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FROM NATIONAL CORPORATISM TO TRANSNATIONAL PLURALISM: EUROPEAN INTEREST POLITICS AND THE SINGLE MARKET

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ABSTRACT

The paper explores the emerging role of organized interests, especially of labor unions, in the polity of the post-1992 European Community. It begins by reviewing the causes of the Community's failure in the 1960s and 1970s to develop a neocorporatist system of interest representation. It then analyzes the decline of national-level neocorporatism in the years after the second "oil shock," and relates the "Internal Market" project to that development. In particular, the paper argues that the relaunching of European integration in the mid-1980s is inextricably linked to a domestic European "deregulation" project, which in turn responds to the diminished "effective sovereignty" of nation-states over their highly interdependent national economies. It also points out that the newly forming state-like structures at the European level lack the capacity to effectively promote neocorporatist, tripartite concertation. Examining the regional, national, and supranational level of policy-making in the Internal Market, the paper concludes that European interest politics is likely to be more pluralist than corporatist, and will share important characteristics with the political system of the United States.

RESUMEN

Este artículo examina el papel emergente de los grupos de interés, especialmente de los sindicatos, en la política de la Comunidad Europea posterior a 1992. Empieza haciendo una revisión de las causas del fracaso de la Comunidad, en los años sesenta y setenta, para desarrollar un sistema neocorporativista de representación de intereses. Posteriormente analiza la decadencia del neocorporativismo a nivel nacional durante el período que siguió al segundo "choque petrolero", y relaciona el proyecto del "Mercado Interno" a dicho desarrollo. En particular, el artículo sostiene que el renovado interés por la integración europea a mediados de la década de los ochentas se encuentra inextricablemente vinculado a un proyecto europeo de "desregulación interna, el cual obedece, a su vez, a la decreciente "soberanía efectiva" de los estados-nación sobre sus economías nacionales altamente interdependientes. También señala que las estructuras de tipo estatal recientemente formadas a nivel europeo, carecen de la capacidad para promover efectivamente la concertación tripartita, neocorporativista. Al examinar la política a nivel regional, nacional y supranacional, el artículo concluye que la política de los grupos de interés en Europa tiende a ser más pluralista que corporativista, y compartirá características importantes con el sistema político de los Estados Unidos.

Whatever the differences among the various versions of the theory, or “pretheory” (Haas 1970), of European regional integration, organized interest groups were always assigned a prominent place.[1] Especially in the “neofunctionalist” image of “Europe’s would-be polity” and of the way towards it, supranational interest group formation was expected to serve, in an important and indispensable sense, as a substitute for popular identification with the emerging new political community above and beyond the nation-state.[2] Most observers and, in fact, participants in the integration process fully expected that the citizens of Europe would for a long time continue to adhere to traditional national passions and identities. They knew that if the united Europe had to wait until its citizens began to feel as “Europeans”—rather than Frenchmen, Germans, Italians, etc.—it would not in any foreseeable future come about, and Europe as a political entity would in their lifetime never be more than a small bureaucracy in Brussels with very fragile support in national politics.

One reason why there nevertheless appeared to be hope was that things were believed to be different with the professional leaders of organized interest groups. Unlike the voters, they were seen as likely to orientate themselves, rationally and calculatedly, to where the action was—i.e., under the presumed logic of the neofunctionalist spillover process, to “Brussels.” Indeed in attitude and outlook, interest group officials and European civil servants could easily appear as birds of a feather: both appointed rather than elected, both experts and technocrats, both susceptible to a cosmopolitan orientation and lifestyle, both professionally interested in the smooth management of complex interdependencies, and likely to be distinctly uninterested in the traditional rituals and symbolisms of nationhood. Just as civil servants like Jean Monnet had been persuading, cajoling, and manipulating the elected politicians and the administrative machineries of national states into emergent supranationalism, so the *Geschäftsführer* of business associations and trade unions were expected to enlighten their elected leaders that their interests had migrated to a new place and that the offices and decisions of their representatives had to follow suit.

In fact, the relationship between European bureaucrats and the full-time managers of collective interests that was envisaged by integration theory was even more intimate. As pointed out, interest groups were believed to have a much better, much sharper, much more intense perception of the effects of spill-over on the situs and loci of decisions than the average voter, and as a result were expected to make their appearance at the supranational level earlier than their

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[1] In large parts, the present manuscript draws on ideas and material developed for a joint paper with Philippe Schmitter for a conference on “The United States and Europe in the 1990s: Trade, Finance, Defense, Politics, Demographics and Social Policy,” American Enterprise Institute, Washington D.C., March 6 to 8, 1990 (Schmitter and Streeck 1990).

[2] On the following see in particular Haas (1958, 318-89).

less insightful fellow citizens. But more importantly perhaps, the move of organized interests onto the European scene was expected to be further accelerated by European bureaucrats who, in their search for a constituency, would be more than willing to promote interest organization on a scale coterminous with their supranational jurisdiction. Indeed, in the perception of early integration theory, especially its neofunctionalist version, there was hardly anything in which "Brussels" could be more interested than in cultivating an environment, around the Commission in particular, of powerful interest organizations negotiating with Community officials and each other—as an *Ersatz* for the elusive pan-European citizen humming a pan-European supranational anthem when facing the Barleymont office building.

Attracting a growing number of supranational lobbyists into the Community's decision-making process was seen as offering important pay-offs especially for the Commission. Cooperation with organized interests not only provided civil servants with an indispensable input of detailed factual information in complex decisions. It also and above all was to bring about the socialization of powerful forces in European civil society into a world view compatible with that of European bureaucrats and with the requirements of continued "spill-over."[3] Having been drawn into the ambit of the Commission, a multitude of political players would learn from experience that management from the top, from the center, from Brussels, was more efficient and effective than national policy-making. When returning to their national capitals, they—it was hoped and in fact predicted—would again become a lobby: this time not of their interest group *vis-à-vis* Brussels, but of Brussels *vis-à-vis* their national leaders, including their national governments. By fostering a transnational system of organized interest representation, the Community, and the Commission in particular, would thus contribute to its own growth as a policy arena and executive body, and lift itself out of the parochial entanglements of national politics and intergovernmental non-decision-making into a safely anchored new world of supranational political management.

In many ways, the status provided for organized interests in the future European polity bore strong resemblance to a model of interest politics that some time later came to be known to students of politics as "neocorporatism." As in the latter, the integrated European polity was to be one that was primarily concerned with governing a "mixed economy," according to rules of technical and professional expertise whose prudent application was to help avoid social conflict and disruption. There was also to be a shift away from the territorial-electoral-parliamentary realm of politics, towards powerful mechanisms of functional representation of producer groups, and there was an emphasis on close linkage between state and society through privileged participation of organized interests in policy, and through mutually supportive organizational arrangements between the machineries of government on the one hand and of large, centralized

[3] Which was, of course, the core concept of Haas's (1958) seminal, "neofunctionalist" theory of European and regional integration.

interest organizations on the other. Above all, there was the idea of the future European political economy being kept together by a combination of technocratic professionalism, shared among all major players regardless of divergent specific interests, and a web of dense and durable, bi-, tri-, and multilateral bargaining relationships, involving public and private bodies alike, that was seen as contributing to order, if not through common values and shared interests, then through strategic imperatives of self-restraint and compromise reflecting and respecting the complexity of a modern society and economy.

