

Corporatism as an Economic System: A Review Essay¹

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Interest in corporatism has surged in recent years among political scientists, sociologists, and historians trying to explain changes in economic institutions and processes of national economic policy-making in various OECD nations. This essay surveys various meanings of corporatism, the many propositions offered about economic and political factors encouraging the growth of corporatism, and the various propositions proposed to explain the economic impact of corporatist institutions. *J. Comp. Econom.*, September 1988, 12(3), pp. 317-344. Swarthmore College, Swarthmore, Pennsylvania 19081. © 1988 Academic Press, Inc.

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INTRODUCTION

Corporatism is a type of organized or coordinated capitalism where power to make important economic policies is transferred from the parliament and government to semiprivate organizations; these are based on economic function or industrial sector and include a strong representation of labor interests. Although such an economic system with a social partnership provides an interesting variant to a capitalist system and is deserving of attention by economists, most recent writings on the subject are found in journals or books for political scientists, sociologists, and historians.²

Support for corporatism as an economic system has several diverse sources.³

¹ I thank Ellen Magenheimer, Ned Prescott, Zora Pryor, Philippe C. Schmitter, and an anonymous referee for their useful remarks on earlier drafts of this essay.

² This essay draws primarily on the literature about corporatism in the OECD countries. There is also considerable literature on corporatism in Latin America, for instance, Pike and Stritch (1974), Malloy (1977), and Wiarda (1981), but this is mostly irrelevant for our concerns since it does not focus much attention on economic issues.

³ Schmitter (1974) has a bibliography of roughly 100 books and articles on modern corporatism from 1800 to 1950. Studies by Elbow (1953) and Brown (1947) provide very useful studies for corporatist thought in France and Germany. Some useful doctrinal history is also provided by Landauer (1983), Williamson (1985), and Streeck and Schmitter (1985a).

One early and important source is Roman Catholic social theory of the late 19th century and early 20th century, which gave rise to such pan-European movements as Solidarism (Mayer-Tasch, 1971), a movement that strongly influenced the economic ideas of a variety of important politicians such as Charles deGaulle. Catholic interest in corporatism received strong official impetus from remarks on the "social problem" and class collaboration in Leo XIII's encyclical *Rerum Novarum* (1891) and in Pius XI's encyclical *Quadragesimo Anno* (1931).⁴ After World War II, it must be added, papal interest in corporatism appears to have waned.

Support for corporatism can also be found in a variety of movements and writers along a considerable part of the political spectrum:

1. On the far right in the interwar period, fascist movements supported a type of corporatism. They criticized capitalism for atomizing and alienating the population and communism for centralizing too much economic power in the state. As a replacement they advocated an economic system which, among other things, was supposed to lead to alloy the interests of capital and labor in the forge of nationalism. In certain countries, such as Bulgaria, Italy, Vichy France, Germany, Portugal, and Spain, political leaders claimed to be putting some of these corporatist ideas into effect.

2. In the middle of the political spectrum at the same time, John Maynard Keynes (1927, pp. 41–42) was writing such statements as

I believe that in many cases the ideal size for the unit of control and organization [of the economy] lies somewhere between the individual and the modern State. I suggest, therefore, that progress lies in the growth and recognition of semi-autonomous bodies within the State—bodies whose criterion of action within their own field is solely the public good as they understand it . . .—bodies which in their ordinary course of affairs are mainly autonomous within their prescribed limitations, but are subject in the last resort to the sovereignty of democracy expressed through Parliament. I propose a return, it may be said, toward medieval conceptions of separate autonomies.

In the United States such ideas found resonance in the abortive National Recovery Administration which was created during the early New Deal.

3. On the left side of the political spectrum in the interwar period, many types of socialists—social democrats, guild socialists, "socialists of the chair"—were disheartened by the developments in the USSR and tried to combine their ideas on socialism and corporatism so that the mistakes of the Soviet

⁴ Relying on the translations of Claudia Carlen (1981), it does not appear that the word "corporatism" is ever used in the encyclicals. Their few brief statements about corporatist institutions are scattered in a much broader discussion on the necessity of labor unions, worker participation in industrial decision-making, and profit-sharing. More explicit papal views on corporatism were made by Pius XII. Since his papacy official Church statements have turned away from such institutional changes and toward a more explicit use of governmental powers to achieve desired social ends. Church doctrine on corporatism is summarized by Pryor (1988).

Union arising from excess centralism would not be repeated. As shown in Table 1, the link between social democracy and corporatism has remained strong up to the present day.

Corporatist ideas did not disappear after World War II, but were quietly adopted in a number of OECD nations. Since the mid 1970s a group of political scientists and sociologists have tried to analyze such corporatist institutions and processes, arguing that standard models of pluralism or liberalism do not explain very well what has happened in economic policy-making in a number of continental European nations. They have paid particular attention to the transformation of "representative lobbies" into "governing institutions."

The current literature is discursive and vague, and much of the economic analysis contained within is naive. Nevertheless, by reviewing this discussion the contributions that economists can make become more apparent. In the next section I explore the definitions of corporatism. In the following two sections I examine the various types of propositions which recent writers have offered to explain either the development of corporatist institutions or the impact of such institutions on the functioning of the economy.

DEFINITIONS OF CORPORATISM

General Remarks

As noted by Panitch (1980, p. 159), "the first thing that strikes one as one reads through the recent literature on modern corporatism is the profound lack of agreement on what the concept actually refers to." In this respect, I must add, "corporatism" is not difficult from "capitalism" or "socialism."

The most rigorous and interesting theorist of corporatism during the interwar period was M. Manoilescu (1938), a Romanian foreign trade theorist known among Western economists as the originator of the argument that tariffs should be imposed to offset domestic price distortions.⁵ He made a crucial distinction between "dependent" and "pure" corporatism; more recently this antimony is analyzed in terms of "state" or "authoritarian" corporatism versus "societal" or "liberal" corporatism. State corporatism is a system organized and directed by the government; often it has an official antidemocratic ideology. Societal corporatism is a system consisting of autonomous organs organized from below but possessing state powers and acting in many cases independent of the government; it is quite consistent with various types of democratic ideologies. In both cases, however, the market mechanism is attenuated and the economy is organized according to the principle of economic "function," i.e., sector of industry and role in the division

⁵ An orthographic confusion arises here, for Manoilescu spelled his name Manoilescu in his French writings; I use his original spelling whenever possible.

of labor like capital, blue-collar workers, white-collar workers, and so forth. Since state corporatism was politically discredited after World War II, I focus most attention on societal corporatism, which is sometimes called "neocorporatism."

