposals. However, the ECOSOC has not always worked so satisfactorily (about which see, for example, Streeck and Schmitter 1991, pp. 202ff). The ideological split between its three parties made it impossible, in many cases, for the committee to reach common views. In practice, the results of its cumbersome decision-making processes lacked coherence and definitive status.

Widening the actor constellation therefore seemed a promising approach to the European Commission, when an economic and monetary union was discussed for the first time in the late 1960s. The conclusions of the 1970 Werner report suggested that management and labour should be consulted before Community policies were developed. To prevent excessive disparities, the development of incomes in the member states should be discussed at the Community level, with the participation of the social partners (Rifflet 1989,

p. 3). The Commission's proposal to the Council on the establishment of economic and monetary union (COM[70] 1250) insisted on the importance of concertation of economic policy with the social partners.

While the early efforts of monetary union failed, the calls for an intensification of social partnership continued. In 1970, the standing committee on employment was established by a Council decision. It consisted of the national social and labour ministers, representatives of national employers' and employees' federations, and representatives of Directorate General V of the Commission. It issued opinions and was consulted by the Commission on employment-related topics. But, again, the process proved too cumbersome to be effective (see Lodge and Herman 1980, p. 284; Streeck and Schmitter 1991, pp. 202ff).

Still, pressures for tripartite decision-making grew. At the Paris summit in 1972, the heads of state and government considered increased participation of the social partners to be indispensable on the way towards economic and monetary union. In the 1974 Social Action Programme (OJ 74/C 13/1), the Council cited increased participation of the social partners in the economic and social policy decisions of the Community as one of the central goals (in addition to full employment and the improvement of living and working conditions). In general, all measures proposed under the Action Programme should take into consideration the wishes of the social partners. To make this possible, the Council envisaged deeper involvement of the standing committee on employment in all matters of employment policy. It also supported employee organizations that participated in the activity of the Community by establishing a European Trade Union Institute (ETUI) together with training and information units for European matters. This was an important signal to the European Trade Union Confederation (ETUC), which had been founded only in 1973. The Council also planned to facilitate, on the basis of the circumstances in the single member states, the conclusion of European collective wage agreements. This pledge, made as early as 1974, shows that invitations to the social partners to conclude European-level agreements have a long history.

In the aftermath of the 1974 Social Action Programme, a new tripartite discussion forum was established consisting of the Council, the Commission, and representatives of labour and business. Euro-level representatives were for the first time invited to participate, along with national social partners. These 'tripartite conferences' met six times up to 1978, debating issues such as full employment, inflation and fiscal policy. At this point, the ETUC withdrew because of the unwillingness of the employers' side to conclude agreements (Gorges 1996, p. 130). By then, employers did not have to fear negative consequences because the Euro-level organization of trade unions was only in its infancy and incapable of significant collective action. Furthermore, the

Council's social policy impetus of the early 1970s had already stalled, and many important legislative projects remained blocked.

There is no place here to mention all the other tripartite initiatives which are of a purely consultative kind, such as the meetings that take place before each European Council meeting and during enlargement negotiations. Obviously the manifold efforts to bring about some sort of Euro-corporatism at the systemic level failed anyway, and the hopes that social-democratic parties and trade unions may have had did not come true.

However, this is not the end of the story because the Delors Commission undertook in the 1990s to promote a fourth-generation corporatism in the form of a corporatist policy community in EU social policy.

FOURTH-GENERATION EURO-CORPORATISM: THE CASE OF SOCIAL POLICY

The fact that the EU's policy-making process is highly fragmented and dispersed[7] makes the question of there being corporatist patterns to the latest fourth generation highly relevant. Schmitter himself recognized the 'possible development of "islands" of Euro-corporatism in specific sectors or around distinctive territorial arrangements such as the Euro-regios' (Traxler and Schmitter 1995, p. 201). Indeed, it has been suggested that research should conceptualize the EU as a plurality of sector-specific constellations rather than as a unitary macrosystem (see Cawson 1992; Greenwood et al. 1992a, pp. 239, 248).