But while motivated speculation about the politics of a unified Europe prepared the ground for the (re-) discovery of (neo-) corporatism as a concept,[4] it was not at the European level that modern corporatism as a reality was finally found. When in the early 1970s students of European integration, in despair over their subject searching for new themes (Haas 1976), turned their energies to comparative politics, they recognized at the level of European nation-states something that looked conspicuously like what integration theory had long had in mind for Europe as whole. At the time, European nation-states were almost universally turning to centralized bargaining among firmly institutionalized class and sectoral interest groups—facilitated, moderated, and supplemented by the government—as a reaction, first, to the turmoil of 1968 and 1969, and as a recourse, second, against the dislocations of the economic crises after 1973, and especially against the threat of inflation in societies with a strong labor movement whose governments were afraid of reneging on the postwar Keynesian welfare state commitment to politically guaranteed full employment. In turning to "neocorporatist concertation," as it came to be called, national governments appeared to be doing precisely what integration theorists had been counselling the European Community and the European Commission to do: in order to integrate their political systems, they were relying more and more on deals with interest groups, as distinct from electoral and parliamentary participation; they were sometimes bypassing, and generally downgrading, their parliaments as places of political decision-making; they were attempting to govern through compromises with and among organized interests; and they were generating obligations of special interests to the collective good, not through legislation passed by parliamentary majority, but through collective bargaining in all possible forms and manners (Lehmbruch 1979).

[4] This connection is particularly visible in the work of Philippe Schmitter. See Schmitter (1979; 1988a; 1989).

THE FAILURE OF EURO-CORPORATISM

Not that there was nothing like that at all at the European level. But compared to the prototypical national political systems of the time, interest representation around and within the Community always looked much more "pluralist" than corporatist: more organizationally fragmented; less hierarchically integrated; more internally competitive; and with a lot less control vested in peak associations over their affiliates, or in associations over their members. Tellingly enough, union and business association officials who were transferred to Brussels in the 1970s more often than not perceived this as a falling from grace at home and as a, usually well-paid, elimination from the excitement of domestic power games and succession struggles—as opposed to accession to a new center of political power. By the mid-1970s at the latest it had become clear that, belying the predictions of integration theory, the Brussels system of functional representation had failed to develop into a corporatist engine of supranationalism.

Why was it that a centralized pattern of interest politics did not emerge at the European level when it was so common in national polities? On the surface at least, this was not for lack of trying. It is true that—compared to its predecessor, the European Community for Coal and Steel—the European Economic Community was from the beginning less *dirigiste,* more free-trade, and less labor-inclusive. Still, the Treaty of Rome paid tribute to the idea of an institutionalized tripartite "social dialogue," most visibly in the form of the Economic and Social Committee (ESC). While the Committee included representatives of national governments and the Community bureaucracy, its principal purpose was to give the "social partners," capital and labor, some form of privileged access to Community decision-making, as well as an opportunity to meet and, it was hoped, deal with one another on, as it were, Community territory. However, given the overwhelming influence of conservative parties in the governments of the six Member countries, the ESC never assumed much substantive importance (Nugent 1989, Lodge and Herman 1980), and in spite of labor's ritual demands for a "social Europe" the "common market" remained essentially that: a customs union committed to liberalism and free trade.[5]

To an extent, this changed after 1968. With the accession to power of social-democratic parties in major member countries, and with national political elites still suffering from the shocks of their respective "autunni caldi," the first Paris summit of the heads of states and governments inaugurated an ambitious program to extend the domain of the, newly merged, European

[5] Where, in addition, the principal lines of cleavage were not between capital and labor but between "Gaullists" and "Atlanticists," and between the proponents of supranationalism and national sovereignty. As these conflicts began to dominate and eventually block the Community's agenda in the 1960s, introducing social questions in addition would probably have appeared hopeless from the beginning.

Communities to a wide range of social policies. Subsequently, for a short intensive period between 1970 and roughly 1974, it seemed that labor was about to capture the same or similar substantive concessions and institutional privileges at the European level as it was picking up simultaneously in individual countries. If at all, it was during this time that labor leaders, in the way predicted by early integration theorists like Ernst Haas, began to take "Europe" seriously as a political arena in which to launch strategic initiatives.[6] It seems, however, that the hopes of the early 1970s for a meaningful "social dimension" of the European Community dissipated as fast as they had grown—and clearly much faster than in national systems—and that the initial enthusiasm about a new "Europe of the worker" rapidly gave way to the sober realization that in a supranational polity, labor participation in tripartite governance is even more difficult to win and sustain than in traditional nation-states.

Rather than in neofunctionalist terms, the answer to the puzzle of the stagnant record of European interest politics will have to be given in a language that recognizes the importance of conflict and power and does not submerge politics in the technicalities of managing sectoral "spill-overs." In a nutshell, there was and is no corporatism in Brussels because *labor* lacks the resources to impose it; because *capital* not only has no interest in it but has unique opportunities to prevent it; and because the European quasi-*state*, the Community, does not have the capacity to induce, facilitate, and underwrite it. Since the same factors are still at work and continue to shape the structure of interest representation in Europe, we will address them in some more detail.

(1) *Labor Weakness.* There is reason to be believe that a highly organizational and political capacity of labor in the formative period of a polity is of particular importance for the growth prospects of a centralized, publicly institutionalized interest politics. This is because more than anything else, it is the strength of labor as a collective actor that promotes the emergence of an active, interventionist, nonliberal state—a state that, in turn, may then institutionalize both labor and capital as principal participants in a centralized, corporatist bargaining structure. Since European labor was always as disorganized supranationally as it was organized nationally, there never was a chance for the kind of political power balance to develop that would have allowed the Community, as a state-in-waiting, to achieve enough "relative autonomy" to intervene in the organizational structures, not just of labor, but also of capital.

The low development of labor's organizational strength at the European level is above all related to the wide regional disparities in the European Community and the resulting divisions of interest among national labor movements (Campbell 1989; Visser 1989; Alexander 1989). This

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[6] Not that Haas would have predicted, or approved, the substance of those initiatives which, to a large part, was clearly outside the spectrum of the "pluralist industrialism" of the 1950s and, in the eyes of many observers, signalled a return to "class conflict" and "ideology." See Haas (1976).

condition has existed for a long time, but it was exacerbated in the mid-1980s by the accession to membership of the three Mediterranean countries, Spain, Portugal, and Greece. Average wages in Portugal are equivalent to less than 20 per cent of the average West German wage.[7] The vast differences in trade union concerns and strategies to which this gives rise are reflected, among other things, in the traditionally low significance for their affiliates of European sectoral and intersectoral union confederations. While for trade unions from advanced economies a joint European strategy is unlikely to offer improvements over what they have already gained on their own, to unions from weaker countries common demands typically appear unrealistically ambitious and far remote from their everyday practical concerns. Moreover, to unions in rich countries common labor standards, even if they are just setting a floor, may appear to threaten their own, higher standards. Still, and at the same time, they may *exceed* the marginal productivity of the workforces of less wealthy countries, thereby undermining their ability to take advantage of increased capital mobility and attract foreign investment (Padoa-Schioppa 1988). While it is *also* true that common standards may help unions in weaker economies to make more progress than they otherwise would, and while they may make it easier for more affluent working classes to defend their employment against capital migration, bringing the different interests together and finding a compromise acceptable for both sides is far from simple. Indeed, uniting national union movements behind European programs and policies—for example in the European Social Dialogue (Cressey 1989; European Foundation for the Improvement of Living and Working Conditions 1989)—always required great political effort and skill. Even where these were successfully applied, the joint policy platforms that were adopted often had to be left deliberately vague and rarely were more than symbolic in character.