Various authors have distinguished different types of societal corporatism that are not of relevance for this discussion.⁶ Others distinguish corporatism at different levels of society. For most of this discussion I focus on macrocorporatism, i.e., the corporatism that embraces organizations in the entire country and that deals not only with issues in a specific industry but also with national issues referring to the entire economy. Only in passing do I deal with microcorporatism, which concerns conflict resolution within a unit such as a firm or city and which is manifested by such institutions as worker councils in factories, or with mesocorporatism, sometimes called "sectoral corporatism," which concerns governance within units at the level of an industry or a region, but below the level of the central government.⁷ I have found relatively little systematic analysis of the interrelations between macro-, meso-, and microcorporatism, and this appears a useful line of research.

A crucial ingredient of corporatism is "concertation" of production, to use a popular neologism meaning "organized, coordinated or planned." However, the exact meaning of such economic coordination varies from author to author. It is certainly possible for such coordination to occur without the participation of labor, as in France, Japan, or to a certain extent Italy. Most analysts, however, argue that a vital element of corporatism is the public recognition of the legitimacy of labor interests and the direct participation of

⁶ For instance, Katzenstein (1984) defines what he calls "liberal" corporatism (e.g., in Switzerland) and "social" corporatism (e.g., in Austria) according to the dominant political tendencies of the government. Williamson (1985) distinguishes between consensual-licensed corporatism, authoritarian-licensed corporatism, and contract or neocorporatism. Schmitter (1982) distinguishes between *corporatism 1*, defined in terms of the structure of organized interests or interest intermediation, and *corporatism 2*, defined in terms of the processes where governmental policies are made through intergroup negotiation and concertation. Roughly speaking, Schmitter's distinction underlies my organization of the discussion below under "structural" and "policy-making" definitions.

⁷ The burgeoning literature on mesocorporatism may be the most interesting recent development of the discussion on corporatism and a sample of this work can be found in Crouch (1985), Grant (1985a), or Streeck and Schmitter (1985b). These two books contain a variety of case studies for various countries on specific industries such as advertising, chemical production, construction, dairy, energy, pharmaceutical production, or steel production; or such functions such as setting accounting standards, carrying out industrial training, or volunteer charity work. This research, which is a combination of industrial organization and political economy, focuses on the respective role of class, governmental, social, and functional interest in determining the various policies followed by all firms in the industry. In this case "functional interests" are the interests of the various organizations within the particular industry such as trade associations, research consortia, standard-setting groups, and so forth.

labor representatives in the coordination process, rather than indirect participation by labor representatives in parliament.

With several notable exceptions like Manoilescu (1938) and Winkler (1976), most writers on corporatism pay relatively little attention to property ownership. Thus, the objective function of the producing units is not entirely clear. The implication is that it makes little difference if the means of production are publicly, cooperatively, or privately owned since in any of these cases management and labor must be represented. For instance, in Austria representatives from both private and state enterprises belong to the same industrial chambers. If property is publicly or cooperatively owned, it is quite possible that decision-making powers of the owners may be more restricted than under private ownership and examples from post-war Europe can be cited. Unfortunately, this matter has received little discussion in the corporatist literature.

Different definitions of societal corporatism vary according to the stress placed on "structural," "process," and policy-making elements (discussed below). As befitting its origins outside the economic literature, both approaches deal with corporatism not as an economic system, but rather in terms of "interest representation" or "interest intermediation," i.e., the manner in which conflicting functional interests on both concrete and policy issues are resolved. Such a system replaces classical competition with a political negotiation process between the top leaders of the functional groups, a process which combines both bargaining *within* the production groups and *between* such groups and the government. Obviously, a crucial component of the process is the implementation of decisions reached by the top leaders of the peak organizations, i.e., the broad-scale confederations of employees and employers which cover many industries. In a corporatist situation, these peak organizations have the ability to enforce decisions among their members because they have disciplinary powers. In a pluralist situation found in capitalism, such bargaining is much more difficult: the state is often fragmented, the peak organizations do not exist or have highly restrictive powers, there are often competing bargaining groups on the same side of the table, and such groups have difficulty in enforcing agreements made with other groups among their own members, especially since subgroups can pull out of the agreement and restart the bargaining situation.

Structural and Process Definitions

These types of definitions focus on the pattern of policy-making and implementation, which means that considerable attention is given to the institutional structure, the types of interest groups and the manner in which they are organized, and the implications of such characteristics on the resolution of conflicts.

According to Manoilescu (1938) the corporations covering the entire nation are organized on an exclusive basis to serve a particular economic function. These include agriculture, industry, crafts, commerce, banking, transport, as well as the army, the legal, and judicial sector, scientists, art, liberal professions, education, and public health. Since people might provide several functions in society, they can belong to several different corporations. Such corporations are national in scope and open to all serving the function although, however, certain exceptional cases arise. Although corporations negotiate between each other, they do not make contracts to obtain proportional services since each serves a different function, i.e., the agricultural corporation may receive more or less from the educational corporation than it gives. Within each corporation, there are "sections" composed of those fulfilling particular roles, like blue-collar workers, white-collar workers, or owners. The government has several functions such as national defense, diplomacy, preservation of internal order, and coordination of the work of the corporation.

Manoilescu sees the control, rather than the ownership of the means of production, as a crucial element of the doctrine. Each corporation would operate as a cartel and there would be buying and selling mechanisms. Although he does not describe the allocation mechanisms in detail, one might infer that he sees the economy as a whole as "world of monopolies," to use Joan Robinson's phrase, but modified in certain ways that are not clearly specified. Although he is quite aware of some of the allocation problems from such a system (pp. 289 ff), he shies away from using international competition as a constraint on the setting of prices or production quotas. Instead, he emphasizes the need to replace individual and group egotism with a sense of group responsibilities and "just" prices; and government arbitration between corporations would occur only in extreme cases (p. 352). His remarks on taming monopolies are surprisingly weak; and in the corporatist literature, in general, there is relatively little interest in the microeconomics of the system including the factors steering coordination toward one or another type of decision.

Influenced by Manoilescu, Philippe Schmitter (1974) offers a definition which is often cited and used in the subsequent literature⁸

⁸ According to Schmitter (1974), pluralism is exactly the reverse, namely,

a system of interest representation in which the constituent units are organized into an unspecified number of multiple, voluntary, competitive, nonhierarchically ordered, and self determined (as to type or scope of interest) categories which are not specially licensed, recognized, subsidized, created, or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories.

With certain permutations these elements also define a "monist" model which covers the USSR and a "syndicalist" model, which he playfully sees as the wave of the future.

Corporatism [is] a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered, and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and support.

Others narrow this definition to cover only certain types of activities or have specified the groups involved in a different manner, for instance, class-based groups. Some such as Lehbruch (1979a) emphasize that although the bargaining units are autonomous, the system rests on a strong interdependence between the interests of ostensibly conflicting groups. He further notes that this process, which begins as a system of bargaining, results in a politicization of the market and, especially with regard to the factors of production, different kinds of allocation mechanisms than in the textbook capitalist economy.