An important proposition in this context was to study the possibility of a co-evolution of political regimes and interest politics (Eichener and Voelzkow 1994a, pp. 17f) and its implications for the development of a more cooperative, maybe even corporatist policy style. This involves a theoretical argument about the birth of corporatism. It is a 'chicken and egg' problem that has not been clearly settled in the literature on corporatism. Frequently, authors seem to assume that only on the basis of an appropriate structure of interest groups (singular, compulsory, non-competitive, hierarchically ordered, functionally differentiated, recognized or licensed by the state and granted a representational monopoly within their respective categories) can corporatist concertation occur. At times, however, it has been recognized that corporatism has even appeared in countries without a corresponding landscape of private interests (Schmitter 1997, p. 291). In the European integration literature it had been argued since the early days of the integration process that contrary to the expectations of neo-functionalists, private organizations have not taken the lead but rather followed political initiatives (Eising and Kohler-Koch 1994, p. 178; Kohler-Koch 1995, p. 16; 1996b; Platzer 1997, p. 178). Major constitutional

innovations such as the Single European Act and the Maastricht Treaty on Economic and Monetary Union have prompted corresponding developments of interest group organization and interest group involvement in public policy-making alongside relevant new regimes. Thus with the indispensable 'backing from the state', and the necessary 'contribution of public power' (Streeck and Schmitter 1991), fourth-generation corporatism could be expected to result in specific policy areas.

For the field of social policy, an in-depth study has revealed how such a co-evolution took place during the 1990s, in the wake of the Maastricht Treaty (Falkner 1998). EC *social policy-making* is today characterized by a coexistence and entanglement of governmental negotiations and collective bargaining. In fact, the EC Treaty provisions for social affairs drafted under the leadership of Commission President Jacques Delors, and adopted at Maastricht in December 1991 give primacy to agreements between management and labour over traditional Council Directives (Keller and Sörries 1998). Euro-level interest groups may, on the occasion of obligatory consultation by the Commission on social policy measures, inform the Commission of their wish to initiate negotiations in order to reach a collective agreement on the matter under discussion. This brings traditional EC decision-making, which involves the Commission as initiator, the Council and its working groups as the decision-makers, and the European Parliament, to a standstill for at least nine months (Article 137 TEC).[8] If a collective agreement is signed, it can, at the joint request of the signatories, be incorporated in a 'Council decision', on a proposal from the Commission (Article 138 TEC).

Since Maastricht, the social partners have thus become formal participants in social policy legislation. In fact, the EU's social policy procedures fit the classic formula for corporatist concertation, that is 'a mode of policy formation in which formally designated interest associations are incorporated within the process of authoritative decision-making and implementation' (Schmitter 1981, p. 295). Since this specific style of public–private cooperation is restricted to one policy area only, it seems preferable not to speak of 'Euro-corporatism' (Gorges 1996) but rather of a 'corporatist policy community' (Falkner 1998).

A number of cross-sectoral collective agreements have resulted from this tripartite arrangement.[9] The first application of the new procedure saw no formal negotiations but only 'talks on talks' (Gold and Hall 1994, p. 181) on a collective agreement between the two sides of industry. This eventually led to a traditional Council Directive on European works councils.[10] It was already a major breakthrough, however, that on that occasion, in autumn 1993, UNICE declared that it was 'ready to sit down with the Commission and/or the European unions to develop a . . . procedure for information and consultation that is acceptable to all parties' (EIRR 238, p. 13). Until then it had always

strictly rejected any European-level initiative on employee information and participation in the enterprise.

The second decision-making process under the new social policy regime did lead to agreement among the three major federations. On 14 December 1995, the ETUC, UNICE and CEEP adopted a framework agreement on parental leave,[11] providing an individual right to a minimum of three months' time off while employment rights were maintained. Through a Council Directive, the agreement was made binding on the member states (initially with the exception of the UK, but since the Labour government has now signed up to the social agreement, all relevant Directives have been extended to the UK).[12] Further collective negotiations concerned atypical work and led to a second European-level agreement, on part-time work, in the summer of 1997. This was followed by an agreement on fixed-term employment and, most recently, a 'voluntary' agreement[13] on telework (EIRR August 2002).

Among the issues on which no agreement was reached by the social partners (most importantly, the reversal of the burden of proof in sex discrimination cases, sexual harassment at work and information and consultation of workers in national enterprises), only the latter issue was controversial since a minority of UNICE members refused to negotiate.[14] The other issues were generally perceived not to represent 'appropriate' issues for collective negotiations since these are usually a matter of state legislation even at the national level (on the recent trend towards non-binding agreements, see this chapter's conclusions).

