Corporatism in Decline?: An Empirical Analysis of the Impact of Corporatism on Macroeconomic Performance and Industrial Disputes in 18 Industrialized Democracies

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During the 1970s and early 1980s most studies on corporatism indicated that corporatist policies led to lower unemployment and inflation and higher economic growth rates. In the mid- and late 1980s, however, voices claiming that corporatism is in "decline" became more and more frequent although hardly any empirical examinations were undertaken. The purpose of this study is to estimate empirically the influence of corporatist arrangements on macroeconomic performance and industrial disputes in the 1980s as compared with the 1970s and 1960s. This pooled time-series/cross-sectional analysis provides evidence that corporatist policies have not lost their capacity to achieve the desired macroeconomic goals in the 1980s; in addition, corporatism significantly reduces the number of working days lost. However, no evidence was found that corporatism leads to increased economic growth. There is evidence that economic growth is adversely affected by government outlays.

CORPORATISM IN DECLINE?
An Empirical Analysis of the Impact of Corporatism on Macroeconomic Performance and Industrial Disputes in 18 Industrialized Democracies

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In 1934, Mihail Manoilescu announced that "the twentieth century will be the century of corporatism just as the nineteenth was the century of liberalism" (Schmitter, 1974, p. 85). Philippe Schmitter (1974) questioned Manoilescu’s assertion in his well-known article "Still the Century of Corporatism?" By providing a distinct definition of corporatism and a delimita-

AUTHOR’S NOTE: I would like to express my appreciation to my colleagues at University of California, San Diego, Arend Lijphart, Lisa Martin, Gary Cox, and Nathaniel Beck for their comments on an earlier draft of this article. Special thanks to my colleague Jeff Weldon, University of California, San Diego, for his most valuable support on this article.

tion to pluralism and syndicalism, Schmitter contributed to what has since become a growth industry of studies on corporatism.

As time went on, however, more and more voices that claimed that the heyday of corporatism would be over could be heard. Even Gerhard Lehmburgh (1985) the second eminent writer on corporatism, found it necessary to reassess the concept of neocorporatism in Western Europe. He speculates that "the trend toward corporatism which some authors had predicted in the seventies might be replaced by a general trend towards a 'new laissez faire'" (p. 1). He qualifies his speculation by stating that the crises of corporatist systems were the consequences of what he terms a "socio-technological fallacy." In other words, the seeming decline of corporatist systems of interest representation in countries such as the Netherlands (Wassenberg, 1982), Great Britain (Cox, 1988), Germany (Lehmburgh & Lang, 1968), and even Italy (Regini, 1984) does not indicate a general decline of corporatism; rather, it reflects the unsuccessful attempt of these countries to emulate corporatism found in countries such as Austria, Sweden, and Norway. These attempts of "social technology" failed because they "neglected the fact that those successes [of Austria, Sweden, and Norway] depended on specific structural conditions not necessarily present elsewhere" (Lehmburgh, 1985, p. 6).

In a recent article, Ralf Dahrendorf (1989) bluntly states that "the important point in the present context is that corporatism did not last. . . . The appearance of stability which it [corporatism] provided soon turned into stagnation. In Europe, at any rate, corporatism did not lead to concerted action but to quarrelsome paralysis" (pp. 136, 139).

Göran Therborn (1987), after an empirical examination of the impact of corporatism on macroeconomic performance for the period of 1973 to 1985, concluded that "the high hopes in corporatist arrangements and the strong claims of corporatist theory have not been validated" (p. 274). Other scholars such as Alan Cawson are even bolder. Cawson (1985) claims that "macrocorporatism is on the wane, and the claims of 'Modell Deutschland' or 'Modell Österreich' as successful blueprints for other countries to emulate are looking increasingly hollow" (p. 11). In addition, Wolfgang Streeck (1984) states that "as we leave behind the 1960s and 1970s, the defenders of the grand simplicity and the elegant unity of the neocorporatist institutional design are becoming smaller in number, and their resistance is weakening" (p. 310).

Finally, Schmitter (1989), who is partly responsible for starting this cottage industry of studies on corporatism, argues that corporatism could not emerge again even under very favorable conditions such as full employment and a social democratic government. Schmitter (1989) states that "it seems
doubtful that an eventual return to full employment (and even social democratic prominence along with it) will usher in a new era of corporatism” (p. 69).

These pessimistic voices regarding the decline of corporatism beginning in the mid-1980s present the researcher with a real puzzle. After all, not too long ago, during the 1970s and the early 1980s there were numerous studies on the “positive” impact of corporatism on macroeconomic performance. The literature on the stabilizing effects of corporatism particularly during the crisis period of the 1970s is tremendous (Bruno & Sachs, 1985; Cameron, 1984; Crouch, 1985; Lehner, 1988; Paloheimo, 1984; Schmidt, 1982a, 1982b, 1986; Schott, 1984; Wilensky & Turner, 1987). These authors stress that corporatist countries were more successful in lowering inflation and unemployment rates than pluralist countries in the periods of crises in the 1970s. A similar argument is made with regard to economic growth. Evidence was found that corporatist countries were better able to further economic growth than pluralist countries (Hicks, 1988; Hicks & Patterson, 1989). Lange and Garrett (1985) concluded that encompassing unions combined with a strong political left would spur economic growth. In addition, some authors noted that countries with corporatist systems of interest representation have lower strike activity when compared to countries with a more competitive pluralist system of interest representation (Cameron, 1984; Czada, 1983; Humphries, 1990; Korpi & Shalev, 1979).

According to Olson (1982) the degree of inclusiveness of distributional coalitions is crucial when it comes to growth effects; if they are noninclusive, individual, and atomistic they display the growth retarding effects that are described as institutional sclerosis. Empirical tests of Olson’s (1982) theory that claims that countries with individual, atomistic interest groups should suffer institutional sclerosis have provided conflicting results. Some studies indicate that distributional coalitions do have growth-retarding effects (Choi, 1983; Weede, 1984, 1986); others provide evidence that this is not the case (Cameron, 1988; McCallum & Blais, 1987; Nardinelli, Wallace, & Warner, 1987). However, if the functional groups are organized in an encompassing and centralized fashion, they will be more likely to consider the macroeconomic consequences of their actions (Jankowski, 1988; Olson, 1982, 1983). Encompassing organizations tend to promote the “general interest” because it coincides with their interest. As organizations become more encompassing, they have an interest in “internalizing the externalities” of collective action. Similarly, Colin Crouch (1985) observed that

the effect of central coordination among unions is to offset the impact of the level of unionization—that is, the more centrally united is organized labor, the more are its actions compatible with the stability of that market economy against which labor started to organize itself in the first place! (p. 139)
Olson's thesis, as elegant as it is, suffers from a very weak independent variable which is the "age" of a democracy.

What happened in the mid- to late 1980s that led once staunch defenders of corporatism suddenly to abandon this concept? How can this assertion of "decline of corporatism" be measured? What are the explanations of this decline? Most importantly, how does this decline, if there is one, manifest itself? The purpose of this article is to estimate empirically the effectiveness of corporatist arrangements over various time periods cross-nationally for 18 countries. The claim of the decline of corporatism will be tested by examining the impact of corporatism on actual political and economic outcomes, not the means by which these outcomes (intended or unintended), were pursued. This study centers around the effectiveness of corporatism to achieve the desired macroeconomic results, such as lower inflation rates, lower unemployment rates, and higher growth rates than in pluralist countries. As mentioned above, corporatism has always been connected to its ability to provide better macroeconomic performance and lower industrial disputes than in pluralist countries. The two most important explanatory or predictor variables will be an interactive term consisting of corporatism multiplied with a decade dummy representing the 1970s and an interactive term consisting of corporatism multiplied with a decade dummy representing the 1980s. Because the emphasis of this study is on the impact of corporatism in the 1980s, an interactive model is introduced that captures the effect of corporatism in the 1980s as compared to the 1960s, which is treated as a reference category against which the 1970s and 1980s are measured. I will employ a composite measure of corporatism consisting of 12 expert judgments.