Some writers on corporatism characterize Schmitter's approach as static and too concerned with institutions, rather than process. For instance, Bernd Marin (1985) points out that the First Republic of Austria had many of the same economic institutions in the 1920s as the Second Republic had in the 1970s, but it has functioned much differently: In the interwar period the system brought the society to civil war; in the period following the Second World War, the system led to peaceful cooperation between labor and capital.

Policy-Making Definitions

Many writers focus less on dispute resolution between various economic interests and more on the formulation and implementation of state economic policies. This means that considerable attention is focused on the particular nature of bargaining, the type of policies, and the role of the various actors in the negotiations for making and implementing public policy.

Leo Panitch (1979, 1980) stresses not only the negotiation between the top leadership of the various interest groups but also the mobilization and social control of the mass level. Wyn Grant (1985a) emphasizes that "policy agreements are implemented through the collaboration of the interest organizations and their willingness and ability to secure the compliance of their members. The elements of negotiation and implementation are both essential. . . ." Voitto Helander (1982) and Peter Katzenstein (1984) note that such negotiations must be informal and continuous.

Certain distinctions made in the literature on negotiation systems of microcorporatism have interesting implications for macrocorporatism. In his discussion of industrial relations, Colin Crouch (1985) characterizes the U.S. system as "contestation"; the situation found in negotiations in Europe between large groups of employers and employees as "pluralist bargaining"; and the type of negotiations on a national level between peak organizations of labor and management as "bargained corporatism." These types of bar-

gaining processes could have an important impact on the ability of the government to moderate price increases or adapt the economy to external shocks.

It is also important that the issues covered in bargained corporatism are very much broader than in the other negotiation processes. Katzenstein (1984) stresses that an important element in the corporatist framework is that trade-offs are made across sectors; e.g., in Austria, social benefits provided by the government were traded for wage restraint by labor.

Aberrant Definitions

Ideology. Some political scientists such as James M. Malloy (1974) or Howard Wiarda (1981) define corporatism in terms of ideology or worldview. Many following such an approach focus their attention primarily on Latin America and, further, seldom broach problems of economics. For our purposes this ideological approach is not very helpful since a given set of corporatist institutions is consistent with a number of dominant ideologies about the role of property or government interference in the economy. Indeed, Marin (1985) makes an interesting observation that in Austria an explicit corporatist ideology has been quite muted because of its overtones of nazism and of the economic arrangements in Austria immediately preceding and during World War II.

The role of ideology in a corporatist system, especially in the bargaining process, is controversial. Katzenstein (1984) stresses that an ideology of "social partnership" is crucial for the success of the process. Bernd Marin (1985, p. 92, 117) argues that this does not necessarily mean an ideology of class harmony. According to him, the only ideology that is necessary is one which transforms class conflicts into a permanent war of manoeuvre between interests associations, i.e., an ideology which does not institutionalize the class struggle but converts it into conflicts over the rules of the game of cooperative conflict resolution.

Statism. Ray E. Pahl and Jack T. Winkler (1975) and Winkler (1976) define corporatism as an economic system with predominantly private enterprise and a great deal of state intervention in order to achieve four goals: order, which means the elimination of "anarchy" in the markets for labor, capital, and products; unity, which means the substitution of cooperation for competition; nationalism, which means the elevation of "general welfare" over self-interest; and success of national objectives. "Corporatism is fascism with a human face" and "capitalism without competition." The government's role is "directive," rather than "supportive" or "facilitative." They also distinguish inegalitarian and conservative-led corporatism (Mussolini model) from egalitarian and labor-led corporatism (Scandinavian model).

Mainstream writers on corporatism certainly do not define such a system in terms of the goals of the system; indeed the goals specified above are so general that many noncorporatist governments might be in agreement with

some of them. Such analysts, such as Grant (1985a, p. 8), also deny the linkage between statism and corporatism, emphasizing that state intervention in corporatism is primarily indirect, rather than direct since the purpose of societal corporatism is to resolve economic problems before they reach the level of the central government. Critics of this approach correctly argue that Pahl and Winkler are really talking less about corporatism than about STAMOCAP, the trendy acronym for state monopoly capitalism.

Tripartism. Andrew Shonfield (1965, p. 231) defines corporatism in terms of the formation of boards of capital, labor, and governmental participants to draw up guidelines for national economic policy, for instance, the "Economic and Social Councils" that appeared in various continental European nations after World War II. Although mainstream corporatist writers would not deny that tripartite boards appear in corporatist economies, they would also investigate whether such boards are merely advisory to parliamentary institutions. They claim corporatism means that decision-making powers are delegated to these committees and to representatives of capital, labor, and other groups and that decisions get implemented by the committee, this is supposed to be the case of some QUANGOs, the acronym for the quasi-autonomous nongovernmental organizations in Britain.

Corporate society. In some discussions, there is a confusion of the corporate society—one dominated by large limited-liability corporations—and a corporatist state, which has the type of decision-making mechanisms discussed. Although the corporate society is a valid subject of enquiry and has received some interesting analyses (Fusfeld, 1972; Marris, 1972), it is not the subject of this essay.

Industrial relations. A number of writers argue that corporatism is really about the particular form of state control of industrial relations (e.g., Strinati, 1982), while others define corporatism in terms of worker participation in enterprise decision-making. Certainly the system of industrial relations is a very important element in the workings of corporatism, but mainstream writers would claim that such a definition is unduly narrow and focuses too much on corporatism at the micro, rather than at the macro level. Moreover, although worker participation in enterprise decision-making may be an important element of microcorporatism and occurs even in some companies in the United States, it does not necessarily mean that such negotiations are carried on at levels higher than the firm or industry.

What Countries Are Corporatist?

Trying to translate the rather abstract criteria discussed above of corporatism into indices by which corporatism can be actually measured is a challenging task. Discussion of whether Nazi Germany or Fascist Italy were corporatist is presented in the Appendix and in this discussion I focus only upon the

TABLE I
THE DEGREE OF CORPORATISM IN OECD NATIONS^a

Country	GDP per capita 1975	Population 1975 (1000s)	Ratings of degree of corporatism						Average	Control of government by leftist parties
			A	B	C	D	E	F		
Norway	\$5419	4,010	2	2	2	2	2	2	2.0	2
Sweden	6749	8,190	2	2	2	2	2	2	2.0	2
Austria	4994	7,520	2	2	2	2	2	1	1.8	2
Netherlands	5321	13,660	1	1	1	2	2	2	1.5	1
Finland	5192	4,710	2	2	1	1	1	1	1.3	1
Denmark	5969	5,060	2	2	1	1	1	1	1.3	2
Belgium	5554	9,800	1	2	1	1	1	2	1.3	1
Switzerland	6082	6,400	1	1	2	1	1	0	1.0	1
West Germany	5758	61,830	1	1	2	1	1	0	1.0	2
Ireland	3067	3,130	0	1	0	1	1	0	0.5	0
France	5864	52,710	0	0	0	1	0	2	0.5	1
Australia	5919	13,630	n.a.	1	1	0	0	0	0.4	1
Japan	4905	111,520	n.a.	0	2	0	0	0	0.4	0
Italy	3870	55,830	0	0	0	1	0	1	0.3	0
U.K.	4601	56,030	0	1	0	1	0	0	0.3	2
New Zealand	4769	3,090	n.a.	n.a.	1	0	0	0	0.2	n.a.
Canada	6788	22,730	0	0	0	0	0	0	0.0	0
U.S.A.	7132	213,540	0	0	0	0	0	0	0.0	0

^a For all series a higher number indicates a higher degree of corporatism or, for the final column, leftist control. To increase comparability, the various rankings or numerical indices have been transformed into a 3-point scale. The countries are arranged in the table according to the average of the six indicators of corporatism.