Replacing what is the state at the national level, there are two European institutions involved in corporatist policy-making under the Social Agreement. The Commission has significant influence without directly participating in the negotiations because it supplies the social partners with a document that constitutes the basis of their talks. Although the Commission is not formally represented at the bargaining table, it happened that the secretary to the 'neutral umpire' chairing the negotiations was a Commission official. Furthermore, the Council may only implement a collective agreement on a proposal by the Commission. Thus, the Commission's power of initiative is preserved and extended to the corporatist procedure. In addition, the Council is involved in some 'corporatist exchange' as well – not only at the stage of implementing an agreement but also during the decision-making process. Only if a necessary majority of Council members seems willing to adopt social legislation will UNICE normally be interested in negotiations among the social partners, which it views as a lesser evil. The Council, in turn, had by the early 1990s an interest in successful social partner negotiations in order to legitimate both European-level activities and (what was in the past at least as important) European-level non-decisions in the face of a public which was increasingly critical about the lack of a 'social dimension' to European

integration. Despite the fact that negotiations, in the narrow sense, were conducted solely among the social partners, the cooperative policy-making style under the Social Agreement hence had features quite similar to 'tripartism' between the state, capital and labour at the national level.

Since the ideal-typical description of procedural corporatism as developed by Lehmbruch and Schmitter fits the innovative decision patterns under the Maastricht Social Agreement rather well, it is of interest if there are corresponding developments in the relevant system of interest groups, that is, in the *structural dimension* of the definition of a corporatist policy network. In fact, relevant changes affect reforms within groups towards more competences and decision capacity and the formation of a core group of interest associations, indicating a move towards monopolistic representation in social partner negotiations. These developments are even more significant if one considers that, prior to the Maastricht Social Agreement, the participation of European-level associations in binding negotiations with each other and the EC institutions was by no means undisputed in their member organizations, on both the union and the employer side.

The ETUC was the first to adapt its structure with a view to enhancing its negotiating capacity at the European level. In 1991, the internal structure and decision-making process were reformed to limit the possibility of deadlock, and the European industry committees were allowed to vote.[15] This may be regarded as progress compared to the prior problem of coordinating territorial and functional interests – which are now both directly represented under the umbrella of the ETUC. Further amendments to the ETUC constitution were adopted at its May 1995 congress. The executive committee now has the duty to 'determine the composition and mandate of the delegation for negotiations with European employers' organisations' and to 'ensure the convergence at European level of the demands and contractual policies of affiliated organisations' (Article 11). It is also a significant development, unthinkable until a few years ago, that the ETUC may now adopt binding agreements even against the will of several influential members (examples are the Parental Leave Agreement and the Part-Time Work Agreement). In the part-time case, six votes out of 33 were against the deal: by two German unions (Deutscher Gewerkschaftsbund, DGB, and Deutsche Angestelltengewerkschaft, DAG), the French Force Ouvrière, the Christian-Democratic Luxembourg union (LCGB) and the European industry federations of railway and construction workers (according to an interview with an ETUC official, July 1997). Various other industry committees abstained. This may be seen as an indicator of the de-facto supranationalization of the ETUC, an organization that was for a long time not able to 'afford to antagonize its larger member organizations' (Ebbinghaus and Visser 1997, p. 9).

Similarly, a change in UNICE's statute in June 1992 aimed directly at

meeting the challenges of the Social Protocol. UNICE was formally assigned the task of representing its members in the dialogue between the social partners provided for in the Social Agreement (article 2.1 of the statute). The Council of Presidents was put in charge of defining the positions to be taken in the social dialogue. When UNICE failed to overcome the rejection of the attempted compromise on European works councils by its British member, the CBI, the action prompted further constitutional reform to cope with the British opt-out of the Maastricht Social Agreement. An internal compromise was reached in April 1994, according to which the CBI participated in the negotiations, but had neither a veto right nor was bound by an agreement of which it did not approve. The rule that collective agreements have still to be adopted unanimously was challenged after the failure of the fixed-term work negotiations, but so far without effect. The fact that the federation of enterprises with public participation (CEEP), the smaller partner on the employer side, adapted its rules of procedure to the Social Agreement is less surprising since it was traditionally more open to EU-level negotiations with labour than UNICE.[16]