Variation in the dependent variables could also be explained by factors other than corporatism, such as changes in the political composition of government, total government outlays, and economic openness; these variables serve as control variables. The purpose of this study is to examine whether or not corporatism had a significant impact on various macroeconomic and social variables in the 1980s as compared to the heydays of corporatism in the 1960s and 1970s. Corporatism as a predictor will be joined by three other control variables — political dominance, government outlays, and economic openness — in order to isolate the effect of corporatism on unemployment, inflation, economic growth, and, as a political variable, the number of working days lost.

The relationship between corporatism and macroeconomic performance does not necessarily have to be a linear one. Indeed it has been argued that it might be quadratic rather than linear. In other words, both weak corporatism (pluralism) and strong corporatism should have statistically positive effects on macroeconomic performance. However, countries with an inter-
mediate degree of corporatism should suffer the consequences that ensue when organized interests are strong enough to cause major disruptions but not inclusive enough to bear any costs for society as a result of their self-interested actions (Calmfors & Driffil, 1988; Heitger, 1987).  

This study employs a pooled time-series/cross-sectional model to estimate the impact of corporatism, combined with other independent variables (additively and multiplicatively) on macroeconomic performance and industrial disputes over three time periods in 18 countries. Therefore this model is a cross-sectional dominant one \((N = 18, t = 3)\) (Stimson, 1985, p. 929). Broadly speaking, if corporatism has lost its capacity to provide the desired macroeconomic results and the desired lower number of industrial disputes, then we can speak of a decline of corporatism. In other words, the effectiveness of corporatism is measured directly by its macroeconomic and social outcomes. The comparison of 18 countries in three time periods allows us to observe diachronic change that is necessary if evidence for a decline or rise in the effectiveness of corporatism is to be provided.

**DOES CORPORATISM MATTER?**

What is the public good that corporatism is supposed to provide? The literature on corporatism suggests two major outcomes of corporatist arrangements: First, corporatism is expected to provide desired macroeconomic outcomes as exemplified in the studies on the effectiveness of corporatism mentioned above, and second, corporatism should achieve social harmony. Thus a good macroeconomic performance can be seen as the vehicle by which the most important policy output of corporatism can be achieved: social harmony. Leo Panitch (1979) claims that “the major value of corporatism [is] social harmony” (p. 119).

Why are macroeconomic variables such as inflation, unemployment, and economic growth so important for corporatist arrangements? The reason lies in the fact that corporatism is an effective means to produce social harmony in a society that is characterized by the prevalence of a socioeconomic cleavage structure. Political stability is considered to be a function of the provision of intragenerational equity. Therefore many students of corporatism claimed that as long as corporatism “delivered the goods,” political stability would ensue. The smallest common denominator that united labor with business was intrinsically material. Corporatism came to be seen as essentially “representing efficiency” (Magagna, 1988, p. 420).

Austria, considered to be the most corporatist country in the world (Lehmbruch, 1982), is a very illustrative case. The very nature of the Austrian
social partnership is one of stability, of equilibrium between the functional
groups. The social partnership is not a means to redistribute dramatically
societal wealth nor to revolutionize society (Pelinka, 1981). It is a means to
prevent violent struggles between labor and business—it channels that
violent potential and turns the class conflict into a “permanent war of
manoeuvre between interest associations over organizational advantages
within the institutional system” (Marin, 1985, p. 117).

The only way of increasing the income for labor and capital simulta-
neously is to assure economic growth. If redistribution is not possible, the
only way of getting a bigger piece of the pie is to make the pie bigger. As
diametrically opposed as the policy proposals of capital and labor might be,
both functional groups are committed to promote economic growth. It is a
policy area on which the social partners completely agree. To maintain
economic growth has become an ersatz ideology for the Austrian social
partnership. “The essence of the ‘basic consensus’ can be reduced to macro-
economic, pragmatic and utilitarian orientations, procedural forms and an
agreement to disagree ideologically” (Marin, 1985, p. 117). To maintain
social harmony, economic growth is a condition sine qua non—economic
growth has become the reason of existence for the Austrian social partner-
ship. The smallest common denominator that unites labor and business is
intrinsically material.3 “The ultimate goal [of corporatism] is to maximize
economic growth and productivity. . . . The essence of corporatism, there-
fore, is a politics of representative efficiency” (Magagna, 1988, p. 429).

In the context of game theory, the strategic actors have achieved coopera-
tion at the “first level of conflict.” Both actors realize that they are better
off settling on each other’s terms than suffering from the disruptive effects
of noncooperation, namely economic depression and political instability. Of
course, each actor will still prefer that the other one will agree to the terms
set by the first one. As a result, the nature of cooperation that takes place
among the strategic actors in a corporatist setting is best described in the
so-called “battle of the sexes” game rather than a prisoner’s dilemma game
(Achatz, 1984). The “battle of the sexes” game is of enormous practical
significance because in some respects it is superior to the prisoner’s dilemma
game in its capacity to reflect “real-life” situations despite of its lack of a
Nash equilibrium. The coexistence of competitive and cooperative elements
in “battle” calls for solutions as simple as turn taking, which creates temporal
hierarchies that prevent a permanent exploitative relation of one actor over
the other (Kreps, 1990; Scharpf, 1991). If the game is iterated and no sunset
rules are specified, deadlock can be overcome by alternatively “giving in” to
the preferences of the other, knowing that permanently pursuing one’s own
self-interest will lead to situations such as lockouts and strikes, which are in
no one’s interest. Austria seems to have impressively mastered that “give and take,” at least until the mid-1980s.

The discussion above has isolated the most important dependent variables in this study: For the macroeconomic variables, inflation, unemployment, and economic growth will be examined. To measure industrial disputes, the number of working days lost will be used as a proxy for social harmony.

**HYPOTHESES AND RESEARCH DESIGN**

Even though Schmitter (1974, 1981, 1982, 1989), Dahrendorf (1989), Lehmbuch (1982, 1983, 1984, 1985; Lehmbuch & Lang, 1968), Cawson (1985), and Streeck (1984) speak very confidently about corporatism’s decline, they do not exactly specify how this decline would manifest itself, let alone how this decline could be measured. Previously, I spelled out the central policy goals of corporatism: social harmony and (as a vehicle of achieving social harmony) satisfactory macroeconomic performance. In other words, as long as corporatism “delivers the goods,” political stability (in this study, industrial peace) will follow. This string of causality broadly applies to societies that are characterized by a socioeconomic cleavage structure.⁴

The time period from 1961 to 1988 is divided into three phases. The first phase is the “sixties.” This was essentially a period of rapid economic growth across all industrialized democracies. In this period “economic miracles” took place in countries such as Germany, Austria, and Japan. The range of the sixties is from 1961 to 1973.

The second phase, the “seventies,” ranges from 1974 to 1982. The biggest recession since the Great Depression characterizes this period. The quadrupling of the oil prices by OPEC in 1973-1974 led to double-digit inflation and to a considerable increase of unemployment in most industrialized democracies. The second oil crisis, which took place in 1979-1980, had similar effects on national economies. The phenomenon of stagnation proved many economists wrong who believed in the validity of the Phillips curve. Policymakers realized that in times of stagnation there is no trade-off between inflation and unemployment.

The “eighties” for my purposes, ranging from 1983 to 1988 constitute Phase 3. This is a phase of patchy economic recovery that might have been the result of the conservative tide that swept over many countries in this period, most importantly, the United States, West Germany, and Great Britain. Even though some strata of society improved their level of welfare, some, particularly minority groups, suffered losses in standard of living. The
1980s were a decade of mixed economic success. Stagflation lingered on to varying degrees, particularly in European countries. The specter of "Eurosclerosis" was haunting Europe. Phase 3 is the most relevant one for this study because the decline of corporatism is claimed to have occurred in the eighties. Therefore a comparison of the performance of corporatism in the sixties with the seventies and eighties will shed light on its alleged lack of effectiveness to provide favorable macroeconomic performance and a low number of working days lost.