In addition and exacerbating their difficulties, European union officials always had to face tendencies among their constituents either to seek national solutions and ignore the supranational level altogether or to pursue their "European" interests through intergovernmental channels, using their access to home governments to work through the national embassy in Brussels in lobbying the Commission or, more likely, through the Council of Ministers (for a case study, see Teague 1989). Frequently such initiatives were coordinated with the respective national peak associations of employers, resulting in trilateral national coalitions pursuing joint objectives in competition with other countries and thereby effectively cutting out, or starving off, the European system of functional representation. This contributed importantly to the failure of attempts, especially by the Commission, to establish a trilateral European system of

[7] According to *Eurostat Review 1977-1986*, hourly labor costs for manual and nonmanual workers in 1984, expressed in ECU, were highest in West Germany. Portuguese labor costs amounted to 16 per cent of the German level, and the respective figure for Greece was 28 per cent (UK: 63; France: 86). Later data or more exact measures are not at present available.

neocorporatist political bargaining and exchange in which the Commission could have played the part of a nascent central government (Wallyn 1988).

There is no reason to believe that a broadly institutionalized Social Dimension of the Internal Market, assuming for the moment that it will come to pass, will make consensus-building in European labor organizations less difficult. If outcomes matter more, interest differences assume more weight. Organizational, political, and ideological differences, important as they may still be, are likely to be less crippling in this respect than differences in national labor market structures, training systems, or living standards. Trade unions from rich countries traditionally offer their poorer counterparts assistance in the pursuit of aggressive demands for wages, holidays, social security benefits, etc. But what to them may appear to be internationalist concern for their fellow workers' rights and well-being may be perceived by the latter as designed to protect their richer brothers from capital outflow and subsequent job loss (Streeck 1990b). As long as calls for Community-wide labor standards have no practical consequences, they are likely not to be opposed by unions in weaker economies. When confederal policies may have a real impact, however, their formulation could become more contested.[8]

(2) *Business Resistance*. An important further reason for the organizational weakness of European labor is the absence, on a wide range of critical subjects, of an active interlocutor on the part of capital. European capital is strongly represented in Brussels by lobbyists for individual firms, as well as through sectoral and subsectoral trade associations (see Butt Philips 1985; Platzer 1988; Sargent 1985). The interests that these defend are primarily those of enterprises and industries demanding protection and/or (de-) regulation of their product markets. While sometimes the same channels are also used to address social policy concerns—for example in the 1970s, to defeat European Community directives on workforce participation and consultation—this is not their principal purpose. In fact, many of the *producer interests* firms and trade associations pursue in Brussels are by and large, and more or less tacitly, shared by their workforces, with business interests often functioning in effect as vertical associations of "particularistic," "syndicalist" firm-specific or sectoral interests of workers.[9]

By comparison, the interests of firms *as employers* are typically not directed at extracting favorable policies from Community bodies. European business has consistently refused to contribute to a transfer of social policy matters from the national arenas to tripartite political bargaining in Brussels. While firms and their associations are always available for formal and informal consultations, binding decisions are typically opposed, usually with reference to widely different conditions and the need for "flexibility." In this respect, it is important to note that getting

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[8] I owe this point to a recent unpublished paper by Peter Lange.

[9] On the difference between class and producer interests, and its reflection in the organizational structures and strategies of business, see Streeck (1990a).

its will and keeping tripartite social policies at a minimum did not require any major organizational effort from business. Quite to the contrary, to protect the Brussels body politic from contagion by the neocorporatist disease that befell European nation-states in the 1970s, all business had to do was refuse its European peak associations the competence to enter into binding obligations on behalf of their national constituents. A trilateral polity can exist and grow only if all three sides are sufficiently centralized to take part in it. By not organizing strongly at the European level, employers were and still are able to confine institutions like the ESC and the Social Dialogue to a strictly nonbinding, consultative status. The growing frustration of European trade unions, especially in the 1970s, with the minuscule results of long and complicated discussions in Brussels, and increasingly with the European Community as such, was in large part due to the political strength business was able to draw from its organizational weakness.[10]

Nowhere else is the contrast as stark between the neofunctionalist image of interest groups centralizing their organizations and activities at the European level and thereby pushing regional integration forward, and the realities of European business associations. The implicit assumption in much of the neofunctionalist writing is that in a set of interdependent economies, a centralized pursuit of group interests is always and unproblematically the rationally superior alternative to traditional national or subnational strategies. The example shows, however, that there may indeed be policy arenas, such as social policy and industrial relations, where *different levels of regulation favor different social interests* and where groups that are favored by decentralized regulation or by the unfettered operation of "market forces" find it easy to *prevent centralization of regulatory capacity at the supranational level by refusing to "play" and build up the necessary organizations.* The result, clearly not foreseen in neofunctionalist thinking, is the *emergence of interdependencies in the process of economic integration without "spillover" into simultaneous growth of regulatory institutions* capable of controlling them, so that in such cases *integration and deregulation fall into one.*

(3) *Lack of State Capacity.* Even and perhaps particularly in a democracy, large, encompassing organizations—if they are to grow, remain viable over time, and take part in sustained corporatist bargaining—need to be cultivated, supported, privileged, and monopolized by a sympathetic institutional environment, and preferably by an active state capable of more or less purposive and autonomous intervention in organizational structures. Much of the corporatist debate of the 1970s was on the question of whether a strong state is a precondition for strong

[10] In addition, of course, there was the fact that whatever consensus may have been reached between the "social partners" in, for example, the Economic and Social Committee, had to find the support of more powerful bodies such as the Council. Typically, in the past as today, employers objecting to centralization of social policy had reliable allies in national governments concerned about their sovereignty. To the extent that social policy is, formally or informally, subject to unanimity requirements, interest groups that prefer decentralized decisions need to find just one government to hold up any "corporatist" bargain that is not to their taste.

associations, or conversely whether strong associations can develop without, and may even substitute for, a strong state. Based on national observations and crossnational comparison, what seemed to emerge as a tentative consensus assigned a prominent place to the indispensable contribution of public power even in cases of “societal corporatism” (Cawson 1985; Grant 1985). From this perspective, the neofunctionalist expectation that a weak, fledgling nonstate like the European Community should be able to launch a system of interest associations that would in return be capable of increasing the Community’s power and its state-ness, especially in relation to the established nation-states, appears vastly exaggerated.

The European Community does not command the legal and organizational design capacities necessary to reshape powerful interest organizations rooted in civil society. Whatever capacity it may have in this respect is vastly inferior to that of the Community’s nation-states, from which it is derived in the first place. Moreover, the policy-making process in the Community is by far too fragmented and dispersed to place a sufficiently high premium on interest organizational centralization at the European level. In the history of the Community up to the present time, intergovernmentalism and the veto powers of individual nations were typically strong enough to preempt or modify centrally made decisions. In a situation like this, organized interests have no other choice, even if they were otherwise inclined, than to maintain a strong national base and to cultivate established national channels of influence. This, as has been pointed out, holds in particular for groups and in policy arenas *where the interest is more in nondecisions than in decisions*. As long as the Community—i.e., its genuinely supranational institutions such as the Parliament and the Commission—cannot on their own appropriate policy issues, their ability to influence the structure of organized group interests will remain dismally low.

CORPORATISM, THE NATION-STATE, AND THE DEREGULATION OF EUROPEAN ECONOMIES

There are, however, more, and equally important and vexing, relationships among corporatism, nationalism, supranationalism, and the power structure of the political economy. The heyday of corporatism in the 1970s was a period of distinctly *national* responses to the catastrophic deinstitutionalization of the capitalist world economy that started in the late 1960s, and the ensuing, rapidly rising, domestic and international disorder. Apart from the United States where the absence of a European-style resurgence of labor militancy (see the book by Crouch and Pizzorno 1978) in 1968 had set the stage for a strategy of economic recovery through deunionization and deregulation, governments almost everywhere experimented with centrally negotiated “social contracts” of all sorts, as a homemade replacement, or functional equivalent, for the now defunct set of international institutions that had in the past provided at least some form of stability for and among competing capitalist nations—by, for example, imposing and enforcing external "balance of payments constraints" that helped national governments keep domestic "discipline." To an important degree, corporatist concertation in the 1970s must be understood as a sometimes desperate turn to domestic political and institutional resources in a search for solutions to what really were international problems—a turn that reflected the almost complete absence on the eve of the crisis, in spite of three decades of international institution-building, of technically viable and politically legitimate mechanisms of international cooperation (McCracken et al. 1977). There is no doubt that the frequently made association of corporatism and economic nationalism has a strong basis in fact, not only for the 1930s but also for the 1970s.