The data on per capita GDP and population come from Summers and Heston (1984). The GDP data are in comparable dollars. For measures of corporatism, the following sources are used:

A. *Schmitter (1981)*: The indicator takes into account quantitative measures of the "organizational centralization" of labor unions (composed of four subindicators—power to engage in collective bargaining, power to support strikers with strike funds, power to collect dues, and power to maintain large staffs) and a measure of the associational monopoly of labor unions (a qualitative variable reflecting the structure of the labor movement, e.g., number of major labor confederations and whether blue- and white-collar workers belong to the same union).

B. *Cameron (1984)*: This indicator is called a measure of the "organizational power of labor" and refers to the period 1965–1982. It is an index based on three quantitative or judgmental indicators: the organizational unity of labor (whether the labor movement is confederated or fragmented); the power of labor confederations in collective bargaining (whether they participate in bargaining, possess the right to veto negotiated settlements, control strike funds, etc.); and percentage unionized labor force. It is obviously related to Schmitter's measure of corporatism (A).

C. *Schmidt (1982)*: This ranking represents a quantification of his qualitative judgments about how much the trade union leadership and the employers' associations are committed to a "social partnership ideology"; how much the government, trade unions, and employers' association cooperate in some policy areas; and whether or not the state imposed an authoritarian incomes policy (this would not occur in a corporatist nation); as well as one quantitative indicator, namely, the working days lost because of strikes per worker. It specifically refers to the 1974–1978 period.

OECD nations, where six estimates are presented in Table 1. The Schmitter (A) and Cameron (B) estimates are based primarily on the structure of the labor movement. Schmidt's estimates (C) are a mixed indicator based on process and outcome variables. The Czada (D) and Lehbruch (E) estimates are based on assessment of the interaction between labor interest groups and the government. The Wilensky estimate (G) is a bit different from the rest and takes into account not only the centralization of labor interest groups but also centralization of the government, as measured by powers of appointment to local governmental positions by the central government. To improve comparability, all six of these estimates are presented according to a 3-point scale; a similar procedure is followed in the reporting of a measure of the dominance of leftist parties in the government, i.e., social democratic and parties further left.

The 18 countries can be divided into three distinct groups, where the arithmetic averages of corporatism range, respectively, from 1.8 to 2.0, from 1.0 to 1.5, and from 0 to 0.5. Four conclusions can be quickly drawn: First, the various estimates of corporatism yield quite similar results. The only countries where considerable disagreement arises are France and Japan, both of which have been described as "corporatism without labor." Second, the average rankings according to degree of corporatism and according to the degree to which the governments have been dominated by leftist parties are highly correlated: for the three groups starting with the most corporatist, the average "leftist control" variable is 2.0, 1.3, and 0.5. Third, the rankings of corporatism appear inversely related to size of nation, as defined by the population. The median populations for the three groups, starting with the most corporatist, are 7.5 million, 8.1 million, and 52.7 million. Fourth, there is no apparent relation of corporatism with regard to per capita GDP.

D. Czada (1983): This indicator is based on a quantification of his judgments about the relationships between governments and labor unions. The highest level (labeled "corporatism") includes an important participation by the government; the middle level (called "sectoralism") is where labor negotiations on an industrial level are conducted solely between industry and labor union representatives. The lowest level (labeled "pluralism") describes situations where such negotiations are conducted at the firm level by firm and union representatives.

E. Lehbruch (1984): This indicator is based on a quantification of his judgments of the degree to which trade unions participate directly in public policy formation. The lowest level of corporatism is comprised of three categories: pluralism (United States, Canada, Australia, and New Zealand), weak corporatism (United Kingdom, Italy), and "concertation without labor" (Japan, France).

F. Wilensky (1976): This measure is based on an index with two major components. One is a measurement of governmental centralization, as measured by central governmental appointment powers of officials at different levels of local government. The other is a measure of labor federation centralization, as measured by the federations influence on collective bargaining, control over strike funds, staff size per member, and amount of dues collected.

The measure of the control by leftist parties refers to period 1965-1982 and comes from Cameron (1984). It is based on percentage of cabinet portfolios held by leftist parties and percentage of minimum parliamentary majority held by the same parties.

Such conclusions mean that testing propositions about corporatism raises problems: The sample is small and a number of national characteristics are correlated so that separating the effects of each possible causal factor is very difficult.

THE ORIGINS OF CORPORATISM

A considerable part of the literature on corporatism is devoted to explaining under what conditions corporatism has arisen, the stability of corporatism, and how it might start to decline. This literature is cogently criticized by Panitch (1980) and Wassenberg (1982), who argue that since no country is fully corporatist, it is more meaningful to examine which sectors of the economy in various countries have corporatist elements or institutions. Despite such criticism, it is useful to review these various causal arguments for macrocorporatism.

Temporal Sequence

Manoilescu (1938) sees the 18th century as the century of absolutism, the 19th as the century of liberalism; and the 20th as the century of corporatism. Although he does not see corporatism as an inevitable trend, he believes that the corporatist system would become increasingly attractive for many advanced European countries. More recently, Jack Winkler (1976) and Otto Newman (1981) argue that societal corporatism is a natural outgrowth of advanced capitalism.

In contrast, James M. Malloy (1977, p. 5) sees the "authoritarian corporatist regimes" of Latin America as a response to the general crisis brought about by the multiple effects of "delayed dependent development." He employs a definition of corporatism very different from that of Manoilescu, Winkler, or Newman.

Despite these claims a majority of theorists of corporatism like Schmitter appear to view corporatism as an alternative form of capitalism, rather than a separate and distinct stage of development. Thus it can appear at various types of capitalist nations. In quite a different way this is argued by Mancur Olson (1982), who does not focus on corporatism per se, but rather on the rise of private interest groups. He argues (p. 41) that "stable societies with unchanged boundaries tend to accumulate more collusions and organizations for collective action over time." These approaches are closely tied to the theories about the stability of corporatism (see below).