The dependent variables inflation, unemployment, economic growth, and number of working days lost will be broken down into the three phases previously mentioned. For the main independent variable the assumption is that throughout the various time periods corporatism as a structural institution does not vary consistently but that there is variation in its effectiveness to achieve desired macroeconomic and social outcomes. In other words, the institutional framework of corporatism may exist but this does not necessarily mean that macroeconomic and social variables are indeed affected by this institution. The independent variable, corporatism, remains the same in each country over all three phases because it is assumed that this institutional structure (Corporatism 1) does not vary considerably over time, but it is hypothesized that its effectiveness (Corporatism 2 = concertation) varies over time. Schmitter (1982) made this important but widely disregarded distinction. Schmitter's (1974) well-known ideal-typical definition of corporatism represents his first type of corporatism. Concertation, or in Schmitter's (1982) terms Corporatism 2, means that "affected interests . . . become incorporated within the policy process as recognized, indispensable negotiators and are made coresponsible (and occasionally completely responsible) for the implementation of policy decisions, which then take on a characteristically semi-public or para-state quality" (p. 263). Neocorporatism, then, has two conceptually distinct meanings. The first refers to an interest group system in which these groups are organized into national, specialized, hierarchical, and monopolistic peak organizations (Schmitter, 1974). The second, concertation, refers to the incorporation of interest groups into the process of policy formation and implementation. In reality, both types tend to occur together. My argument is that the more informal type, concertation, is more likely to vary than the rigid, institutional set-up that corresponds to Schmitter's original definition. The neoconservative renaissance of the eighties in countries such as West Germany, the Netherlands, and Great Britain made concertation more difficult for labor than in the seventies that were characterized by social democratic dominance.

The argument made here is as follows: Corporatism as an institution (Corporatism 1) has not dramatically changed over time; what has changed
is the effectiveness of concertation to intervene successfully and produce policy outputs that are equally desired by the functional groups. From now on, the term corporatism refers to Corporatism 2 or concertation. The literature stresses the importance of the combination of corporatism with the political composition of government. It is widely assumed that corporatism is more effective when it is combined with social democratic governments. “It is also expected that the degree of corporatism will vary positively with the degree of political power attained by labor through left wing parties” (Humphries, 1990, p. 170). Change in the political composition of government from the left to the right might explain a decreased effectiveness of corporatism to achieve the desired macroeconomic outcomes. This is precisely the argument made by Schmitter (1974, 1981, 1982, 1989), Dahrendorf (1989), and Lehmbuch (1982, 1983, 1984, 1985; Lembruch & Lang, 1968). The term “effectiveness” of corporatism is operationalized as follows: It simply refers to the capacity of corporatism to achieve its goals as theoretically deduced previously. In other words, corporatism in the eighties is seen as effective if it still has the capacity to provide the desired macroeconomic outcomes and social harmony for the eighties as compared to the sixties, the heyday of corporatism. If corporatism fails to serve this function it is assumed that its effectiveness has declined. Therefore this study stresses an interactive model. The impact of corporatism in the eighties and the seventies in relation to the sixties will be estimated. The model is such that the sixties are treated as the reference category. In other words, the sixties will be treated as the baseline slope against which corporatism in the seventies and eighties is measured. The interaction for this multiplicative model is simply one between corporatism and a decade dummy variable.

Hypothesis 1: Given Schmitter’s and Dahrendorf’s explanations for the decline of corporatism as a result of a shift from social democratic governments to conservative governments and the shift in their respective economic philosophies in the early 1980s, a lack of macroeconomic effectiveness of corporatism in terms of a positive relationship between both inflation and unemployment and corporatism for Phase 3 is hypothesized. In the words of Schmitter (1989), “Negotiations aimed at establishing standard national macro-economic parameters are of decreasing importance, when what is demanded are policies tailored to improve productivity and international competitiveness” (p. 70). If Schmitter and Dahrendorf are right, a positive relationship between corporatism and inflation and unemployment is expected; that is, corporatism should have lost its praised redistributive function in society.

Hypothesis 2: If Dahrendorf (1989) is right that “yesterday’s solutions produced tomorrow’s problems” (p. 134), then it should be expected that higher unemployment and inflation is caused by lower economic growth in the eighties compared to the earlier decades. Therefore it is hypothesized that economic
growth in the eighties is lower in corporatist countries than in the sixties and seventies.

Hypothesis 3: If it is true that corporatist decline manifests itself in low economic growth rates and high inflation and unemployment, then one would expect that this is also mirrored in increased strike activity. Therefore it is hypothesized that corporatist countries suffer a higher number of working days lost in the eighties as compared to the seventies and sixties.

Before a statistical analysis can be undertaken, it is necessary to operationalize corporatism, which will be used as one of the main predictors of this analysis.

OPERATIONALIZATION OF CORPORATISM

The measure of corporatism consists of 12 judgments made by experts who attempted to quantify corporatism (Bruno & Sachs, 1985, p. 226; Cameron, 1984, p. 165; Crouch, 1985, p. 117; Czada, 1983, p. 425; Lehner, 1987, p. 58; Lembruch, 1984, p. 66; Marks, 1986, p. 261; Schmidt, 1982a, p. 245; 1986, p. 263; Palloheimo, 1984, p. 11; Schmitter, 1981, p. 294; Schott, 1984, p. 43; Wilensky, 1981, p. 363). The various indices of corporatism had to be standardized in order to insure comparability with one another. After they had been standardized they were simply added and standardized again in order to create a highly aggregated, composite score of corporatism for the 18 countries based on 12 expert judgments. The advantage of standardizing is that it ensures comparability of variables that have been measured on different scales. After standardization every index has a mean of 0 and a standard deviation of 1. The disadvantage is that standardized variables are harder to interpret if regression techniques are applied in order to explain various relationships. Nevertheless, direction, strength, and significance of the associations can still be assessed, even though it is less intuitive to grasp the meaning of a one-unit increase or decrease of standard deviation of corporatism.

DATA AND FINDINGS

Table 1 provides data for the dominant tendency in government and the number of working days lost as well as a composite standardized measure of corporatism consisting of 12 expert judgments.
Table 1

Corporatism, Dominant Tendency in Government, and Number of Working Days Lost

<table>
<thead>
<tr>
<th>Country</th>
<th>Corporatism</th>
<th>Dominant tendency in government</th>
<th>Number of working days lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1.600</td>
<td>3 5 4</td>
<td>13.22 0.66 0.85</td>
</tr>
<tr>
<td>Norway</td>
<td>1.531</td>
<td>3 5 4</td>
<td>16.80 27.27 61.71</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.396</td>
<td>5 4 5</td>
<td>14.66 72.25 31.19</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.006</td>
<td>2 3 2</td>
<td>7.43 7.14 4.96</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.518</td>
<td>3 4 4</td>
<td>103.81 43.31 110.62</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.505</td>
<td>2 2 2</td>
<td>1.30 0.74 0.23</td>
</tr>
<tr>
<td>Germany</td>
<td>0.480</td>
<td>3 4 2</td>
<td>10.42 12.02 18.84</td>
</tr>
<tr>
<td>Finland</td>
<td>0.427</td>
<td>2 3 3</td>
<td>137.14 170.71 228.52</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.258</td>
<td>2 2 3</td>
<td>49.43 67.18 n.a.</td>
</tr>
<tr>
<td>Japan</td>
<td>0.053</td>
<td>1 1 1</td>
<td>38.17 27.45 3.01</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.528</td>
<td>2 3 3</td>
<td>146.00 200.25 110.78</td>
</tr>
<tr>
<td>France</td>
<td>0.725</td>
<td>1 1 3</td>
<td>58.84 56.09 17.08</td>
</tr>
<tr>
<td>Italy</td>
<td>0.851</td>
<td>2 2 2</td>
<td>298.14 347.81 938.09</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-0.862</td>
<td>3 4 1</td>
<td>121.75 188.73 153.53</td>
</tr>
<tr>
<td>Australia</td>
<td>-1.025</td>
<td>2 3 4</td>
<td>105.69 261.55 105.50</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-1.106</td>
<td>2 3 5</td>
<td>42.15 117.91 219.37</td>
</tr>
<tr>
<td>Canada</td>
<td>-1.335</td>
<td>1 1 1</td>
<td>181.14 368.31 202.07</td>
</tr>
<tr>
<td>USA</td>
<td>-1.341</td>
<td>1 1 1</td>
<td>155.90 143.97 47.00</td>
</tr>
</tbody>
</table>