Recourse to corporatism, or attempted corporatism, in the early 1970s was had also and in particular by member states of the European Community. Indeed if the Community was mentioned in Europe at all during that period, it was to point out how useless it had proven as an instrument for tasks like the restoration of a stable monetary environment; for working out a common energy policy with the United States and, perhaps, OPEC; or for fighting inflation and unemployment. The "dark age" of the European Community was above all a time when European national elites seemed to believe as a matter of course that the supranational European institutions they had set up in the 1950s and 1960s, embedded in a relatively stable world order, could not serve as a suitable tool for the restoration of that order, and that therefore everybody had to find their own national solutions.[11]

Corporatism, we have maintained, was adopted as an alternative to international responses, including European ones. At the same time, the use of domestic concertation on a large scale was bound to make international concertation even more difficult, and thus contributed further to bringing the process of European integration, including the building of a European-level system of interest politics, to a halt. This was not only because emerging national corporatisms diverted the attention of policymakers and association officials away from "Brussels" and back to national capitals, or because attempts at international cooperation would have added further complexity to the domestic bargaining process, thus reducing elites' degrees of freedom and making compromise more difficult. It was also, and more importantly, because different

[11] Of course, the period in question—we are talking about the years from about 1970 to, roughly, 1975—was also notable for vigorous attempts by unions and social-democratic governments to move the European Community to the left. With hindsight, this may be seen as another manifestation of the general confusion and indecision of the period, when the Left was still benefitting from the momentum of 1968 while the Right was slowly beginning to mobilize its counterattack with the support of, as it were, 1973. Moves towards a "Social Europe" may in this situation well have appeared as aggressive advances of Social Democracy at Community level, adding another reason for business and its political allies to hold back on European integration. Having not been able to escape national corporatism after 1968, there was no reason for them to accept supranational corporatism in addition at a time when the tide was already beginning to turn in their favor.

countries turned out to be differently equipped institutionally for corporatist concertation. While corporatism worked in some places, it dismally failed in others, and in yet others it worked for a while but created accumulated problems that later came home to roost. The economic performance of different capitalist economies thus became more divergent than ever in the 1970s, and as the history of European integration testifies, divergent performance is all but conducive to countries giving up a share of their sovereignty—the weak ones being afraid of becoming subservient to the strong ones, and the strong ones seeing no need and being afraid of diluting their national success.

Second, it almost follows from the above that the resurgence of European integration, as signified by the Single European Act and the Internal Market project, was more than just incidentally related to the demise of national corporatisms in the early 1980s. If anything, it had been the shared experience of a rapid decline in their "effective sovereignty" (Hoffmann 1989) that had undermined the capacity of national states in the developed capitalist world to sustain the kind of social contracts that they had entered into in response to the crisis. The neocorporatist exercises of the 1970s had in large part been attempts to shore up the systems of economic and social policy-making that had been put in place under the postwar settlement (Gourevitch 1986), and prolong their life beyond that of the international environment in which they had originally been embedded. Ultimately, it turned out, this was not possible. The changes in the international position of the United States that had exhausted its capacity to act as a benevolent hegemon had gradually given rise in the 1970s to a domestic move away from the New Deal compromise, to a political economy that sought competitiveness through deregulation and deunionization and abandoned the social-democratic principle that wages and social conditions were to be taken out of competition. After the final defeat of the Labor Law Reform Act in 1978, the Federal Reserve could feel free to respond to the second oil crisis with a dramatic increase in interest rates, ending inflation at the price of deindustrialization and causing a further, probably irreversible decline in union organization. In the early 1980s, with effectively deregulated, worldwide integrated capital markets, the destruction of American trade unions paid off handsomely in that it gave the United States the "flexible" markets and the "confidence" of financial investors required to underwrite an expansionist fiscal policy that has been ironically characterized as "Keynesianism in one country."

From the perspective of other capitalist countries, that term would appear to have carried a particularly ominous connotation. As the French socialist government after 1981 was soon to find out under the watchful eyes of other political elites, the dynamics of the international political economy after the second oil shock were governed by the old Roman imperial maxim, *quod licet Jovi non licet bovi.* Keynesianism had ceased to be universally available; it had become limited not just to one, but to *only* one country. Being so much larger than everybody else and, as a consequence, so much less internationalized; having broken its unions; being still in control of the *de facto* world currency while no longer accepting the responsibilities of world banker; and for all these and other reasons being able to attract and maintain the confidence of what is euphemistically called "the financial markets," in spite of gigantic and growing deficits in its budget and foreign trade—the United States could effectively and successfully apply fiscal stimulus, whereas the others could not without their capital running away and holders of financial assets dropping their currencies at their doorsteps. In fact, arguably one reason why they could not was that the United States could, and did, syphon off resources that, in earlier, better times, would have gone into industrial investment in other countries.

The important point here is that some sort of effective Keynesian-expansionist capacity would appear to be indispensable for the kind of corporatist concertation and social contract bargaining that was to stabilize non-American capitalisms in the 1970s. As much as these systems may otherwise have differed, under the rules of corporatist bargaining a state that cannot with any reasonable prospect of success promise to apply its fiscal and monetary policy tools to alleviate unemployment, cannot possibly hope to gain concessions from unions or to influence settlements between unions and employers by, for example, offering to improve the terms of the bargain through a corresponding economic policy (Regini 1986). To put the use of its sovereignty up for negotiation, a state needs to have sovereignty in the first place. As the effective sovereignty and, subsequently, the Keynesian capacity of European nation-states faded, so did corporatism—and with it the Social-Democratic project of politically guaranteed full employment.

Of course, not all of the causes for the demise of sovereignty and, therefore, national corporatism originated in the deinstitutionalization of the international economy or in the internal politics of the United States and the "deflationary bias" it introduced in the world capitalist system. A more general explanation should be found in the growing interdependence among capitalist economies—or better, inside the capitalist world economy—which in the typical West European country has now increased the external contribution to its national accounts to a level where it can no longer be treated as a mere addition to a primarily domestic economy. As the French have learned, and everybody else from the French, interdependence does not make it impossible to create jobs by Keynesian stimulus; but unless a country has the size, the currency, and the social system of the United States, chances are that many of those jobs will emerge outside the territory whose government has increased the national debt to create them. Given the absence of international institutions to manage such interdependence, governments in the early 1980s felt hard pressed, or saw a golden opportunity depending on their political complexion, to withdraw the political full employment promise of the postwar period and yield control over the restoration of prosperity and employment in their internationalized national economies to "the market," including a deregulated labor market—in effect accepting the increasingly demanding conditions placed by capital holders on industrial investment and conceding what Burnham once called "domestic sovereignty" to what is euphemistically referred to as "market forces."

Deregulation thus spread—from the United States to Britain, the country with the most open capital markets, and from there to the European continent. What it involved was a more or less forceful, and more or less successful, attack on the accumulated "rigidities" that more than three decades of "mixed economy" had left. In many cases, this included the dismantling, or at least the disregard, of structures of collective bargaining and domestic compromise that already under the late Keynesian regime had more and more been perceived as obstructing industrial adjustment. Where dismantling got stuck, the proven inability of governments to deliver on employment, and their growing unwillingness to try, together with the insistence of unions on concessions and institutional monopolies that capital and governments felt they did no longer need to provide, created the atmosphere of "Euro-pessimism" and "Euro-malaise," not to mention "Euro-sclerosis," that was so pervasive in Europe during the first half of the 1980s.