Foreign Trade and Size of Country

Manoilescu conjectures that as industrialization spreads, the productive structures of countries become more similar: foreign trade as a share of GDP

declines, exploitation through “unequal exchange” and the accompanying inequalities between people becomes less important, and world economic interdependency splinters as each nation becomes more self-sufficient, and the ratio of foreign trade to GDP falls. National solidarity, which had been endangered by a large foreign trade sector, revives. Further, corporatism, which allows a nation to focus and coordinate its economic activities toward a national ideal, becomes a very attractive option when colonial expansion ends and national advantage can be gained only at the expense of other similarly sized nations.

More recently an opposite proposition is argued, namely, that societal corporatism is more likely to arise in small nations with large foreign trade sectors. For instance, Mancur Olson (1982, p. 33) emphasizes that since costs of organizing interest groups are less in smaller countries, these nations are more likely to feature such collective action groups. Peter Katzenstein (1985) also points out that in a balance of payments crisis, small nations cannot react like large nations and pursue protectionist policies which export the cost of the crisis to their trade partners; further, their openness does not permit them the luxury either of protectionism or of long-term plans for sectoral transformation. So they must react by compensating for such change through a variety of small adjustments which require close cooperation and coordination between different industries and between management and labor in order to succeed. Such an adjustment, he further argues, is best carried out through corporatistic arrangements which maintain national consensus. Certainly a small homogeneous population allows more trade-offs between benefits and costs on particular population groups to be carried out more easily.

Empirical evidence provided by Czada (1983) and Cameron (1984) shows that this second theoretical approach appears correct, rather than Manoilescu's. It is very clear that corporatism and the ratio of foreign trade to the GDP are directly, not inversely, related, and the evidence on corporatism and population size in Table 1 reinforces this impression.

Societal Complexity and Declining Profits

Manoilescu (1938) argues that as capitalism develops, profits fall, the willingness to take risks falls, and capitalism founders. Further, the society and the economy are becoming increasingly more complex and interdependent. As long as simple productive methods are used and production is “extensive,” all that is needed is liberty, i.e., liberalism. But complex production patterns require many interactions and are associated with externalities that require organization to overcome. This particular variant of Marx's “capitalist breakdown” argument has been elaborated on by later writers who also stress technocratic aspects such as (a) the greater complexity of the economy requiring greater technical expertise on all sides to resolve economic problems, or (b)

governance consideration arising because the greater interdependency of the economy narrows the policy flexibility of the government. Manoilescu also suggests that the various microeconomic disequilibria, which were hidden during World War I, were causing macroeconomic fluctuations in the interwar period. He does not develop this incipient business cycle theory but points out instead that depressions and similar macroeconomic catastrophes merely provided further evidence of the necessity for organizing the market economy. All these arguments about complexity and falling profits have a quaint flavor; in variant forms (see below), however, they are receiving greater attention.

Centralization of the Economy

Manoilescu argues there is an increasing concentration of industry, in terms both of individual markets and of ownership of the means of production in fewer hands. Any attempt by the central government to regulate the increasingly monopolistic industries leads to a decline in production. The policy problem is how to induce production and, at the same time, ensure that profits are as low as possible.

This basic argument has been recast into more respectable form in recent years. One group (e.g., Winkler, 1976) points to such factors as the concentration of markets and of ownership of the means of production or to such phenomena as the rise of "finance capital" and the centralizing role of banks. A second group focuses its attention on the centralization of the labor market, especially the rise of labor and the employers organizations, which are able to consolidate into a small number of "peak interest groups" carrying out labor-management negotiations at a broad industrial level. A more specific argument along these lines is offered by Panitch (1979), who suggests that the union movement must be sufficiently centralized so that union leaders are insulated from the short-run interests of the members in a manner so that they can make broad political compromises. A third group including Wilensky (1976) and Cawson (1982) argue that for corporatism to arise it is necessary, but not sufficient, for the government's economic activities to become broader and for the state itself to become more centralized and powerful. This line of argument thus links corporatism to the determinants of increasing governmental activity and power.

If, because of problems of size of the nation or because of legal restrictions, it is difficult for peak interest groups to achieve comprehensiveness or if the state is fragmented or is federative, rather than unitary, then introduction of corporatist institutions becomes difficult although not impossible, as in Switzerland. According to Robert Salisbury (1979), these factors provide some explanation why corporatist institutions are not found in the United States. Underlying this type of approach is the assumption that the more successfully citizens organize into powerful interest groups and associations, the more

they undermine the functioning of a pluralist liberal order, a thesis argued with great force by Theodore Lowi (1969).

Government Policy Goals

The problems of controlling a complex economy lead to certain governmental policies which, according to some, encourage corporatism. Disagreement arises about what these policies are. Some such as Panitch (1979), Lehbruch (1979b), and Wyn Grant (1985a, p. 12) have argued that the adoption of a full-employment commitment by many governments has tended to produce wage-push inflation, which led these nations to turn to various types of income policies in an attempt to maintain full employment and low rates of inflation. In this regard corporatist institutions provide an alleged solution to dampen wage demands which some such as Panitch (1979) imply is basically a fraud against the working class. Others, including several authors discussed by Grant (1985a, p. 14), argue that corporatist institutions are especially attractive when a government has adopted industrial policies requiring considerable structural change since such institutions allow dislocation problems to be more easily handled, since high level trade-offs between social and economic policies can be made more easily. Peter Katzenstein (1985) provides evidence that the key governmental policies are "compensation" for instabilities in investment and employment, e.g., investment "reserve" as in Sweden, various manpower training and hiring programs including the government as employer of last resort, incomes policies (see above), incremental and targeted industrial structural adjustment programs, worker redeployment subsidies. He argues that such measures were used much more intensively in the smaller, more corporatistic OECD nations than in the larger nations.

Some, such as Peter Saunders (1985), note that corporatism generally concerns production, rather than consumption issues. Arguments about the linkage of specific policy issues and the presence of corporatism is generally a concern of the literature on micro- or mesocorporatism, rather than of the literature under review.

Ideology

Certain ideological tendencies appears to inhibit corporatism. For instance, Wolfgang Streeck (1984a, p. 148) notes that the long liberal tradition in Britain might have reduced the capacity of that country to develop corporatist structures, and Graham Wilson (1982) claims that this is true for the United States as well. Panitch (1979) suggests that corporatism is less likely to occur in countries where a significant portion of the population has a commitment to Marxism or communism. Lehbruch (1984, p. 77) argues that countries where labor does not have a distinctive class consciousness or where labor has a tradition of revolutionary syndicalism are less likely to adopt corporatism.

As an example of the first case, he uses the U.K., although the USA might have been a better choice; as an example of the second case, he uses France. An opposite proposition with regard to syndicalism is advanced by Wiarda (1981), who also places great weight on the Iberic-Latin corporatist tradition as an important facilitating factor of modern corporatism. A glance at Table 1, however, does not provide much support for Wiarda's approach.