Note. The 18 countries are ranked according to their degree of corporatism in descending order. Data on the composite, standardized score of corporatism have been created in cooperation with Arend Lijphart. Data on dominant tendency in government for the years 1960 to 1975 and from 1973 to 1977 are from Schmidt (1982b). Data on political dominance for the years 1978 to 1988 are my own based on Schmidt’s method of operationalization. The numbers for the variable political dominance are interpreted as follows: 1 = bourgeois hegemony, 2 = bourgeois dominance, 3 = balance, 4 = social democratic dominance, 5 = social democratic hegemony. Data on number of working days lost are from various editions of the Year Book of Labour Statistics (International Labour Office, Geneva). The data show the number of working days lost in thousands per 1 million population; n.a. = not available.

In Table 1 corporatism and political dominance are the two main independent variables whereas the number of working days lost represents one of the dependent variables. A closer look at corporatism in Table 1 displays the familiar pattern: Austria, Sweden, and Norway are the strongest corporatist countries whereas countries such as New Zealand, Canada, and the United States are at the least corporatist. But there is an additional pattern visible. The last 5 countries out of 18 are English-speaking countries. The probability of this happening by chance is very low. Arend Lijphart (1990), observing a
similar pattern with regard to the occurrence of consensual arrangements in various countries, explains this pattern with the British political heritage.

The countries with a British political heritage (Britain itself, New Zealand, Ireland, Australia, Canada, and the United States) are all highly majoritarian. . . . The influence of the Westminster model as a normative example has tended to interfere with the need for more consensual arrangements in some of the countries. (Lijphart, 1990, p. 75)

Although corporatism is not the same as consensus democracy, these two concepts are still related enough (Lijphart & Crepaz, 1991) to employ Lijphart's explanation as to why the five least corporatist countries are English-speaking countries.

Table 2 contains the remaining dependent variables—economic growth, inflation, and unemployment—broken down into the time periods previously described. The numbers represent arithmetic means. In Table 2, the countries are ranked alphabetically.

The purpose of this study is to examine if corporatism has lost its widely accepted ability to provide the desired macroeconomic goals for the eighties by estimating the impact of corporatism on the macroeconomic variables and the variable on industrial disputes in the eighties. However, an additional variable, dominant tendency in government, will be introduced to control for the influence of the political composition of government on the dependent variables. Moreover, two interactive terms will be introduced to estimate the additional effect of corporatism in the seventies and eighties over the effect in the sixties. Because corporatism interacts with a dichotomous independent variable, the model could be described as a multiplicative dummy formulation (Friedrich, 1982, p. 804). The estimation procedure is ordinary least squares (OLS) with heteroskedasticity-consistent standard errors, which allows to obtain consistent estimators of the OLS parameter covariance matrix (White, 1980, p. 817). The general model looks like this:

\[
y = C + \beta 1\text{Corp} + \beta 2\text{Corp*Sev} + \beta 3\text{Corp*Eight} \\
+ \beta 4\text{DomTend} + \beta 5\text{Ecopen} + \beta 6\text{GovOut} + \beta 7\text{Sev} + \beta 8\text{Eight} + \epsilon,
\]

where
- \(c\) = intercept
- \(\text{Corp}\) = corporatism (baseline slope for the seventies and eighties)
- \(\text{DomTend}\) = dominant tendency in government
- \(\text{Ecopen}\) = economic openness
- \(\text{GovOut}\) = government outlays
- \(\text{Sev}\) = dummy variable for the seventies
- \(\text{Eight}\) = dummy variable for the eighties
- \(\text{Corp*Sev}\) = interaction between corporatism and dummy for seventies
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</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>5.12</td>
<td>2.28</td>
<td>3.90</td>
<td>1.90</td>
<td>5.47</td>
<td>8.35</td>
<td>3.55</td>
<td>11.54</td>
<td>7.60</td>
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<td>Austria</td>
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<td>2.20</td>
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<td>4.20</td>
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<td>1.95</td>
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<td>3.62</td>
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<td>9.97</td>
<td>3.24</td>
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<td>6.23</td>
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<td>5.75</td>
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<td>2.46</td>
<td>1.92</td>
<td>2.27</td>
<td>5.60</td>
<td>9.92</td>
<td>4.54</td>
<td>11.47</td>
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<td>16.42</td>
<td>5.89</td>
<td>16.23</td>
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<td>2.34</td>
<td>2.55</td>
<td>5.62</td>
<td>6.77</td>
<td>10.02</td>
<td>4.66</td>
<td>16.92</td>
<td>8.37</td>
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<tr>
<td>Japan</td>
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<td>4.32</td>
<td>1.23</td>
<td>2.01</td>
<td>2.70</td>
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<td>1.34</td>
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<td>12.47</td>
<td>4.89</td>
<td>6.92</td>
<td>1.40</td>
</tr>
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<td>4.05</td>
<td>0.88</td>
<td>1.67</td>
<td>0.33</td>
<td>1.66</td>
<td>4.62</td>
<td>4.87</td>
<td>14.59</td>
<td>10.72</td>
</tr>
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<td>Norway</td>
<td>4.31</td>
<td>3.87</td>
<td>4.32</td>
<td>1.70</td>
<td>1.92</td>
<td>2.75</td>
<td>5.09</td>
<td>9.79</td>
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<td>1.46</td>
<td>2.35</td>
<td>2.02</td>
<td>2.28</td>
<td>2.27</td>
<td>4.67</td>
<td>10.33</td>
<td>6.43</td>
</tr>
<tr>
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<td>4.45</td>
<td>0.34</td>
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<td>0</td>
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<td>0.78</td>
<td>4.25</td>
<td>4.48</td>
<td>2.23</td>
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<tr>
<td>United Kingdom</td>
<td>3.12</td>
<td>0.78</td>
<td>3.48</td>
<td>3.16</td>
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<td>10.82</td>
<td>5.11</td>
<td>14.74</td>
<td>4.70</td>
</tr>
<tr>
<td>United States</td>
<td>4.15</td>
<td>1.64</td>
<td>3.98</td>
<td>4.34</td>
<td>7.22</td>
<td>7.17</td>
<td>3.19</td>
<td>9.01</td>
<td>3.45</td>
</tr>
</tbody>
</table>

*Note.* Data represent averages of years indicated at the top of the table. Data on economic growth (growth of real GDP—percentage changes from previous period), unemployment (percentage of unemployed as compared to total labor force), and inflation (consumer prices—percentage changes from previous period) are from various issues of *OECD Economic Outlook*. Unemployment data for Phase 1 start in 1965 for 14 countries and in 1968 for 4 countries (Denmark, Ireland, New Zealand, and Switzerland).
Corp*Eight = interaction between corporatism and dummy for eighties
error term.

The reference category is the sixties for the equations that
contain interactive terms.

In order to check for the robustness of the impact of corporatism on the
different dependent variables, various control variables will be introduced.
First, the variation of the different dependent variables might be explained
by partisan effects independently of corporatism. In order to investigate the
partisan effect on the various dependent variables, the variable dominant
tendency in government is introduced.