The Internal Market project emerged at this time and in this context.[12] If one wants a shorthand explanation for the renewed momentum of European integration in the mid-1980s, one would probably account for it as the result of an alignment between two broad interests: that of large European firms struggling to overcome perceived competitive disadvantages in relation to Japanese and US capital, and that of state elites seeking to restore at least part of the political sovereignty they had gradually lost at the national level as a result of growing international interdependence. Unlike in the crisis years of the 1970s, European large firms seem to have resolved at some point in the early 1980s that using their clout in national political arenas to get protection from foreign competition—through subsidies, technical standards serving as nontariff trade barriers, or privileged access to public procurement contracts—had become counterproductive given the increased size of production runs and investments required for world market competitiveness. Instead of trying to benefit from the economic nationalism that had made European integration grind to a halt in the 1970s, business throughout Europe seems to have become willing in the 1980s to join forces with political elites which, under the impact of their economies' poor performance, and with worldwide policy coordination with the United States and Japan out of reach, found themselves under pressure to seek a *supranational pooling of eroded national sovereignties over economic policy,* to recapture collective autonomy in relation to the United States and to begin to organize a competitive response to the Japanese challenge.

The main concession governments seem to have made in return for business giving up previous claims for national protection was that the future European political economy was to be significantly *less subject to institutional regulation*—national or supranational—than it would have

[12] For more detail, see Sandholtz and Zysman (1989); Streeck (1989).

been in the "harmonization"-minded *and* social-democratic 1970s when employers found themselves forced to obstruct the "Social Dialogue" and struggle against a Community Directive that would have made German-style codetermination obligatory for all large European firms. *In the 1992 compromise,* unlike in the European Community's more mixed-economy minded past, *the project of European integration became bound up with a deregulation project*. As has been pointed out elsewhere, the principal assurance for business that supranational sovereignty would be used just for the *external reassertion of,* and not for *internal intervention in,* the European economy was the adoption of a novel method of defining and governing the Internal Market known under the label of "mutual recognition"—which for all practical purposes is a subtle form of *de facto* deregulation (Hoffmann 1989; Streeck 1989).

Deregulation is almost by definition inimical to corporatism. The "negative" mode of integration implied in mutual recognition both undermines national corporatisms even where the national political resources of labor are still comparatively strong, as well as stands in the way of an eventual replacement of national by supranational structures of corporatist concertation. To the extent that corporatism requires a sovereign state, a supranational pooling of national sovereignties is not likely to produce a renaissance of corporatist arrangements at national level. And, as we shall see in more detail below, at the supranational level the bargain that underlies 1992 will very likely prevent the European Community as a supranational government from asserting domestic sovereignty over the market in a way comparable to the traditional nation-state.

THE EUROPEAN COMMUNITY: A NEW TYPE OF NONSTATE

The character of the emerging European polity has puzzled the literature on European integration since the 1950s. As it became clear that "regional integration" was an exclusively European phenomenon—the number of cases being no higher than one—the question became irrepressible of what the "dependent variable" was that integration theory expected to explain (Haas 1975); towards what "final state," if at all, the integration process was moving; and what "the nature of the beast" was that students of European integration, as in the parable of the blind men and the elephant, were trying to grasp (Puchala 1972).

Unlike in the early, "motivated" theorizing (until de Gaulle rehabilitated realism, both with and without a capital R), today hardly anybody[13] expects that the supranational European polity of the future will be a replication of the European nation-state of the past. Wherever else students of European politics may disagree, and they like to disagree a lot, as a minimum it now seems to be

[13] The exception being the "federalist" tradition of thinking about the European Community, with its strongholds in Italy (the tradition of Spinelli) and, remarkably, in the United Kingdom (cf. Burgess 1989).

accepted that the political system of the post-1992 European Community will be fundamentally and by a quantum leap *more complex* than anything that has preceded it. For example, while Europe as whole will undoubtedly exist as a unified political entity of some as yet undetermined sort, the *nation-states* that now constitute the European Community will not disappear in that entity but will coexist with it (Puchala 1972). Nor will Europe be simply an institutionalized system of *international, or intergovernmental, relations;* yet at the same time such relations will continue to play an important part in Europe, alongside and in interaction with other relations (Keohane and Hoffmann 1989). And similarly, Europe will have *supranational institutions* contributing to the governance of what will be a domestic Western European polity; but these will have to share authority with national, as well as with a dense web of international and transnational institutions which, too, will be constitutive elements of the emerging political system of Western Europe (Schmitter 1989).

Europe's future polity, that is to say, will be composed of traditional domestic relations *within countries,* traditional international relations *among countries,* less traditional transnational relations among both individuals and organizations, and entirely nontraditional supranational relations *among European-level public institutions* on the one hand and, on the other, a *European civil society* consisting of domestic, international, and transnational forces and relations and including both nation-states and, in manifold national and crossnational combinations, their constituents. The possible dynamics of this unique, and uniquely complex, system of governance are as yet only poorly understood, and there is very little theory, if at all, to guide such understanding. This applies not least to the literature on *state formation* and the role of *class conflict* in it. While there always were more and other actors involved in the shaping of state structures than socioeconomic classes—e.g., regional, ethnic, and cultural communities and interest groups—in the case of European integration classes, as well as other forces in civil society, have to compete for control over the newly emerging central level of governance with a qualitatively different set of players: a number of already existing, sovereign (or better and increasingly, "semisovereign") nation-states. One reason why the latters' continued presence inside the European polity makes a difference is that the international boundaries among them constitute powerful, additional lines of crosscutting cleavage inside classes and interest groups that stand in the way of their fast and effective polity-wide organization. Moreover, unlike in the nineteenth century when the system of European nation-states was formed, social structures today appear too differentiated, and political problems too variegated, to be easily organizable along bipolar class lines—a condition that, while it is gradually yet fundamentally transforming the political make-up of established nation-states, can be expected to exert a much more powerful, formative influence on the only now emerging polity of the integrated European Community.

There is, furthermore, a growing suspicion that conventional models of the growth of the *modern European welfare state* may not be applicable to the European Community. For some time to come, whatever will occupy the place of the supranational Single European State governing the Single European Market, will likely resemble a *pre-New Deal liberal state* with, in Marshall's terms:

• A high level of *civil rights* enabling citizens freely to engage in contractual relationships inside and across national borders, accompanied by well-protected *human rights* to equal treatment before the law, freedom of movement, etc. Here the European Court of Justice is of crucial importance, and also the Council of Europe although it is not, of course, a European Community institution;

• A low level of *political rights*, with the European Parliament continuing to play only a minor role in the system of European institutions. This holds in spite of the fact that the Parliament's direct election and its new powers under the Single European Act have vastly improved its status over what it was in the mid-1970s;

• An even lower level of *social rights,* these being essentially limited to a set of European-wide health and safety standards. Historically, intervention on health and safety matters represents the earliest stage in the history of the modern welfare state. Present efforts to attach a "Social Dimension" to the Internal Market by starting with a set of generally binding health and safety standards are aimed at replicating the familiar national trajectory of welfare state development. But in the face of the retarded advancement of European-level political rights, there is little reason to expect such efforts to be particularly successful, given in addition

• The almost complete absence of a European system of *industrial citizenship* that would give workers and unions rights to representation in industry as a functional domain at the European level, separate from the territorial domain of electoral politics. The closest the European Community will come to being a source of industrial citizenship—i.e., to creating and safeguarding European-wide institutions of industrial relations and collective bargaining—is in providing for some form of labor participation under the European company statute. But whatever this will in the end entail—and we comment on this in more detail below—it is likely to pale into insignificance when compared to some of the national systems of union rights that were part of the post-World War national settlements.