Political Factors

Schmitter (1974, 1979, 1985) advances the argument that corporatist institutions have not come about through grandiose efforts at "political design." He notes (1985, p. 37):

With the possible exception of the immediate postwar settlements in Belgium and the Netherlands, [corporatist arrangements] have been the largely unintended outcomes of a series of disparate interest conflicts and policy crises in which none of the class or state actors involved was capable of imposing its preferred solution on the others. Typically, they began as second-best compromises which no one really wanted or defended openly.

This type of argument does not see corporatism as an inevitable trend and, if achieved, is also open to disintegration and partial or full reversal, a matter discussed by a number of writers, such as Marin (1985). Schmitter also argues that societal corporatism arises in relatively politically open and competitive systems with democratic ideologies, while state corporatism arises in societies with nondemocratic governments, where elections are nonexistent or plebiscitary, and where there is a weak, single party.

Clearly, for corporatist institutions to develop, they must receive state recognition and this is more likely to occur only in certain situations. For instance, Schmitter (1985, p. 36) argues that the state must have some self-interest in so doing, and this occurs most often where two conditions are fulfilled: (a) where there are interest groups of other types, such as those based on ethnic, religious, generational, position, or gender can be disregarded; and (b) where class hegemony is no longer a viable option and the relevant interlocutors

. . . must be in a state of mutual deterrence, each sufficiently capable of organized collective action to prevent the other from realizing its interests directly . . . and each sufficiently incapable of unilateral manipulation of public authority to impose its interests indirectly through the state. . . . State agents acquire the capacity to make an independent and significant contribution toward the negotiation of a more stable and institutionalized interest compromise . . . such a relative autonomy is . . . structural and grounded in the institutional interests of the state.

A similar argument is advanced by Maier (1984) who claims that corporatism is more likely where long-standing confessional or ethnic cleavages have forced a parcellization of office and influence, although others emphasize that civic peace is also a prerequisite: for example, if ethnic tensions have reach the point of civic disturbances, a corporatistic arrangement could not survive.

Others political factors receive attention. Many claim that the growth of corporatism implies a strong labor movement—at the most extreme, a potentially revolutionary situation; or at least sufficient political power to elect a social democratic government that would look favorably upon a corporatist development (see Table 1). Katzenstein (1985) argues that a weak landed aristocracy and splintered right wing parties, combined with strong social links between social sectors, is important. Maier (1984), however, argues that a powerful labor movement is not itself sufficient, rather, that labor representation in both the economy and polity must have developed at roughly an equal pace.

Finally, a number of analysts examine domestic political causality of corporatism in terms of “political mood.” For instance, Maier (1984) and Katzenstein (1985) argue that corporatism is more likely where there is a clear sense of potential economic *vulnerability*, which could originate because the nation is small and has a large foreign trade sector (see above) or because the country has been buffeted by inflation or because it has been defeated in a war or because it has come to the realization that the country is no longer a major power that can neglect the rest of the world. Many others claim that some economic crisis like a recession or an inflation provides this sense of vulnerability. Cawson (1985a) argues the reverse proposition: corporatism is a “fair weather creature” and, when economic times become less favorable, the consensus underlying such arrangements crumbles. For the system to work, the government, labor, and capital must all believe that their negotiations are a nonzero sum game (see also below).

Leibholz (1958) focuses on an international political factor and argues that the international environment, particularly the formation of supranational agencies on a sectoral basis such as in the European Iron and Steel Community, has encouraged the growth of corporatism in individual member nations. This is an interesting observation which, however, tells us nothing about the high degree of corporatism in nations that do not belong to such international groupings.

Instability of Corporatism

A number of propositions concern not the origins of corporatism but rather its breakup. Some, like Wolfgang Streeck (1984a, p. 154), argue that corporatist institutions, once established, make it difficult for the constituent parts to regain their previous autonomy. Supporting this approach, others like Lehbruch (1984, p. 47) claim that stability of corporatist arrangements increases as the number of issues extends beyond incomes policies to labor-market and employment policies.

Others such as Wyn Grant (1985a, p. 24) note that there is a fundamental instability in that the price of membership in a corporatist arrangement rises

over time for capitalists, especially as corporatist arrangements tend to expand from discussions of such questions as wage restraint into areas which start to threaten their property rights. Colin Crouch (1985) argues that further incentives for capitalist to pull out arise if there are major excluded zones for tripartite governance; he uses as an example the financial sector in the U.K. However, the price of social peace can also rise for labor, especially as rank and file members begin to feel that their confederation is compromising too much on wage issues. Gerhard Lehmbbruch (1979) provides an interesting example from the Netherlands where labor found it useful to withdraw. Schmitter (1979) professes agnosticism and claims that corporatist institutions are no more or less stable than pluralist institutions. However, he points out (1982) still another source of instability, namely, situations where new groups attempt to obtain legitimacy as a bargaining partner.

The Bottom Line

Most of these eight sets of hypotheses are not used in a statistical fashion to test the origins of corporatist institutions although an important exception is Czada (1983). Rather, they are used to provide plausibility to narratives about institutional changes in particular countries; generally such arguments are overdetermined. The whole question of the origins of corporatism requires some serious econometric analysis and a serious confrontation of the contradictory hypotheses; in this literature many do not seem to take seriously the hypotheses of others, a situation not unknown in other social science disciplines.

THE ECONOMIC IMPACT OF CORPORATISM

Writers on corporatism not only derive a number of propositions about the impact of such a system but, in several cases, they attempt to test such ideas with evidence from the OECD nations. Such efforts receive a mixed review since many writers on corporatism believe that it is the policy outcomes, rather than the actual results, that are important to study.

Leaving aside this objection, such tests have three major flaws. First, no writer on macrocorporatism whom I have read specifies very carefully the kind of allocation mechanism under consideration, especially in the market for goods and services. It is unclear whether we are dealing with a "world of monopolies" or an indicative planning system described theoretically by Meade (1970) or a liberal economic order only slightly modified on the edges. As a result, the various propositions which are statistically tested have not been very rigorously derived. Second, the various tests employ quite different indexes of corporatism (see Table 1). Third, the various statistical tests are naive. There is little discussion about the evidence most appropriate for such tests; for instance, what time periods should be chosen. Further, those making

the statistical tests generally appear innocent of knowledge about confidence intervals or statistical significance or the need for holding several factors constant at the same time. As a result we are mostly presented with simple correlation coefficients, with the author expressing glee if such coefficients have the same sign as predicted. While hiding a smile behind our hand, it is instructive to examine briefly what type of predictions are made and what kind of empirical results are obtained.