But what about the plethora of lobbies and the close contacts with individual firms that are sometimes expected to hinder effective corporatist negotiations at the European level? Notwithstanding the persistence of these characteristic features of EU governance in general, EU institutions actively prompted more encompassing and quasi-monopolistic patterns of interest representation in the social policy field and for the collective negotiations under the Maastricht Treaty. Both Council and Commission have supported the 'monopolization' of pacts under the Social Agreement by the three major cross-sectoral interest federations (ETUC, CEEP and UNICE). This may be compared with the 'licensing' (Schmitter) in corporatist national systems, even though it mostly relies on incentives for self-organization. In its 'Communication on the Application of the Social Agreement' (COM(93) 600 final, 14 December 1993; paragraph 22ff.), the Commission defined a set of criteria for organizations to be included in consultations on legislative proposals under the Social Agreement. Almost 30 associations may, during the process of consultation, theoretically decide to negotiate on a collective agreement. However, the Commission believed that it is up to the organizations themselves to develop their own dialogue and negotiating structure (see ibid, paragraph 26). A formalized narrow definition of the 'social partners' under the Social Agreement might have been challenged in, and finally reversed by, the European Court of Justice. That de facto there are only three negotiating Euro-groups was nevertheless clearly supported by the Commission when it suspended several legislative projects on the joint request of the 'big three', although it had received responses from many more organizations during the consultations (see, for example, EIRR 260, p. 3). Subsequently, the Council implemented the collective agreements that were signed by the same three

peak federations. In the parental leave case, it explicitly welcomed the fact that for the first time it had been possible to reach an agreement with 'the social partners' on a draft Directive (European Council declaration 1995, point 6).

On both sides of industry, smaller interest groups[17] protested in vain against the three major federations' de facto monopoly on negotiating as cross-sectoral social partners under the Social Agreement. The European association of Small and Medium-sized Enterprises (UEAPME) even filed an unsuccessful lawsuit against the Council.[18] The Commission was eager to find a way to satisfy these groups so as not to endanger the legitimacy of the new corporatist decision mode, for example, by encouraging the small associations to link up with the major groups. Since then, several Euro-groups on the employer side were included in the social partner negotiations on an observer basis. UEAPME concluded a cooperation agreement with UNICE envisaging consultations before UNICE represents employer positions in the social dialogue, but it does not have a veto right. Thus, while the representativeness and public acceptance of the negotiation procedure seem improved, the greater decision-making capacity associated with the exclusive participation of only three associations has been upheld.

Not all the elements of Schmitter's 1974 elaborate ideal-type description of a corporatist interest group system are present in the corporatist policy community with regard to European social policy. However, in essence a structurally corporatist pattern as set out in the two-dimensional Schmitter-Lehmbruch definition is present. Only a few groups, which are not competing with each other for membership, negotiate. They have proved capable of striking deals and were acknowledged by 'the state' (that is the Commission and the Council) as legitimate representatives of 'labour and industry' at the EU level.

CONCLUSIONS

This chapter's main argument is that an 'encapsulated tripartism' (an expression suggested by the editors of this volume) exists in the field of EU social policy: in the form of a corporatist policy network. At the same time, corporatist patterns have never been successful as a mode of steering the EU in overall terms. While third-generation corporatism is lacking, fourth-generation corporatist patterns do exist (see Table 9.1). That EU-level corporatism seems to have skipped a generation may have to do with the later establishment of its political system if compared with the nation state and with the changed economic conditions. It may also have to do with the often complementary character of the supranational EU system in relation to domestic systems. As national governments were often reluctant to transfer sovereignty

to the supranational level, so too were interest group leaders. In both cases, this has not fully prevented integration, but progress has been slow and incremental at best. The EU, in particular the European Commission, has at times made a deliberate point of promoting a tripartite mode of governance. At the same time, in many other instances, the Commission made active use of the much greater discretion allowed by decision-making without veto power for organized groups, in particular on the issues of liberalization.