State structures matter for interest politics and interest representation, and they certainly do for corporatism. The emerging shape of the European "nonstate"—or even "post-Hobbesian" state (Schmitter 1989)—does not bode well for a reconstitution of corporatism at supranational level. In the final part of this paper, we will try to trace the implications of what we think we know about the future shape of the European polity, for the structure and function of organized interest groups. In this, we will follow Puchala's (1972) advice and organize our account by distinguishing three levels of policy-making and interest articulation: (1) a subnational, regional level; (2) the nation-state; and (3) the supranational institutions of the European Community. Given the diffuse and fragmented nature of sovereignty in the Community's polity, levels are conceived as interdependent—forming an incompletely unified, loosely coupled, highly diverse institutional complex which confronts an at least equally diverse civil society acting in what after 1992 will be an integrated market.

THE FUTURE OF EUROPEAN INTEREST POLITICS

1. At Subnational Level

At the core of the 1992 process is the abolition of national boundaries among the markets of the twelve Member states of the European Community (Bieber et al. 1988; Calingaert 1988). As a result, the twelve formerly "national" economies will become *regional subunits* of a larger economic and political entity—a *region* being a *territorial society without sovereignty over its borders*. At the same time, the existing regional subunits of European nations, being no longer fenced in by common, national economic boundaries, are themselves becoming subunits in their own right of the larger, integrated European economy. This transformation of national into regional economies, and of subnational regions in subunits of a supranational economy, society, or polity, amounts to a *regionalization of Europe* as well as, at the same time, a *Europeanization of its regions.*

The potential importance of the regional level for the developing political economy of Europe is underlined by the rich literature on *industrial districts* (e.g., Brusco 1982; Sabel 1989). Its underlying theme is that of a strong, positive contribution of a dense, social-institutional infrastructure to the vitality of regional economies—like Baden-Wuerttemberg in West Germany or parts of the "Third Italy"—that engage in "high valued-added," "flexible specialization" (Piore and Sabel 1984), or "diversified quality" (Sorge and Streeck 1988) modes of production. In many of these prosperous and world market-competitive areas, unions in particular seem to play an indispensable part in the negotiation of distributional compromises, the building of growth and productivity coalitions, the formation of public-private interfaces, the provision of a protective institutional exoskeleton for small, innovative firms, the generation of collective factor inputs, and the creation of institutions that allow for non-zero-sum cooperation among firms, as well as between capital and labor at the workplace and beyond.

Recent developments seem to indicate that the former regional subunits of European national economies may be about to become independent actors on the European Community stage.[14] A number of European regions, most prominent among them Catalunia, Lombardia and Baden-Wuerttemberg, have set up permanent offices in Brussels that bear conspicuous resemblance to embassies. Moreover, their heads of government are reported to have met several times to discuss strategy and form coalitions concerning their interests *vis-à-vis* the European Community. If this trend were to continue, regions would join nations, classes, sectors, and firms as participants in European interest politics, adding another category of players and further complexities to a scene that is already highly complex and pluralistic.

Europeanization of regional interests, and especially interregional political competition for Community resources, is far from being universally welcomed.[15] For one thing, while it would improve the position of the Commission, it would also and *ipso facto* tend to weaken further what is left of sovereignty at the national level—which is why national governments have been found to actively resent the formation of direct connections between Brussels and "their" subnational governments. Also, if regions are admitted to European politics, regional subunits of *federal* states, having independent powers of legislation, taxation, budgeting, etc., will likely have an advantage over regions of more centralized countries; viz. the absence from the above list of, say, the Midlands.

The impact of the possible emergence of a regional level of interest politics on the form and role of functional representation in Europe, and on the prospects of corporatism in particular, depends to an important extent on the likely composition of ruling regional coalitions. The main question here seems to be about the sources and conditions of labor-inclusiveness of regional regimes—especially whether regional power resources of labor can be generated *endogenously* inside the region, or need to be mobilized *exogenously* using national power resources under the protection of a sovereign border. Regions, it may be remembered, are societies that have no control over their boundaries. As European nation-states turn into regions of an integrated market economy, nationally legislated labor market regimes are likely to lose much of their force, and the same holds for protective barriers against crossborder competition; this, after all, is what the expected deregulatory effect of 1992 is all about. The survival and growth of regional labor-inclusive institutions inside the integrated Internal Market, and with it perhaps that of regionally based non-price-competitive production, would then have to depend on non-national, regionally indigenous forces—or would require that functional equivalents for national-level supports be found to balance the decline in national political capacities that is associated with 1992.

Much of the literature on regional political economies seems to take the position that the composition and survival of their regimes is indeed, and always was, largely independent from national institutions. Typically, the institutional infrastructure of economically successful

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[14] For a strong statement to this effect, see Majone (1989).

[15] The following discussion owes much to a set of unpublished papers by Gary Marks.

European regions is described as based in *local* cultures, traditions, and politics that, by implication, would be unlikely to be destabilized by an attenuation of national sovereignty. However, apart from the fact that culture and tradition may rapidly lose vitality in the modernizing, internationalizing post-1992 European economy, a case could be made that, certainly as far as the presence of unions and of a tripartite power balance in regional economies is concerned, this severely underestimates the role played in the past by *national* power resources (Korpi 1978), like labor law creating or supporting various overt or covert mechanisms of union security, or protective monetary and trade policies.

Regions, not being states, are by definition unable to insert *coercive power* in the voluntary contractual and communitarian relations among their citizens. Their social organization is that of a civil society undistorted, as it were, by public intervention. In particular, regions lack the capacity to provide the kind of public support that has generally been found to be required to transform unstable, voluntaristic, pluralistic unions into institutionally “mature” ones that are capable of looking, in corporatist fashion, beyond the individual enterprise or occupational group to the sector, the country as a whole, or, for that matter, the region. Regionally based unionism in the European Community would have to do without external sources of associational monopoly, without authoritative stabilization of bargaining arenas, and without recourse to a public sphere balancing the manifold advantages employers enjoy in the marketplace. It is not easy to see how the disabling effects on union movements of the erosion of institutional supports at national level should be counterbalanced by unions turning to the regional level where such supports have never existed.

In any case, even if it was somehow possible to create stable tripartite systems of regional governance, one would want to resist the temptation to refer to this as (regional) “corporatism.” Corporatism requires encompassing organizations that internalize a significant part of the externalities of a group’s collective action and interests, and allow for hierarchical coordination among different levels of interest aggregation and group activity. Neither condition would be met in a “Europe of regional tripartisms.” If national-level corporatisms have been undermined by growing international interdependence beyond the control of the parties at the bargaining table, regional arrangements are even more affected by the shrinking “effective size” of modern polities. The “tyranny of external effects,” as it has been called, may be and clearly is on the advance at the national level; but it certainly is incomparably more severe in the much smaller action space of a subnational region—especially after the demise of national regulations that in the past have taken a core set of social and constitutional conditions out of inter-regional competition.

Moreover, in moving their organizational center of gravity towards the region, as most of the industrial district literature more or less explicitly advises them to do, unions would write off any aspiration they may have had for playing a role in the political management of inter-regional externalities. Regionalized unions would inevitably be partners, junior or not, of regional capital trying to survive in inter-regional free-market competition. For example, they would have to cease seeing themselves as agents of inter-regional redistribution. While the *mezzogiorno* policy of Italian unions in the 1970s, which relied on the movement's centralized, national power to demand regional development programs for the empoverished South of the country, may not have been particularly successful, a regionally decentralized union movement would have been unable to agree on any such policy in the first place. Today, regionalized unionism would for the same reasons be incapable of a political response to the involvement of regional economies in the larger European and global economic context—an involvement that has become deeper than ever and that, incidentally, fundamentally distinguishes today's regional economies from those of the past.