Labor Peace

An oft-stated hypothesis of the corporatist literature is that the active participation of labor in economic decision-making results in less labor conflict. (e.g., Schmidt, 1982). Therefore, a number of attempts to examine strike activity and corporatism have been made. In a simple regression Cameron (1984) finds for an 18-nation sample that the organizational power of labor is inversely related to strike activity between 1965 and 1981; however, the coefficient of determination is low (0.22) and if the data on strike days lost are transformed into logarithms in order to reduce the influence of extreme values, the coefficient of determination (uncorrected) drops to 0.10 and is not statistically significant. Czada (1983, p. 425) shows that although strikes in countries with the highest degree of corporatism are quite low, the strike rate appears random for countries with middle or low corporatism ratings. A variant of these arguments is Schmitter's (1981) thesis that nations with a high degree of corporatism are in his words "more ruly," which means they have less unruly citizens; and he produces simple rank order correlation coefficients showing that a lower degree of corporatism is associated with more citizen unruliness, as manifested by collective protests and riots; internal wars such as political assassinations and armed attacks on the government; deaths due to intergroup conflicts; and days lost per 1000 work days in strikes.

Inflation and Unemployment

As an inference from the first hypothesis, it is argued that if labor relations are smoother, the Phillips curve is shifted leftward so that inflation, unemployment, and nominal wage increases are less. Gerhard Lehmbuch (1979) notes that this is most likely to occur if the economy has both a high degree of industrial concentration and a relatively unified labor movement. Still others, like Schmidt (1982), argue that corporatism does not necessarily shift the Phillips curve, but it does lower unemployment. Of course, if corporatism results in a "world of monopoly," then economists like Robert Hall (1986) argue that unemployment should be greater, not less.

In a simple regression Cameron (1984) finds in an 18-nation sample that the organizational power of labor is inversely related to average unemployment in the period 1965-1982; however, the coefficient of determination is low

(0.16) and is not statistically significant. He also finds no significant relationship between changes in price increases and the organizational power of labor. Schmidt (1982) finds a similar inverse correlation between corporatism (1974–1978) and average rate of unemployment (1960–1973); however, he uses a measure of corporatism on a 3-point scale and a Spearman rank order coefficient; and it is difficult to determine whether his summary statistic is significant or not; none of the other five hypotheses that he tests with the same type of simple correlation has such a high correlation coefficient.

Efficiency and Flexibility

If corporatism results in a “world of monopoly,” then certain propositions about the microeconomic effects of corporatism can be drawn from the economic literature such as greater inefficiency, e.g., Olsen (1982). These need no further treatment here. In the literature on corporatism, such as Grant (1985a, p. 14), however, one often finds an assertion that with corporatism resources are more mobile, and governmental industrial policy can be more successfully carried out because dispersed expertise can be drawn upon, all parties are actively cooperating, and the costs of such resource mobility can be more adequately compensated such as the moving costs of labor. This kind of proposition could be tested by examining changes in the structure of production at a four-digit level for a variety of industries over a certain time period, but I have never seen such a study in the literature on macrocorporatism, although there are some interesting case materials in the mesocorporatism literature.

Governmental Budgetary Policies

Analysts of corporatism study a number of different effects on government expenditures and fiscal policy. Some appear to argue that corporatist states are more sensitive to the wants of labor with regard to social welfare payments. This can arise because corporatism is associated with the rise of state economic power or, as Otto Newman (1981) argues, because high welfare payments are the price that labor extracts for cooperation in a corporatist arrangement or because a welfare state is a necessary component of corporatism (Wilensky, 1976). According to one measure of corporatism, Czada (1983) finds little difference in the ratio of welfare expenditures to the GDP of nations which have a high and a medium degree of corporatism; Wilensky (1976), on the other hand, finds a high correlation but he uses a measure of corporatism somewhat different from that of other investigators.

Some claim that fiscal policy is more flexible and effective in corporatism. For instance Lehbruch (1984, p. 74) argues that corporatism smooths out the “political business cycle” because the parliamentary elections are not nearly so important. Many others suggest that corporatist governments are more

willing to carry on an active fiscal policy to reduce unemployment, which relates to the second group of hypotheses. Schmitter (1985, p. 44) sees a more complicated situation:

Neo-corporatist arrangements are not always . . . compatible with state interests. They may result in a substantial increase in claims on scarce public resources in the form of subsidies, fiscal exemptions, subsidiary programmes, etc. . . . They may produce negative externalities for excluded interests in the form of higher prices, restricted access, unemployment, pollution, etc.

However, he also argues (1981) that corporatist states have more ability to resolve problems of financing government expenditures and that the degree of corporateness is related to the fiscal effectiveness of the state, as measured by ability to increase government revenues, relatively low public borrowing, and relatively low reliance on indirect taxes, and he calculates quite high rank order correlation coefficients to support his case.

Factor Incomes

Writers on corporatism split with regard to whether such an arrangement favors capital or labor. It is generally accepted that workers in both Nazi Germany and Fascist Italy were not favored, a controversial judgment to be sure; however, it is unclear whether labor would have done better under a traditional form of capitalism. Some analysts like Panitch (1980) or Offe (1981) argue that since societal corporatism is designed to contain the economic strength of the working class, the workers are bound to do worse. Others such as Streeck (1984b) or Walter Korpi and Michael Shalev (1979) argue that in reality, corporatism has shifted the relative balance of power from capital to labor. A third group such as Schmidt (1982) claims that the tilting toward capital or labor depends on the dominant value system or on the power of the bourgeoisie or if management can see a strong link between its wage policies and competitiveness on the world market. Finally it should be clear that in so far as corporatism produces microeconomic inefficiencies, both capital and labor can be hurt. Cameron (1984) examines whether the share of labor income has changed under corporatist arrangements and, using an 18-nation cross-section sample, finds little evidence to suggest a tilting either toward labor or capital.

The effect of corporatism on the size distribution of income, rather than factor shares, receives little attention. Corporatism may not influence the relative division between property and labor income, but it can affect who receives such incomes. For instance, if workers obtain some part of the monopoly rents in a "world of monopoly," then the amount of property income shared by the capitalists and workers in different industries depends upon the price elasticity of demand for the products of the industry. Some evidence to support the idea that this can lead to a highly unequal size distribution of income is provided by the research of Estrin (1983) on Yugoslavia.

Growth and Cycles

Other macroeconomic effects of such a system are generally only argued in a rather vague fashion. For instance, Schmitter (1981) seems to say that countries with corporatist interest group systems are more governable, they have fewer strikes, and their governments enjoy more effectiveness in their fiscal policy; therefore the growth and business cycle performance of their country should be better. Manfred G. Schmidt (1982) has a similar and more explicit argument, noting that they should be more successful in dampening the fluctuations of their market economies. Indeed, from a partial-equilibrium diagram it can be easily shown that if a demand shock induces a downward shift in the marginal revenue curve, a monopoly cuts back production less than a perfectly competitive firm; and, therefore, a world of monopolies might be dynamically more stable. Moreover, from Schumpeter's ideas about the greater ability of monopolies to conduct research and development and to innovate, one might argue that corporatist states would have a faster growth of technological change.