Returning to the meso-level of policy areas, there are several examples of corporatist cooperation, although this is certainly not the most frequently practised policy style. However, it must be noted that recently state backing for the corporatist policy community in the field of social policy seems to have faded. As mentioned, the latest agreement on telework was only a voluntary one, and there has not been a binding agreement for a number of years. Instead, ETUC, UNICE and CEEP recently announced that a work programme for an 'autonomous' social dialogue on predominantly non-regulative issues, would be implemented through their own national procedures. It seems that the momentum with regard to binding agreements to replace formal Council Directives in the social policy field is for the time being lost.

A number of factors explain the current difficulties. First, the shadow of the law is now less visible than when the first agreements were negotiated. There are no Commission proposals anymore that are discussed in the Council before they are appropriated by the social partners. In the years immediately after the Maastricht Treaty ETUC, UNICE and CEEP grasped the opportunity to take over longstanding legislative projects that had been blocked in the Council. Second, the European Commission has recently favoured the method of 'open coordination', which now enjoys considerable public and media attention. Third, the additional legitimacy potentially conferred upon a political system by the 'social partners' seems to be less urgently needed at the time of writing, as compared to the post-Maastricht era, once the framework for economic and monetary union had been established. Meanwhile, the main focus of attention has shifted to the Convention drafting a Constitution for Europe; the ensuing intergovernmental conference and on the enlargement of the EU in 2004. The latter certainly represents a major challenge, not only for the EU itself, but also for its organized interests. Not only will finding agreement be even more difficult in an EU of 25. Additionally, even more diverse social conditions, labour law standards and social dialogue traditions will make meaningful agreements anything but easier.

In more general terms still, the example of EU social policy after Maastricht suggests that a fourth-generation corporatism in specific policy sectors may indeed develop in a process of co-evolution of political regime and organized interests. In this respect, crucial dynamics are similar to those operating at the national level. However, this needs to be put into perspective.

Corporatist policy communities represent only one mode of governance among many within the contemporary EU system. One may even argue that EU corporatism has moved from high-stake to low-stake political arenas (as referred to by the editors of this volume). Furthermore, at the EU level corporatist decision-making in the social policy field seems even less stable than domestic corporatism. Further research is needed to establish if the declining significance of corporatist patterns in EU social policy is mirrored in other EU policy areas. The fact that continuous long-term stable corporatist cooperation has failed to emerge in EU policy-making conforms to recent national experience. 'Indeed, the most likely pattern for the forseeable future may be cyclical, rather than linear' (Schmitter 1996c; see also Schmitter 1989; Schmitter and Grote 1997). Generally the tides of corporatism seem to relate to changing need for consensus, as perceived by political leaders. It seems that many governments have recently opted for more innovation at the price of less social peace. Perhaps scholars interested in corporatism should pay more attention to the political conditions of corporatist cooperation, as opposed or in addition to the economic ones and as opposed to the structure of interest groups.

Two final insights arise from the 'EU and corporatism' debate. First, the debate on Euro-corporatism confirms what Schmitter (1997, p. 287) and Lehmbruch (1996, p. 735) pointed out from the start, that corporatism is not a theory. Still, corporatism is a very useful concept and it would be unthinkable today not to refer to it. Without any doubt, it was a crucial typological innovation to go beyond the pluralist image of competing pressure groups and of the state as a unilateral policy-maker. This is regardless of the fact that empirically corporatist patterns have shifted from the systemic level to that of specific policy networks.

Second, the political clout of corporatist policy communities cannot equate to ideal-typical 1970s neo-corporatism. It still seems useful to have such an ideal type, as a contrast to more pluralist or statist patterns, but it must be emphasized that the overall political significance of policy-specific fourth-generation corporatism cannot be compared with that of earlier generations. The more restricted in scope and the less stable corporatism becomes, the less possible it seems that the private interests involved should be in a position to establish a genuine centre of political power in opposition to the state and to make their contribution to the shaping of public policies truly significant.

More generally, the notion of 'generations' of corporatism could be of interest for broader-based theory. New institutionalist writers have recently studied the evolution of institutional arrangements (Pierson 2000a, 2000b). If we similarly regard corporatism as an institution in the wider sense, it appears that the concept of 'layering' as suggested by Thelen (2003) may be a suitable heuristic tool to capture the gradual shrinking of an institution. In our case, we have

seen how corporatism attenuated over time in both functional scope and political significance.