It is conceivable that political control over economic interdependence is presently beyond recapture, and that union organizational domains may for a long time or forever be bound to be significantly narrower than whatever the relevant "market" may be. But decentralization of unions and industrial relations towards regional arenas will clearly not remedy this condition, and to the extent that it ratifies the, possibly inevitable, effective fragmentation of organized interests, it actually amounts to the very opposite of corporatism. The emergence of regional arenas of interest politics seems to advance, not the organization of labor nor, for that matter, of capital, but rather its *disorganization.* In the 1992 environment in particular, new opportunities for interest articulation at the regional level would appear to increase actors' range of *choice* among political channels widely beyond what would be compatible with the orderly world of corporatism. In addition to the enterprise, the sector, the nation, and perhaps Europe as a whole, struggling factions inside interest associations, and especially inside unions, would have yet another option for pursuing sectional interests separately and on their own, in coalition with other categories of interests and with ambitious local governments. By undermining associational monopoly and interassociational hierarchy, the fragmentation of interests and the pluralist proliferation of political opportunities that is entailed in the "regionalization of Europe" thus adds to the decomposition of national-level corporatisms.

2. At National Level

Initial analyses of the decay of national corporatisms in the late 1970s and in the 1980s tended to locate its causes in the economic problems of the period, and especially in slack labor markets and high unemployment (on the following, see also Schmitter 1988b). The implication was that a recovery of corporatist macroeconomic management and bargaining was possible together with and as a consequence of economic recovery. It only later transpired that this overlooked the qualitative changes in social structures, in domestic political systems, in the economy, and in the international environment that had been occurring since the early 1970s and that had, imperceptibly at first, eaten away at corporatism's structural foundations. While this is not the place to review the literature on these trends in any detail, three such trends will be briefly described:

(1) *Increasing differentiation of social structures and collective interests in advanced capitalist societies.* Neocorporatism "assumed" an underlying social structure that could be plausibly conceived as polarized in two large producer classes, "capital" and "labor." There are strong reasons to believe that this assumption was already highly counterfactual when Western European countries in the late 1960s increasingly moved towards neocorporatist forms of governance. However, for a while the *corporatist working hypothesis of a bipolar organization of societal cleavages and identities,* while from the beginning no more than a *heroic simplification* of a much more complex reality, could be kept alive with the help of the powerful institutional reinforcements that both business and labor as organized actors had received from their beleaguered governments. Underneath the organizational structures, however, social change continued and perhaps even accelerated. 1968 wrought not just a strengthening of the institutional position of labor movements but was also the birthdate of a new, highly educated and politically outspoken *middle class* that increasingly found its specific concerns insufficiently represented in the post-1968, class-political institutional set-up. Subsequently, during the 1970s and 1980s the substantive content of interest conflicts and the focus of policy attention shifted away from class-based lines of cleavage towards a panoply of discrete issues focusing on consumer protection, quality of life, gender, environmental, ethical, and other problems, each with their respective movements. As is well known, in most countries this weakened the capacity of social-democratic parties to govern or, alternatively, strained the alliance between social democracy and the union movement. Both were far from conducive to corporatist governance.

(2) *Market instability and volatility, and pressures on firms to increase the "flexibility" of their product ranges, technologies, and social organization*. New production technologies based on microelectronics and cutting across traditional job classification systems and professional categories have created possibilities for flexible production in relatively small units. In one sense, these processes increased the need for active assent on the part of workers—and, therefore, the need for capitalists to bargain with them over the quality as well as the quantity of their contribution. But, in another sense, this is occurring in highly differentiated settings not easy to cover by a standard contract and difficult for intermediaries to control. Indeed both trade unions and employer associations are today finding themselves increasingly shut out of workplace-specific deliberations and bargaining among their respective local constituents.

(3) *Changing roles and structures of interest associations*. In the new social and market environment, negotiations aimed at establishing standard national solutions for the regulation of

the employment relationship appear of decreasing relevance, and at times may even be counterproductive, when what is demanded are policies tailored to improving the productivity and international competitiveness of specific sectors and even individual enterprises. As a result, the role of intermediary institutions, especially trade unions and employer associations, changed from the point of view of members and interlocutors, both of whom are searching for more differentiated mechanisms of representation. While decentralization may have taken very different courses in different countries, what it had inevitably in common was a weakening of the center—and it is there that corporatist bargains are traditionally struck.

Moreover, the shift of employment from traditional manufacturing to the services and, in some cases, to public employment in a number of countries changed the "character" of unions in that unions from the public and private service sector became the largest units in national confederations, weakening the organizational discipline maintained by traditionally unionized manual workers, especially in the metalworking sector (Crouch 1988). These unions, whose industries were exposed to world market competition, have in the past typically been willing to maintain wage restraint in exchange for political concessions. Their sectors have often been hard hit by deindustrialization, and such workers as remained after successful restructuring—if they joined unions at all—are employed in more scattered sites with much more individuated tasks. The very categories upon which macrocorporatist compromises were built have thus become disaggregated and dispersed, and as a result centralized negotiations on wages, benefits, and working conditions came under severe pressures. In some cases (e.g. Sweden), the system only survived by shifting to a sectoral level.

At least as important as the domestic causes of the decline of national-level corporatisms were the profound changes in the status and performance of the *nation-state* that occurred during the past two decades. Since a corporatist policy regime requires a government able to protect the expectations and reward the concessions of its partners in collective bargaining, the decline of the nation-state undermined neocorporatist arrangements even where they had been comparatively well established. As has been pointed out, the 1992 project must be seen as a response to the apparently irreversible loss of effective national sovereignty that was so painfully experienced by the political elites of European nation-states in the early 1980s (Streeck 1989). Its thrust, however, is towards Europe's external environment rather than its domestic economy, and this is another important factor that in all likelihood *precludes* a return to corporatism. Indeed, part and parcel of the pooling of sovereignties (Keohane and Hoffmann 1989) under the Single European Act, and of the political deals that made it possible, is a redefinition of the relationship between the Community's "domestic" institutions and "the market," under which the latter stands to gain unprecedented freedom from intervention by the former. The mechanism, to recapitulate, is "negative" integration through preemption of national regulatory regimes, without a simultaneous supranational restoration of regulatory capacity. In addition to obstructing a rebuilding of corporatism at the level of European nation-states, this also is likely to prevent the emergence of corporatist governance at the supranational level.

Seen from a national perspective, 1992 amounts to a formal devaluation of vast political resources that have come to be organized in and around the nation-state. Declining effective sovereignty had long been chopping away at the value of the investments in national political power that had been accumulated and cultivated for more than a century; this, after all, was why corporatism was eventually becoming untenable. The 1992 principle of mutual recognition may well be understood in analogy to the cut of a collapsed currency—an inevitable but nevertheless painful adjustment to reality, with significant distributional side-effects in that currency holders are more severely affected than owners of real estate or productive capital. In present-day European nation-states, with the successive layers of political, industrial, and social rights that have been built into them in the domestic struggles of the nineteenth and twentieth centuries, it is clearly labor that is in the former, and capital that is the latter position. While mutual recognition and the resulting inter-regime competition devalue nationally institutionalized power resources, they leave property rights untouched, or even increase their value. As neocorporatism has always been conditional on a measure of political strength of organized labor, the prospects for its restoration in the post-1992 European nation-states are therefore dim.

Not everything that has in the analyses of the 1970s and 1980s come to be associated with corporatist modes of governance will disappear in Europe. Pragmatic sectoral partnerships between state agencies and groups of business firms, oscillating, as it were, between agency capture and *Selbstverwaltung*, are likely to continue, to the extent that they are comfortably embedded in national policy styles and as long as they do not run afoul of European Community competition law—which they well may. Especially if they have from the beginning been labor-exclusive “private interest governments,” as we have called them elsewhere, may remain viable for some time, owing to the savings on transaction costs they entail and regardless of the weakening of their sponsors in national state and legal systems. Multi-employer collective bargaining arrangements between trade unions and employers associations may not disappear either—at least, again, for the time being. But corporatism as a national-level accord between encompassingly organized socioeconomic classes and the state, by which an entire national economy is comprehensively governed, is a matter of the past.