Second, political dominance might have an impact on not only the
dependent variables but also the degree of state intervention. For instance,
in highly interventionist "welfare-states" such as Sweden, Austria, and
Norway we would expect the state to provide measures to decrease unem-
ployment by instituting active labor market policies.\(^8\) Active labor market
policies range from the direct provision of work via sheltered workshops for
handicapped workers to public works projects (highway construction, con-

dition, etc.). In addition, active labor market policies also include sub-
sidies to private businesses to hire new employees, extend seasonal work
year-round, locate or relocate workplaces in areas of high unemployment,
and create new jobs (Wilensky, 1981). Because these incentives are government-
provided, the funds used for these programs are extracted via taxes and/or
bonds and redistributed by means of social policy. Particularly since World
War II there are marked differences in the development of the welfare state.
In 1986, some countries such as Sweden or the Netherlands spent almost 60% 
of their respective gross domestic products (GDPs) as government outlays
consisting of current disbursements and gross capital formation. Other coun-
tries such as Japan, Australia, or the United States spent less than 40% of
their GDPs in the form of government outlays.\(^9\) The increase in the public
sector is mostly due to welfare programs—specifically social security and
assistance. Particularly with regard to unemployment the state is seen as
responsible for providing assistance in the form of unemployment insurance,
retraining programs, and so on. In welfare states the problem of unemploy-
ment is seen much more as a political problem than an economic problem.
"Whatever the perceived causes of unemployment it is now accepted that the
state must provide some grants to assist the unemployed" (Schott, 1984,
p. 35). The more the state intervenes with active labor market policies, the
lower the rate of unemployment. In other words, as government outlays
increase we should expect unemployment to decrease. In Wilensky and
Turner's (1987) words,
The welfare state leaders . . . tend to adopt and expand a great range of social policies that increase the security of their people and thereby make industrial and incomes policies less threatening, while the welfare state laggards, providing less of a "social wage," expose their population to greater risks. (p. 8)

Given this theoretical rationale, it is hypothesized that as government outlays increase, unemployment decreases. The model specification outlined above includes the additional control variable, government outlays, that is used as a proxy variable for the welfare state to estimate its impact on unemployment.¹⁰

Third, because corporatist countries tend to be small countries (Katzenstein, 1983, 1985), economic openness will also be used to estimate its effect on the dependent variables because it is hypothesized that small open economies are strongly influenced by the international business cycles. The domestic policies of small states, no matter how interventionist they might be, might be overridden by the ups and downs of the international business cycles. According to Peter Katzenstein (1985), small open economies are particularly vulnerable and dependent on a global economy. Because these economies are small they do not offer the necessary economies of scale to make production domestically worthwhile. The small European states such as Austria, Norway, and Switzerland must import a wide range of goods that the large industrial countries produce domestically. Small domestic markets force on these states strategies of exporting their goods if they are to produce their products competitively. Therefore dependence on imports and the necessity to export makes the economies of small European states more open and vulnerable vis-à-vis the international economic business cycle. To capture the effect of international dependence as a possible predictor for the various macroeconomic variables the control variable, economic openness, is introduced.

Before looking in detail at corporatism and its interactive terms we need to examine the variables of political dominance, economic openness, and government outlays. The variable, dominant tendency in government, has a significant positive impact on inflation and an insignificant negative impact on unemployment. This finding sheds some light on the hotly debated party-does-matter hypothesis, which claims that leftist governments tend to decrease unemployment at the cost of inflation whereas the policies of conservative governments tend to lower inflation at the cost of unemployment (Beck, 1982; Chappell & Keech, 1986; Hibbs, 1977; Kirschen, 1964). For unemployment, the coefficient of —.25 indicates that as political dominance shifts to the left by one unit, unemployment decreases by .25 percentage points. Although the coefficient has the theoretically expected sign, it is relatively small and not significant. However, for inflation the coefficient of 1.02, which is statistically significant, indicates that as dominant tendency
shifts to the left by one unit, inflation increases by 1.02 percentage points. This relationship is consistent with the party-does-matter hypothesis that claims, if measured in policy outcomes, that leftist governments are responsive to their constituents and their primary interest of low unemployment whereas right-wing governments are promoting policies that satisfy their constituents who are mostly interested in keeping inflation low.

In the unemployment model, the parameter for government outlays is highly significant; however, it is not in the hypothesized direction. A 1 percentage point increase in government outlays increases rather than decreases unemployment by .19 percentage points. Although this coefficient is small, it is puzzling. Some neoclassical economists argue that the tax level has become so high in developed welfare states that business's incentive to invest is declining. The growth of the welfare state is said to have a negative effect on economic efficiency, individual incentives, and the ability of markets to perform their allocative and adjustment functions effectively. As a result of this declined investment activity, unemployment is rising. One admittedly conservative explanation is that in highly developed welfare states, workers increasingly choose to draw welfare benefits rather than actively seek work. The effects of the welfare state on productivity is indeed a hotly contested topic (Bernholz, 1982; Korpi, 1985; Rothschild, 1982; Saunders, 1985; Therborn & Roebroek, 1986). Although it is not the main purpose of this study to examine the impact of the welfare state on economic efficiency, the positive coefficient between government outlays and unemployment seems to provide some evidence for the "politicized labor market hypothesis." This hypothesis claims that the state's welfare policies and the egalitarian wage policies of trade unions have restricted and segmented labor markets to such an extent that market forces no longer operate predictably. "One could tentatively generalize . . . that the rate of unemployment increases as capitalism is softened by welfare state interventions, and it falls as the welfare state is weakened" (Schmidt, 1982a, p. 240).

The parameter estimate for economic openness (.04) is statistically significant and points in the expected direction. As economic openness increases, so does unemployment. This is evidence for the vulnerability of small open states that are in a position of price-takers rather than price-makers. However, the unemployment model shows not only that economic openness significantly increases unemployment but also that corporatism was able to significantly reduce unemployment—even in the seventies and eighties. This provides strong evidence for Katzenstein's (1983, 1985) thesis that small open economies have devised institutional structures that can successfully counteract the adverse consequences of being dependent on the international economic climate.
The parameters that are of most interest in this study are corporatism and its respective interaction terms. Because in this study multiplicative terms are used, it is important to be aware of the conditional effects in interpreting the coefficients.\textsuperscript{12} Corporatism shows a statistically significant impact on unemployment for all periods. Overall, a one unit increase in the standard deviation of corporatism yields a 2.04 percentage points decrease in unemployment for the sixties. The variable corporatism is the reference category or the baseline slope against which the interaction terms are measured. The coefficient of the variable Corp*Sev is \(-.84\), which indicates that corporatism was able to depress unemployment by .84 percentage points in addition to the impact it had in the sixties. The interaction term Corp*Eight indicates that a one-unit increase in the standard deviation of corporatism in the eighties decreased unemployment by 1.26 percentage points in addition to the effect corporatism had in the sixties. There is a statistically significant difference in the impact of corporatism on unemployment from the sixties to the eighties. This provides strong evidence that corporatism has not lost its ability to provide lower unemployment in the eighties as compared to earlier decades. Both interaction terms in the unemployment model are statistically significant at the \(.05\) level. This model can explain 80\% of the variation of unemployment.

Inspection of the interactive term Corp*Sev for inflation indicates that corporatism in the seventies had a statistically significant impact in addition to its influence in the sixties. Corporatism significantly depressed inflation in the seventies in addition to the impact of corporatism in the sixties. The parameter estimate of \(-2.38\) indicates that corporatism was able to depress inflation by 2.38 percentage points for the seventies. The same holds true for the eighties. The coefficient of \(-.86\) indicates that corporatism was able to depress inflation by .86 percentage points in addition to its effect in the sixties. Both interaction terms in the inflation model are statistically significant at the \(.05\) level. The model can explain 72\% of the variation of inflation.