NOTES

1. Most recently, see (Schmitter 2003, 1996a, 1996b). Among his classics are (Schmitter 1969; 1970). In this volume, see Hooghe and Marks.
2. See, in particular, his innovative proposals for improving the status quo via semi-public interest associations funded via citizen vouchers (Schmitter 1994, 1992) and a distributive Euro-Stipendium (Schmitter and Bauer 2001). In this volume, see Crouch, della Porta, Offe and Preuss, and O'Donnell.
3. See, for example, (Schmitter and Torreblanca 2001). In this volume, see Bruszt and Karl.
4. This chapter assembles and extends arguments I have presented in different earlier writings (for example, Falkner 1998, 1999, 2001, 2003a, 2003b; Falkner et al. 2005).
5. However, it needs to be mentioned that authors in the European integration sub-field of political science do not necessarily refer to the same thing when talking about 'corporatism' (for the classic conceptualization by Schmitter and Lehmbruch, see below.) Schmidt defines 'corporatism' as a situation where interests have privileged access to both decision-making and implementation (Schmidt 1996, 1997). Kohler-Koch describes corporatism at the macro level of political systems as the pursuit of a common interest and the search for consensus instead of majority voting (Kohler-Koch 1999, pp. 26ff).
6. The label of 'meso-corporatism' is not of help here, for it was never applied in a uniform manner. It was (and is) used by different authors to refer either to economic sectors (for example, the dairy industry), to cross-sectoral policy areas (for example, environmental policy), to the regional or local level, or even to distinguish between different levels of interest organization.
7. See also Streeck and Schmitter 1991: p. 208; Eising and Kohler-Koch 1994; Greenwood et al. 1992b; Mazey and Richardson 1993; Pedler and Schendelen 1994; Eichener and Voelzkow 1994b; Greenwood 1995; Wallace and Young 1997; Kohler-Koch and Eising 1999.
8. The Commission and the social partners may jointly decide to extend this period.
9. There have also been a number of developments at the sectoral level (Keller and Sörries 1999; Keller and Bansbach 2000).
10. For details, see Falkner 1998, pp. 97–113.
11. For details, see Falkner 1998, pp. 114–128.
12. This procedure provided a solution to what had been perceived as a major obstacle to the development of corporatist patterns at the European level (Keller 1995; Obradovich 1995), that is that CEEP, the ETUC and UNICE lack the powers to implement their agreements directly via their member organizations.
13. To be implemented, not via a Council Directive, but by the interest groups themselves.
14. This led to pressures for further reform of the voting procedures in UNICE (about which see below).
15. Except in financial and statutory matters (Ebbinghaus and Visser 1994, p. 239; Dølvik 1997a, 1997b).
16. For details, see Falkner 1998, pp. 159f.
17. These are mainly UEAPME (representing small and medium-sized enterprises) and EuroCommerce (representing firms in retail, wholesale and international trade) on the employers' side, and CESI (representing independent trade unions) and CEC (representing professional and managerial staff) on the side of workers.
18. The argument that the signatory parties to the parental leave agreement were not representative was rejected by the European Court of Justice (case T-135/96 decided 17 June 1998).

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Postscriptum: working with Philippe

Guillermo O'Donnell

I met Philippe at Yale, in 1969. By then he had already published on Latin American integration, a remarkably anticipatory work of the integration efforts that are nowadays taking place in this region, and one that introduced him to a literature that he put to very good use in his work on the European Union. Furthermore, Philippe had by then finished his doctoral dissertation on Brazil, which soon after he published in a book which was widely recognized as one of the best studies of this country ever and in which he first tried his hand at a concept – neo-corporatism – that afterwards would generate a mountain of research and discussion.[1]

The Yale meeting was on 'Authoritarian Brazil' and Philippe was contributing a paper. But his main activity was organizing a network of solidarity against the harsh repression that the Brazilian bureaucratic-authoritarian regime had by then unleashed. With his usual energy and altruism Philippe was extremely effective in this task, bringing to the attention of academia and the international media the abuses that were being perpetrated in that country. This earned him the gratitude and respect of many present at that meeting, not least the Brazilians including future President Fernando Henrique Cardoso and future Minister of Culture Francisco Weffort, along with this Argentinian, who could understand the issue very well. In this undertaking Philippe evinced what he would show again and again: an effective commitment to basic values of human decency, and the love and respect with which he would treat, and keep in his heart, the countries he researched on. The many friends that he has everywhere bear witness to this.