3. At Supranational Level

Tripartism never really worked in Brussels (Sargent 1985), and where it was tried it was always too encapsulated and marginal to come in any way close to a neocorporatist model of governance. There is no reason to believe that this will change. The negative integration mode of the 1992 process—the move away from harmonization to mutual recognition—ensures that the eroded domestic sovereignty of nation-states will not be recreated at the supranational level. Unlike in older, more naive images of regional integration, national political arenas, themes, and regulatory instruments that are rendered obsolete by integration do not always and necessarily have to be reconstructed at the level of the emerging supranational polity. Rather than being moved upward, they may as well dissipate in the newly emerging, more complex and less orderly institutional system, or they may, more or less intentionally, be turned over to the voluntarism of market and civil society. Where this happens, it obviously deprives what might aspire to become a European federal government of a range of subject matter and decisional discretion that it otherwise could use, and indeed would need, to build the mutual give-and-take in and between interest groups and public bodies that is the indispensable basis for stable neocorporatist exchange.

A case of limited state capacity at the European level reducing the incentives for comprehensive organization of economic interests is the absence of a European Central Bank (Holm forthcoming). Historically, tripartite corporatist bargaining has typically involved the government's use not only of its fiscal but also of its monetary policy instruments. The need to be represented in bargaining over monetary policy was an important reason for socioeconomic interests, in particular for employers, to get organized. However, the European System of Central Banks, if it will at all come into being, will be carefully shielded from political pressures, not least by its diffuse and decentralized internal structure. Moreover, a European Central Bank is likely for a long time to continue to be subject to strongly institutionalized deflationary, "monetarist" preferences (Delors Committee 1989)—if only because the European Community as an imperfectly unified actor in the world economy will need time to get used to the reflationary possibilities offered by a large economy with a currency that could compete for the role of world money.

Another important ingredient of 1970s-style neocorporatism—centralized collective bargaining between capital and labor—is entirely missing at the European level, and nothing is in sight that would indicate its impending appearance. In the past, centralized collective bargaining was often advanced by encompassing employers associations forcing unions to unify their policies and organizational structures (Swenson 1989). No such support will be forthcoming at the European level in the foreseeable future, not least because the inter-regional mobility of capital will, perhaps indefinitely now, exceed that of labor, and because centralization would deprive capital of the strategic advantages of competition-driven collective bargaining at regional or enterprise level. The same applies to the other historical source of external facilitation, government intervention. European institutions are unlikely to develop an efficient capacity to serve as carry-over mechanisms from the unionized to the nonunionized sector, thereby protecting employers in the former from competition by employers in the latter.

A further factor that would appear to stand in the way of European-level collective bargaining is the mutual incompatibility of existing national industrial relations systems. While in some countries collective agreements are negotiated at the *enterprise* level, in others they are concluded for all firms that belong to a specific *sector* on a given national or subnational *territory.* The latter as a rule requires the presence of a strong employers association and is in addition greatly facilitated by state-sponsored extension mechanisms making agreements binding on nonaffiliated firms. Moreover, the success of sectoral-territorial collective bargaining depends crucially on the large and more prosperous firms being included in the bargaining unit; otherwise unions would be unable to increase their bargaining power in small firms by enlisting the willingness to settle and the ability to pay of large firms as their ally. In the absence of supranational employer associations and facilitating state intervention, it is hard to see how European-level collective bargaining could ever become sectoral-territorial in scope; all unions can hope to accomplish in building what the Commission has euphemistically called a “European industrial relations system” (Commission of the European Communities 1988), are consultations and, perhaps, negotiations with the headquarters of large multinational firms (Campbell 1989). However, while this would tend to be compatible with national industrial relations systems based on enterprise bargaining, a European enterprise agreement might *de jure* or *de facto* exempt that enterprise’s subsidiaries from the purview of sectoral-territorial bargaining. The result would be a weakening of national multi-employer bargaining regimes. Since sectoral-territorial bargaining is used by unions to reduce regional and interfirm wage differentials, there would be not just organizational but also political reasons for unions to object to European enterprise-level bargaining—even though this would appear to be the only possible form of supranational collective bargaining on offer.

Even if, then, the Commission and its allies were much more successful than can be realistically expected in moving the European political economy towards a broad Social Dimension, Europe is not likely ever to become a neocorporatist, tripartite, bargained economy. Collective bargaining in Europe—this is one of the few predictions one can feel safe to make—will always remain nationally and regionally fragmented. European-level relations between capital and labor, instead of forming the institutional core of the European political economy, will largely remain compartmentalized in the private sphere of large multinational enterprises; they will essentially be nonpolitical and voluntaristic in character. Where labor-capital relations enter the political arena, they will mainly take the form of a set of discrete “labor” and “social policy” issues, outside any “ideological” context. As such, they will lend themselves to being dealt with by bureaucrats, experts, and intergovernmental committees in the same way as, for example, labelling rules regarding the cholesterol content of palm oil, or proposals for the recycling of mineral water containers. That is, rather than driving the constitutional bargain underlying the political system, the traditional class issues of industrial society will have to compete on an equal plane with “postindustrial” themes like environmental protection, consumer rights, equality between men and women, etc.—issues that by their nature defy integration in an encompassing framework of “class” politics.[16]

The evolutionary alternative to Thatcherism as a model for the European political economy is clearly not (German or Scandinavian) neocorporatism. More likely appears an American trajectory: a political system of “disjointed pluralism” or “competitive federalism,” organized over no less than three levels—regions, nation-states, and “Brussels.” As in the United States, and perhaps even more so, this system would be characterized by a profound *absence of hierarchy and monopoly* among a *wide variety of players of different but uncertain status*. Interest associations, and many of them, will certainly be among those. But they will have to compete for attention with national states, subnational regions, large firms, and specialized lobbyists, leaving their constituents with a wide range of choices among different paths of access to the political center and enabling them to use threats of exit to coerce their representatives into pluralist responsiveness. Just as fundamental constitutional questions of sovereignty and hierarchy inside the Community’s quasi-state—in the relative status of regions, nations, and supranational bodies—will remain unsettled and uncertain, so will the hierarchical relations among firms, sectoral associations, and peak associations in its system of functional representation.

Given the constitutional bargain that underlies the relaunching of the European Community in the 1980s, no mechanism is in sight that could rationalize its political system, help crystallize its *mélange* of actors and processes, and establish corporatist monopolies of representation, interassociational hierarchies or, for that matter, a predominant position for the Commission’s bureaucracy and technocracy. Whatever turn the European Community may take

[16] In part, this reflects a process, or “style,” of decision-making that is specifically “European.” In brief, its integrity and continuity is achieved by decontextualization and depoliticization of the issues at stake—“pragmatically” isolating them from “ideological” meanings and as much as possible avoiding their incorporation in any coherent political symbolism. Didactically helpful in this respect is the recurrent discovery in European Community bodies that apparently identical political arrangements and outcomes can sometimes be of completely contrary significance in different national, political, and ideological environments—e.g., legally based codetermination rights in Britain and West Germany. After policy “issues” have been divested of their emotional and ideological aura, and fragmented and individualized, their treatment can be assigned to “experts”—specialists, that is, in comparative inventories of decontextualized and depoliticized problems, positions, and compromises, and in the extraction of the smallest common denominator from such inventories.

after 1992, it is not likely to reverse the tide and reorganize European capitalism in the neocorporatist cast.

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