Because both unemployment and inflation are typical measures of the redistributive capacity of corporatism, their coefficients and statistical significance do not coincide with the Schmitter's and Dahrendorf's bleak analysis of a decline of corporatism. Table 3 provides strong evidence that corporatism did not lose its redistributive capacity in the eighties as demonstrated in the significant parameter estimates for corporatism and its interaction term for the eighties.

A closer look at the impact of corporatism on economic growth reveals that corporatism is not a good predictor despite the claim made by various authors such as Schmidt (1982a, 1982b), Schott (1984), and, on a more theoretical basis, Olson (1982, 1983) and Jankowski (1988). At no time did
Table 3
Multiple Regressions With Interactive Terms (OLS with heteroskedasticity-consistent standard errors) for 18 Countries and Three Time Periods

<table>
<thead>
<tr>
<th></th>
<th>Unemployment</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s (decade dummy)</td>
<td>0.96 (.59)</td>
<td>4.83 (.74)*</td>
</tr>
<tr>
<td>1980s (decade dummy)</td>
<td>2.80 (.79)*</td>
<td>-0.88 (.62)</td>
</tr>
<tr>
<td>Economic openness</td>
<td>0.04 (.01)*</td>
<td>0.008 (.01)</td>
</tr>
<tr>
<td>Government outlays</td>
<td>0.19 (.04)*</td>
<td>0.03 (.04)</td>
</tr>
<tr>
<td>Dominant tendency</td>
<td>-0.25 (.28)</td>
<td>1.02 (.24)*</td>
</tr>
<tr>
<td>Corporatism</td>
<td>-2.04 (.39)*</td>
<td>-0.59 (.34)*</td>
</tr>
<tr>
<td>Corp*Sev</td>
<td>-0.84 (.42)*</td>
<td>-2.38 (.66)*</td>
</tr>
<tr>
<td>Corp*Eight</td>
<td>-1.26 (.59)*</td>
<td>-0.86 (.48)*</td>
</tr>
<tr>
<td>Intercept</td>
<td>-5.87 (1.52)*</td>
<td>.87 (1.47)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.80</td>
<td>.72</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>.76</td>
<td>.66</td>
</tr>
<tr>
<td>$df$</td>
<td>42</td>
<td>45</td>
</tr>
</tbody>
</table>

Note. The dependent variables are unemployment and inflation. Standard errors are in parentheses. Data for government outlays (total government outlays as a percentage of GDP) are from OECD Economic Outlook (1989, p. 185). Because the variation in the total outlays of government as percentage of GDP is rather small, the year 1967 was chosen for the sixties, 1977 for the seventies, and 1986 for the eighties. The reason $df$ for unemployment is 42 is because no data on any of the three periods for government outlays for New Zealand were available. Data on economic openness (foreign trade as a percentage of GDP) are taken from Rogowski (1987, p. 215). *Significant at the .05 level.

corporatism have a significant impact on economic growth. Because one of the characteristics of corporatism is encompassing organizations of the functional groups, we would expect—following the theoretical work of Olson (1982) and the empirical work of Lange and Garrett (1985), Hicks (1988; Hicks & Patterson, 1989), Garrett and Lange (1988), and Lange and Garrett (1987)—that corporatism has a significant impact on economic growth. The data presented in Table 4 for economic growth do not support their claim that in countries with encompassing labor organizations economic growth is higher than in countries characterized by fragmented, atomistic interest groups. The positive coefficient of the interaction term Corp*Sev is positive, indicating that it had a positive impact on economic growth in addition to its impact in the sixties (coefficient is .28), but the coefficient is not statistically significant ($t = .90$). It is possible that the different findings can be explained by the different independent variables used in this study. An encompassing organizational structure is only one, albeit an important structural feature of corporatism.
Table 4
*Multiple Regression Estimates With Interactive Terms (OLS with heteroskedasticity-consistent standard errors) for 18 Countries and Three Time Periods*

<table>
<thead>
<tr>
<th>Economic growth</th>
<th>Number of working days lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s (decade dummy)</td>
<td>-2.30 (.40)*</td>
</tr>
<tr>
<td>1980s (decade dummy)</td>
<td>-1.47 (.42)*</td>
</tr>
<tr>
<td>Economic openness</td>
<td>-0.01 (.007)</td>
</tr>
<tr>
<td>Government outlays</td>
<td>-0.04 (.03)</td>
</tr>
<tr>
<td>Dominant tendency</td>
<td>-0.26 (.13)*</td>
</tr>
<tr>
<td>Corporatism</td>
<td>0.34 (.24)</td>
</tr>
<tr>
<td>Corp*Sev</td>
<td>0.28 (.31)</td>
</tr>
<tr>
<td>Corp*Eight</td>
<td>-0.09 (.29)</td>
</tr>
</tbody>
</table>

Intercept | 7.50 (1.29)* | -1.63 (33.48) |
$R^2$ | .64 | .54 |
Adjusted $R^2$ | .58 | .45 |

Note. The dependent variables are economic growth and number of working days lost. Standard errors are in parentheses.

*Significant at the .05 level.

How does partisan coloration of the regime influence economic growth? According to Friedland and Sanders (1985), there is no indication that economic growth is systematically linked to political partisanship. In this study, however, the variable, dominant tendency in government, shows a statistically significant negative impact on economic growth in Table 4. The statistically significant parameter of $-0.26$ indicates that a one-unit increase toward social democratic hegemony decreases economic growth by $0.26$ percentage points. Table 5 also provides evidence that social democratic hegemony adversely affects economic growth. Of the seven equations that included dominant tendency as a variable, five displayed a significant negative impact on economic growth. The remaining two, although displaying the expected sign, are not statistically significant.

This does not necessarily suggest that for social democratic governments economic growth is less important than for conservative governments. However, it suggests that social democratic policies aimed at achieving economic growth are less effective than conservative policies. Stated differently, social democratic policies might not provide as many incentives for business to invest than do conservative governments. This would manifest itself in a reduction of economic growth as a result of social democratic hegemony.
## Table 5

Multivariate and Bivariate Regressions (OLS with heteroskedasticity-consistent standard errors) for 18 Countries and Three Time Periods