Later on, in 1974, he and I agreed on our first undertaking: the organization of a seminar on 'The state and public policies', run jointly with my compatriot Oscar Oszlak and sponsored by the Social Science Research Council. We ran this seminar in Buenos Aires at times when violence was rampant between various guerrilla movements and right-wing paramilitary groups. At the slightest sign of imminent violence the streets were suddenly deserted, and the night belonged to cars filled with heavily armed thugs. Another of Philippe's characteristics is his insatiable will to learn everything about the people of the countries he visits. This led him to ask questions in the streets, in cafés and in restaurants, to individuals he approached with his broad smile and upbeat

mood, in ways and circumstances that we natives dared not risk. (In this, Philippe was obviously helped by the fact that often he would be eating enormous watercress salads while informing everyone who cared to listen that it was the best watercress in the world.) During the seminar the students, as well as Oszlak and myself, were equally amazed by what was going on in Argentina and by the veritable explosion of ideas that Philippe put to us.

Then, in 1976, came the coup in Argentina. It inaugurated a terrorist state, with thousands of persons 'disappeared' or directly murdered. In mid-1975, already seeing the coup coming, some Argentinian scholars had created a small think tank, CEDES, which we hoped could survive as a space of intellectual freedom in the midst of those horrors. Our hopes depended to a significant extent on having an international 'umbrella' of academics and institutions whose solidarity would raise the perceived costs of annihilating us. The Ford Foundation, the Swedish Agency of Development, the Woodrow Wilson International Center for International Scholars, and several individuals, Philippe of course included, generously agreed to provide us with that umbrella. We managed to survive, although several members of CEDES had to leave the country in a hurry. I myself, tired of such an ambience, left for Brazil in 1978, believing hopefully, but wrongly, that this was for a short time.

Shortly thereafter, the Wilson Center made a felicitous decision: appointing Abe Lowenthal secretary of its Latin American Program. He established an advisory council chaired by Albert Hirschman and including among its members Cardoso, Philippe and myself. With a wink from Abe, the three of us soon began to develop what we called a 'conspiration'. This we could do both because of the trust among us that had developed through solidarity during the misadventures of Brazil and Argentina (and by then also Chile and Uruguay) and because we felt that our work had important communalities in terms of the topics we approached and the concerns it expressed.

So we proposed to the Wilson Center a project that would study transitions from authoritarian rule, a topic to which the very recent, and by then uncertain, transitions in Spain and Portugal (a country that Philippe had also been studying) gave encouragement. This proposal was strongly supported by the Academic Council, with Abe and Hirschman taking a leading role in making it feasible. Yet the project encountered strong resistance within the Wilson Center and, more broadly, in Washington, DC. These opponents argued that the idea was no more than the wishful thinking of marginalized Latin American intellectuals supported by some US 'radicals' (that is, mostly Philippe), at times when the political climate in that city favoured a benevolent view of the repressive regimes of its Southern neighbours. Abe showed skill in overcoming these obstacles, coining along the way the felicitous turn of phrase that this project was not the result of wishful thinking but an expression of 'thoughtful wishing'.

So the project was launched. Shortly afterwards we received the bad news – bad only for us, of course – that Cardoso had become a national senator. Faced with the challenge of replacing him as co-coordinator of the project, Abe had an excellent idea: after consultation with Philippe and me, Laurence Whitehead was appointed to the role. So we ran several meetings at the Wilson Center, with prospective chapter authors and several distinguished scholars (such as Juan Linz, Alessandro Pizzorno and Robert Dahl) as valuable resource persons. Philippe and I had already written preliminary pieces which were discussed at those meetings and which hopefully would serve to provide some common focus for the chapters we were commissioning.