Such optimistic approaches could be countered by some propositions of Mancur Olson (1982), who, although not writing explicitly on corporatism, argues that entrenched and powerful interest groups act to reduce efficiency and to increase instability in the economy. Thus corporatism would have a negative macroeconomic impacts on growth and the cycle, unless corporatist institutions are interpreted as representing "encompassing coalitions" able to internalize various externalities and guide the economy along a proper path. Although such an interpretation is possible, it eviscerates most of Olson's book.

Using as dependent variables data on growth of GDP, on growth of GDP per economically active, on retardation of GDP growth, and on the degree of fluctuations of GDP around a trend, Pryor and Ranis (1983) estimate regression equations to determine the impact the degree of corporatism, as measured by the series presented in Table 1. Holding other causal variables constant, such as per capita GDP, the dummy variables for corporatism have no statistical significance. It might be added that similar results are obtained in the attempts made to test the related, but opposite propositions of Mancur Olson (Pryor, 1984).

FINAL REMARKS

In the 1960s in the discussion about "convergence" of capitalism and socialism, a number of liberal or pluralist theorists posited the concept of "industrial society" toward which both systems were heading, e.g., Kerr et al., (1960), a position from which Kerr (1983) has subsequently backed away.

Such a society would be composed of an educated population in a fluid social system with declining social stratification and inequalities and, it should be added, with a declining importance of class consciousness, described as the "death of ideology." Differences in economic interests are resolved in a pluralist bargaining situation (in the economy) or in the parliament (in the polity).

Goldthorpe (1984a) argues that if corporatism is a viable economic system but not historically inevitable, then this forecast appears simplistic since there are several types of industrial societies and there is no indication that capitalist nations are converging with each other. The convergence with socialist nations is also weak, he claims, because some of the empirical assumptions of this argument are false, e.g., those leading a life style of the workers have not greatly decreased in relative importance; little evidence exists that income inequalities have been decreasing; and class consciousness and interests—especially when enshrined in a corporatist framework—have not declined.

Of course, Goldthorpe's arguments are based on two crucial assumptions: First, corporatism is a stable economic system. Second, the economic performance of corporatism is at least as good as that of the other systems. Both of these deserve further investigation. If corporatism is not stable, then it may either grease the skids to communism or itself slide back to capitalism.

On a less cosmic level it should be clear that the analysis of corporatism could be better served if tied to the structure-performance tradition in industrial organization. That is, the macroeconomic tests of the impact of corporatism are difficult to interpret because too many other things are happening. If corporatism were examined on a more micro level and if a set of testable propositions about the implications of corporatism on firm profits, profit variability, innovation, production patterns, and other aspects of firm behavior are made more clear, then we could gain a firmer view of a corporatist economic system.

In sum, the literature on corporatism is at such a beginning stage that it is difficult to draw any firm conclusions about anything. From the case materials on states with a high degree of corporatism, especially Austria, it is clear that both the institutional structure of the economy and the process of economic policy-making are quite different from that found in other nations. On a theoretical level it is much less clear how such an economic system came about or how it functions; and until economists can focus their analytical attention on the workings of a "world of monopolies," it is highly unlikely that these matters will be cleared up.

Whatever the future may bring, the existence of corporatism provides an interesting challenge to comparative economists, in terms of both theoretical and empirical analysis. The phenomenon has appeared in a sufficient number of countries that we no longer need to deal with special cases. It is too important a subject to let the political scientists, sociologists, or historians have as their exclusive domain.

APPENDIX

WERE NAZI GERMANY AND FASCIST ITALY CORPORATIST?⁹

As pointed out by Arthur Schweitzer (1964) for Germany and by Shepard Clough (1964) for Italy, the economic system of these nations have varied considerably over time and, in order to discuss the question in detail, it would be necessary to separate each period. The whole problem of whether labor actually benefitted or not from fascism or nazism, which is briefly touched upon in the text, also cannot be discussed. Nevertheless, several general observations seem in order.

Both Nazi Germany and Fascist Italy had many of the organizational trappings of corporatism. In Germany in the late 19th and early 20th centuries, the production sector had become increasingly "organized" through cartels, trade organizations, peak associations, industrial federations, and the like (Brady, 1942). In 1934 the Nazi government promulgated a law to intensify this process and, at the same time, to rationalize the structure by creating six national industrial groups operating in a National Economic Chamber. Each industrial group (mining and manufacturing, handicraft, trade, banking, insurance, and power generating) was subdivided into smaller "functional groups," to which membership was compulsory. These various groups promulgated regulations for the industry as a whole; their work was supposed to be coordinated with other groups through the Economic Chamber and the Ministry of Economic Affairs.

In Italy the new organizational structures of corporatism began to be officially constructed in 1926 with the Rocco Law on Corporations, which provided for 13 corporations: six for workers, six for employers, and one for intellectuals and professions (Clough, 1964, p. 233). Further laws followed in the late 1920s, e.g., linking the corporations with the Chamber of Deputies and establishing a National Council of Corporations. In 1934, the system underwent considerable, far-reaching reform, which created 22 corporations, combining representatives from management, labor, and government. The reform was completed in 1938-1939 when the Chamber of Deputies was replaced by a Chamber of Fasces and Corporations.

Two major differences can be noted with the definitions of corporatism discussed above. First, labor played a relatively small role in the self-rule of the industrial groups. This was particularly noticeable in Germany where the Nazi regime had crushed the previously powerful labor unions. Brady (1942) argues that the Nazi organization of industry immensely enhanced the power of management as against labor, the stockholders, and the general public. In Italy the labor movement was originally less powerful; and, according to Hughes (1965), it also appeared to play a very subordinate role under Fascist

⁹ In this discussion it is not my intention to define a fascist economic system; useful discussions on the matter are found in Woolf (1969), Milward (1976), and Williamson (1985).

rule, even though until 1934 it had its separate corporations. Symptomatic of labor's position in both countries was the fact that strike actions and similar manifestations of worker discontent were suppressed, a process taking longer in Italy. Second, in both countries governmental economic directives appeared to be playing an increasingly important role over time and, at the same time, the self-governance of production branches became increasingly less meaningful. In Italy, for instance, the corporations met infrequently and did little (Williamson, 1985, pp. 83–104).

In the light of this experience a number of commentators on corporatism have asked whether state corporatism is really stable. That is, after the state sets up the corporatist structure of organizations, suppresses independent labor unions and other competing organizations, and then begins to militarize the economy, the corporations have little real function. The coexistence of a strong and undemocratic state and independent production corporations is fragile and in both Nazi Germany and Fascist Italy corporatist institutions appeared to operate not as independent entities but more as a facade for a government exercising considerable interference in production and other aspects of the economy and operating with a virulently antidemocratic and nationalistic ideology.

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