<table>
<thead>
<tr>
<th>Equation</th>
<th>Cor</th>
<th>Cor*Sev</th>
<th>Cor*Eight</th>
<th>1970s</th>
<th>1980s</th>
<th>GovOut</th>
<th>DoT</th>
<th>Open</th>
<th>Adjusted $R^2$</th>
<th>IC</th>
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<tbody>
<tr>
<td>1</td>
<td>7.36</td>
<td>0.24</td>
<td>-0.09</td>
<td>-2.32</td>
<td>-1.38</td>
<td>-0.06</td>
<td>-0.008</td>
<td>0.57</td>
<td>7.36</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.22)</td>
<td>(0.31)</td>
<td>(0.30)</td>
<td>(0.41)**</td>
<td>(0.43)**</td>
<td>(0.03)**</td>
<td>(0.007)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>0.20</td>
<td>0.29</td>
<td>-0.08</td>
<td>-2.23</td>
<td>-1.35</td>
<td>-0.05</td>
<td>-0.23</td>
<td>0.57</td>
<td>7.25</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.21)</td>
<td>(0.29)</td>
<td>(0.28)</td>
<td>(0.39)**</td>
<td>(0.41)**</td>
<td>(0.03)*</td>
<td>(0.12)**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>0.07</td>
<td>0.25</td>
<td>-0.09</td>
<td>-2.26</td>
<td>-1.2</td>
<td>-0.06</td>
<td>0.56</td>
<td>7.15</td>
<td>7.15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.20)</td>
<td>(0.29)</td>
<td>(0.28)</td>
<td>(0.40)**</td>
<td>(0.43)**</td>
<td>(0.03)**</td>
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<tr>
<td>4</td>
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<td></td>
<td></td>
<td>-0.09</td>
<td>-0.31</td>
<td>-0.005</td>
<td>0.31</td>
<td>8.05</td>
</tr>
<tr>
<td></td>
<td>(0.27)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.03)**</td>
<td>(0.18)*</td>
<td>(0.008)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>0.45</td>
<td>0.24*</td>
<td></td>
<td></td>
<td></td>
<td>-0.09</td>
<td>-0.29</td>
<td>0.32</td>
<td>7.88</td>
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<tr>
<td></td>
<td>(0.21)</td>
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<td></td>
<td></td>
<td></td>
<td>(0.03)**</td>
<td>(0.17)*</td>
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<tr>
<td>6</td>
<td>0.27</td>
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<td></td>
<td>-0.10</td>
<td>0.56</td>
<td>0.31</td>
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<td></td>
<td>(0.21)</td>
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<td></td>
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<td>(0.03)**</td>
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<tr>
<td>7</td>
<td>0.27</td>
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<td>-0.09</td>
<td>0.003</td>
<td>0.28</td>
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<tr>
<td></td>
<td>(0.03)**</td>
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<td>(0.14)</td>
<td>(0.008)</td>
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<tr>
<td>8</td>
<td>0.27</td>
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<td></td>
<td></td>
<td>-0.09</td>
<td>-0.08</td>
<td>0.29</td>
<td>7.30</td>
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</tr>
<tr>
<td></td>
<td>(0.03)**</td>
<td></td>
<td></td>
<td></td>
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**Note.** The dependent variable is economic growth. Standard errors are in parentheses. Cor = corporatism; 1970s and 1980s = decade dummies; GovOut = government outlays as specified in Table 1; DoT = dominant tendency in government as explained in Table 1; Open = economic openness as defined in Table 1; IC = intercept of equation.

*Significant at the .1 level; **significant at the .05 level.
This finding seems to parallel the previous discussion that the most developed welfare states tend to have a history of long social democratic dominance or even hegemony. In order to maintain the "irreversible" welfare state, tax levels have reached magnitudes that could plausibly be detrimental to capitalist expansion. This conjecture is fostered by regressing the independent variable "dominant tendency in government" against the dependent variable government outlays. The result is significant at the .05 level and displays the expected positive sign. This clearly indicates that a one-unit increase toward social democratic hegemony significantly increases government outlays.

How is the welfare state related to economic growth? Here, again, the findings of various authors differ dramatically. Weede (1986) and Bernholz (1982) found a negative impact of the welfare state on economic growth, whereas authors such as Korpi (1985), Saunders (1985), McCallum and Blais (1987), and Rothschild (1982) did not find evidence that the welfare state had a growth-retarding effect. As outlined above, it is expected that government outlays have a retarding effect on economic growth. Indeed, Table 4 indicates that government outlays are negatively related to economic growth, albeit in a statistically insignificant way ($t = 1.42$). Closer examination of the variable government outlays, however, indicates that it does have a consistent retarding effect on economic growth. This hypothesis is supported by a closer look at Table 5, which reports the coefficients when models other than the full model previously described are used.

The variable government outlays shows a consistent negative impact on economic growth independently of what kind of model is used. Whether in conjunction with corporatism and its interactive terms (Equations 1, 2, and 3) or used in combination with corporatism without its interaction terms (Equations 4, 5, and 6), or used in any other kind of combination with other variables, the coefficient displays a consistent negative impact on economic growth. At no point is it washed out by the impact of other variables. This variable alone can explain almost a third of the variation of the dependent variable economic growth (Equation 9). This provides strong evidence that social democratic welfare states have achieved a level of development that may not be conducive to economic growth.

However, Equations 4 and 5, which use corporatism without its interaction terms as a predictor, indicate that economic growth is positively affected by corporatism. A growth-promoting impact of corporatism, therefore, cannot be entirely excluded from the analysis. Nevertheless, only when used in combination with particular variables does corporatism display its hypothesized effects, which indicates that this predictor is very sensitive to the model specification. Therefore this finding should be treated with caution.
How is corporatism related to industrial peace? Table 4 provides some insights into the relationship between corporatism and the number of working days lost. The coefficient of \(-79.41\) indicates that corporatism tends to have a statistically significant impact in industrial peace in the sixties. A one-unit increase in standard deviation of corporatism yields a decrease of more than 79,000 working days lost per 1 million population. The additional impact of corporatism in the seventies (Corp*Sev) over the sixties is also significant. The parameter of Corp*Sev of \(-37.17\) indicates that corporatism was able to depress the number of working days lost by more than 37,000 per 1 million population in addition to the impact corporatism had in the sixties. The positive coefficient of the interactive term Corp*Eight of 25.99 indicates that corporatism in the eighties has lost its ability to depress industrial disputes as compared to the sixties. However, the coefficient is not statistically significant \((t = 1.46)\).\(^{14}\)

Inspection of the parameter dominant tendency in government yields a surprising result. The positive coefficient of 16.16 indicates that a one-unit increase in dominant tendency in government increases the number of working days lost by more than 16,000 per 1 million population. The relationship is statistically significant at the .05 level. This indicates that the more social democratic the government is the higher the number of working days lost. This counterintuitive finding presents quite a puzzle because one would assume that strike activity is lower when the dominant tendency in government leans more toward social democratic dominance (Korpi & Shalev, 1979). Because this finding is not directly related to the major thrust of this article, an ad hoc explanation will suffice. The puzzle might be explained in the following way: Labor union leaders behave strategically in the sense that their chances of achieving their goals by going on strike are enhanced when a social democratic regime is in power. Conversely, when a conservative regime is in power, the chances for labor to be successful are smaller; therefore, labor union leaders may not advise their members to go on strike.\(^{15}\) Unfortunately, this finding cannot be discussed here in greater detail because it does not represent the purpose of this article; nevertheless, it is hoped that this provoking hypothesis might spark additional research.

**CONCLUSION**

The purpose of this study was to examine empirically the claim made by Schmitter, Dahrendorf, Streeck, and others that corporatism is in a decline. This claim was tested by examining actual political and economic outcomes, not the means by which these outcomes, intended or unintended, were
pursued. During the economic crises of the seventies, many students of corporatism investigated its influence on macroeconomic outcomes, most of them concluded that corporatism did matter. This study pursued a similar task that was to examine if corporatism mattered in the eighties in comparison to the heyday of economic miracles which occurred in the sixties. Clearly, this study takes a functional view of corporatism. If corporatism was able to achieve the desired macroeconomic and political outcomes, then it is assumed that corporatism did not lose its effectiveness as a system of societal guidance and thus cannot be spoken of as being in a decline. If, however, corporatist politics was not able to achieve better economic outcomes (lower inflation, lower unemployment, higher economic growth) and political outcomes (fewer number of working days lost as a result of strikes) in the eighties as compared to earlier periods, then it is assumed that corporatism has lost its reason for existence.

This study employed a pooled-time-series, cross-sectional approach with interactive terms that allowed us to investigate the conditional effect of one variable over another. The sixties were chosen as a baseline against which the additional effects for the seventies and eighties could be measured. With regard to unemployment, this study provides strong evidence that corporatism continued to matter, even in the eighties. Corporatism had a statistically significant additional impact in the seventies as compared to its impact in the sixties, which was also significant. In addition, corporatism had a statistically significant impact in the eighties in addition to its impact in the sixties.

With regard to inflation, the evidence is very similar. Even in the eighties corporatist countries continued to have significantly lower inflation rates than in the seventies. The impact of corporatism to depress inflation in the seventies was particularly strong as compared to the sixties, but corporatism continued to have a statistically significant impact in the eighties in addition to its impact in the sixties. This study provides strong evidence that corporatism in the eighties has not lost its capacity for societal guidance. Corporatism in the eighties continues to matter as demonstrated with regard to its effectiveness to provide lower inflation and unemployment rates as compared to earlier periods. Corporatism has not lost its effectiveness with regard to the provision of desired macroeconomic goals — in that sense the talk about corporatism in decline is premature.