Armed with these pieces, Philippe and I got together in 1983, at the Kellogg Institute for International Studies of the University of Notre Dame, of which I had been appointed academic director. These were the first years of computer word processing. Philippe put himself to work on my text, using a computer that the Institute had just proudly bought and loaded with the prehistoric Wordstar program. After several days of work, the file mysteriously disappeared and all efforts to recover it failed. It was then that Philippe, whose mood had not been helped by his low opinion of the quality of life in South Bend, had a tantrum that is still remembered with awe by the oldtimers of the Kellogg Institute. Eventually somebody recovered the file – for the benefit of scholarship and the survival of the institute.

It was then that the drafts of the chapters that would be part of the four volumes of *Transitions from Authoritarian Rule* started to arrive. Laurence, Philippe and I had a big task ahead, revising, commenting and editing those texts, and finalizing our own. So Philippe, who was already in his first tenure as professor at the Istituto Universitario Europeo, invited us to work for two weeks in the beautiful villa he had rented. As soon as Laurence and I arrived it became clear to us that Philippe had fallen irretrievably, passionately in love with Italy and everything Italian – which to my mind leads him to sometimes exaggerated claims about the supreme quality of Italian wines, cheeses and vegetables, though he may have a point about pasta and olive oil. It also became clear that, perhaps as a legacy of the Argentine watercress, Philippe had perfected to the point of sublime complexity the art of salad making. In this congenial setting we put ourselves to work. And we got through it all! So Philippe, as everyone knows, a lover of Macchiavelli, arranged for a superb dinner at the place where, he claimed, Macchiavelli had lived while exiled from Florence.

So we joyfully prepared for the great dinner. But I had the bad idea of first taking a shower and breaking my leg. Instead of Macchiavelli's place we landed in a Florence hospital, where after some inquiries Philippe – admitting that everything was not always perfect in Italy's public health system –

informed me that all the bone surgeons were at a congress in Sicily and would not return to Florence for three days . . . I spare telling the reader about the torture that those days were, worsened by the very sad fact that Philippe had to rush to France because his mother had passed away. Not a good ending to a project that was wonderful, not just intellectually but also because it cemented a friendship that continues until today (even though at the time I did not consider particularly appropriate a remark Philippe made, undoubtedly with the intention of lifting my mood, to the effect that we Argentines have such a penchant for dramatic endings to everything!)

The *Transitions*[2] work had a great impact – especially, I must say, its fourth volume, written by Philippe and me, which he called 'the green book' because of the colour of its cover. Even more than the great satisfaction given to us by the many discussions and citations that the book (and its translations into Spanish and Portuguese) provoked in liberalizing and democratizing countries, we were elated by the news that it was being circulated, photocopied and translated in *zamisdat* editions in several countries of the Soviet empire, South Korea, Taiwan, South Africa and elsewhere. Even many years afterwards, it is a great joy for us to meet people who tell us about reading the green book while still living under apparently never-ending authoritarian rule.

Philippe gladly assumed as his own the originally ironic label of 'transitologist', and later on the even uglier one of 'consolidologist'. So, propelled by his awesome energy and carrying these labels by his ever renewed and exciting ideas about these topics as well as more recently by the excellent fruits of his return to international integration, Philippe has been collecting what I believe is the world record for air miles (among academics, at least). His ever-increasing italophilia has not prevented him from becoming a citizen of the world.

Since our Florence *grande finale* we have regularly kept in touch, exchanging ideas and papers (more from Philippe's side than mine), agreeing and disagreeing (especially about 'consolidology') and sometimes sharing critical remarks about certain streams of contemporary political science. We have not reminisced much, however, about the *Transitions* project – except when the Wilson Center decided to celebrate, in October 2004, the 25th anniversary of the launching of the project. There, with Laurence and Abe and a group of distinguished scholars, some of them authors of chapters in those volumes, we remembered the particular political circumstances that surrounded the project, commented on how much the world had changed and wondered how to tackle in future work, of ourselves and especially that of younger scholars, both these changed circumstances and the knowledge we and others have gained from what was right and what turned out to be wrong in those volumes.

NOTES

1. Philippe C. Schmitter (1971), *Interest Conflict and Political Change in Brazil*, Stanford, CA: Stanford University Press.
2. O'Donnell, Guillermo, Philippe C. Schmitter, and Laurence Whitehead (eds) (1986), *Transitions from Authoritarian Rule*, vols 1–4, Baltimore, MD: Johns Hopkins University Press.

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