Rather surprising is the weak influence of corporatism on economic growth. In no time period did corporatism have a significant impact on economic growth. This might be explained with the observation that corporatist structures particularly combined with social democratic governments have developed strong welfare states whose maintenance might have detrimental effects on overall economic performance. This is manifested in the
significantly positive relationship between government outlays and dominant tendency in government that indicates that countries characterized by social-democratic dominance tend to have higher government outlays. At the same time, however, government outlays are significantly negatively related to economic growth. It is plausible that encompassing groups may slow down constant adjustment processes that are necessary in a capitalist economy. In a corporatist setting it is harder to shed labor and adjust to a new and more demanding economic situation than in a pluralist, free-market arena.

With respect to industrial peace, it seems that corporatism had a depressing impact on the number of working days lost in the seventies in addition to its effect in the sixties. This effect, however, was reversed for the eighties although the parameter was not significant. This study also found evidence that, rather surprisingly, social democratic dominance tends to increase strike activity. The ideological closeness between social democratic governments and labor unions might encourage the latter to go on strike more often knowing that the backing of a social democratic government will increase the chance of achieving the desired goals. If a conservative government is in power, however, labor might abstain from striking because its chances of being successful are more limited.

This study has focused on the redistributive effects of corporatism by looking at inflation and unemployment. In addition, the influence of corporatism on production was examined by looking at economic growth. The weak results regarding economic growth indicate that more research is needed with regard to the impact of corporatism on factors related to production such as economic growth and also investments and productivity.

Other factors that should support corporatism are still prevalent and are seemingly on the increase. One of these factors is economic openness. As brilliantly illustrated by Katzenstein (1985), economic openness and therefore, vulnerability, has led many small states to establish institutions that protect the small states from the ups and downs of the international business cycle. As our world will become more and more interdependent, so will economic openness and vulnerability. Moreover, we witness the addition of a number of countries such as Romania, Hungary, Poland, Czechoslovakia, Bulgaria, and the three small Baltic states, Lithuania, Latvia, and Estonia, to the sample of western capitalist countries. Even Albania will not be able to withstand the democratic tide that swept over the Eastern European countries. When the Eastern European as well as the Baltic states open to the international capitalist market as a part of their democratization process, they will, out of necessity, have to devise institutions that guard them against the influence of the superior capitalist economic powers. What more appropriate institutions than corporatist ones could there be?
NOTES

1. Lange and Garret's (1985) position was heavily criticized by Jackman (1987, 1989) on methodological grounds.

2. This U-shaped hypothesis was tested using the data in Table 1 and 2, but no statistically significant quadratic relationship between corporatism and macroeconomic performance was found.

3. Corporatism follows an inherently materialistic logic of economic growth that represents the smallest common denominator between the antagonistic interests of labor and business. The rise of postmaterialist parties throughout Europe, however, questions the philosophy of economic growth because for these parties and their voters, adherence to the philosophy of economic growth is precisely the reason for the environmental crisis our world faces today. There is a fundamental incompatibility between corporatism that follows a materialist logic of economic growth and postmaterialism that favors ecological concerns over economic concerns.

4. However, it is possible that causality runs in the other direction. It could also be argued that satisfactory macroeconomic performance is a result of political stability. This particularly seems to apply to societies that are characterized by a religious, ethnic, or regional cleavage structure.

5. The range of the variable for number of working lost is from 1983 to 1987.

6. This composite measure of corporatism has been created in cooperation with Arend Lijphart, University of California, San Diego. The two measures of Schmidt (1982a, 1982b, 1986) were combined to create one standardized score. Regarding the dimensionality of the 12 expert judgments: They ranged from a dichotomous measure “neocorporatist, liberal,” such as in Crouch (1985), to trichotomous measures “weak, medium, strong,” such as in Schmidt (1982a, 1982b) and Schott (1984), to various kinds of rank orderings, such as Schmitter’s (1981) rank ordering of corporatism ranging from 1-14. We deliberately did not want to employ one single measure for corporatism because this would have made our results very dependent on that particular single measure. Rather than creating a new measure of corporatism and thereby exposing ourselves to the possible criticism that the measure was created to achieve best results, we found it more constructive to compile a composite measure of already existing attempts to measure an admittedly elusive concept. Because the level of measurement encompassed nominal, ordinal, and interval data, standardization was an adequate procedure to create a composite score.

7. All equations in all models were estimated using the robust option in the statistical package called SST (Statistical Software Tools, version 2.0) by J. A. Dubin and R. D. Rivers (1985-1990). The robust option performs heteroskedasticity-consistent standard errors. In addition, the equations in Tables 3 and 4 were tested for outliers by calculating the studentized residuals (residuals divided by their estimated standard deviations) and for leverage points by calculating the diagonal elements of the “hat” matrix. Both of these sophisticated regression diagnostics are available in SST. For the studentized residuals the values were conventionally set to 2. Large values, in this case bigger than 2 (positive or negative), of the studentized residuals indicate outliers. After calculating the studentized residuals and reestimating the regression by deleting those observations with studentized residuals that were bigger than 2, the new model with omitted observations was compared to the original model that contained all observations. Although the new model had a slightly better fit (higher $R^2$, slightly smaller standard errors and as a result slightly higher t values), the strength, significance and direction of the parameters did not deviate drastically from the original model. Therefore it was decided to report the findings of the original model containing all observations. In addition, the diagonal elements of the hat
matrix were obtained. Belsley, Kuh, and Welsch (1980) suggest 2p/n as a rough cutoff for values of the hat matrix. Values that exceed 2p/n may have a high leverage on the regression parameter estimate. It is important to notice that outliers and leverage points, although related, are not the same. The cutoff for the hat matrix of the models reported in Tables 3 and 4 is 0.33. None of the observations of the models reported in Tables 3 and 4 exceed this critical cutoff point, indicating that there are no observations that have an undue influence on the parameter estimates.

8. Wilensky and Turner (1987) define active labor market policies: “By active labor market policy (ALMP) we mean direct government action to shape the demand for labor by maintaining or creating jobs; to increase the supply and quality of labor via training and rehabilitation; and to encourage labor mobility via placement, counseling, and mobility incentives” (p. 3).

9. Data are from OECD Economic Outlook (1989). Government outlays mainly consist of current disbursements plus gross fixed capital formation. They are measured as a percentage of GDP.

10. The variables dominant tendency in government, corporatism, and government outlays are not completely independent, however. The correlation matrix between corporatism and dominant tendency is .616 and between corporatism and government outlays .353. The correlation coefficient between government outlays and dominant tendency in government is .537.

11. I am aware of the possibility that the sign might be correct, but that causality is reversed. In other words, the reason government outlays increase with unemployment is simply that as the number of unemployed increases so do the unemployment benefits and social wages the state has to pay.

12. Because the interaction terms are dummy variables, the coefficient for corporatism stands as a baseline slope against which the changes in the interaction slopes can be measured. The coefficient for corporatism becomes the reference category. For an introduction of how multiplicative terms have to be interpreted in interactive models see Friedrich (1982, pp. 797-833).

13. The coefficient is 4.22 (t = 4.45), p = .0001, SE = .948, df = 49, $R^2 = .29$.

14. The value on number of working days lost for Italy in the 1980s was excluded from the statistical analysis because it represented a strong outlier. The value of the studentized residuals (residuals divided by their estimated standard deviations) for Italy for the period of the eighties exceeds by far the conventional thresholds. Therefore this value was dropped from the analysis. For a systematic way of detecting outliers and leverage points in regression analysis see Belsley et al. (1980).

15. However, for labor unions there are more reasons to go on strike when a conservative government is in power. At the same time, chances of being successful are smaller for labor unions if they are faced with a conservative government as compared with a social democratic government.

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