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THE THEORETICAL COMPONENTS OF CORPORATISM,
AND SELECTED CASE STUDIES

by

Joel P. Mayville

A thesis
submitted to the
Faculty of Graduate Studies and Research
through the Department of
Political Science in partial fulfilment
of the requirements for the Degree
of Master of Arts at the
University of Windsor

Windsor, Ontario, Canada

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ABSTRACT

THE THEORETICAL COMPONENTS OF CORPORATISM,
AND SELECTED CASE STUDIES

by

JOEL P. MAYVILLE

The notion of corporatism first emerged during the middle ages, but it was not until the twentieth century that corporatism became a significant factor in the political structure of many countries. Initially, corporations performed representative functions for its members, and were used as vehicles towards socialization; however, these structures did not resemble tripartite arrangements (collaboration between the state, business, and labour interests) that are prominent in contemporary corporatist settings.

Corporatism in the twentieth century began to take on new forms. The Italian Fascist State was the first significant example of authoritative corporatism, and this model was shortly thereafter adopted by the Nazi regime in Germany, as well as Spain and Portugal. At the culmination of the Second World War, corporatism was viewed as a term of opprobrium, and remained a non-factor in most polities until its reemergence during the 1970s. By this time, corporatism overcame its pejorative connotations and was implemented in many Western industrialized countries as a reaction to the welfare state, Keynesian economics and as an alternative to pluralism. Therefore, a distinction can be made between state corporatism, which is authoritarian in nature, and societal corporatism which is found in most liberal democracies.

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INTRODUCTION

Corporatism is predominantly a twentieth century phenomenon which initially gained prominence in Fascist Italy in the 1920s, and was shortly thereafter endorsed by Adolf Hitler in Nazi Germany. The conception of the Corporate State in Italy provided the means by which the Italian state could be strengthened while simultaneously representing the will of its citizens through addressing economic exigencies on the basis that each individual is a member of an economic community.¹ However, the type of corporative arrangement which existed in Mussolini's Italy was authoritative. This type of corporative scheme in Phillippe Schmitter's analysis would be classified as an example of state corporatism. The determinant elements found in this structure reflect an anti-liberal, delayed capitalist, neomercantilist stance.² This conception of corporatism runs counter to the original idea of corporate structures within a particular society: that a corporate body ought to be governed by a common will, including a unitary sphere of rights applicable under a concrete set of rules. The corporation ought to be viewed as a unitary body, freely formed and freely dissolved, in which

¹Jurg Steiner, European Democracies (New York: Longman, 1989), 220.

²Phillippe C. Schmitter, "Still the Century of Corporatism?" The Review of Politics 36:1 (January 1974), 105.

collective rights are set in place for its members.³ In contrast to the traditional notion of corporations, the Italian corporate state did not bring about any movement towards decentralization of state power. In fact, the Fascist government's ultimate objective was to gain absolute control over all functions of society. David Held refers to state corporatism as "corporatism from above," which is described as "no more than a decorative facade, for an organic unity won through the consistent exercise of repression."⁴

It is important to note the distinction between the traditional notion of corporatism and neocorporatism. In the former, corporate bodies were formed by groups of people who, in most cases, organized to discuss common interests. These groups were not necessarily always recognized by the state, but state recognition of these groups became increasingly important over time. Neocorporatism, on the other hand, emerged during the 1970s and primarily resembles a tripartite arrangement (although the structure can also be bipartite or multipartite) based on the interaction between government, business, and labour, and in some cases other groups such as agriculture included. Neocorporatist policy-making is the result of cooperative negotiations between these participants

³Otto von Gierke, The Development of Political Theory, Trans. Bernard Freyd (New York: Howard Fertig, 1966), 36.

⁴David Held, Political Theory and the Modern State: Essays on State, Power, and Democracy (Stanford: Stanford University Press, 1989), 65.

rather than unilateral government action.

Despite the often contradictory theories associated with this concept, corporatist decision-making has been an important political arrangement in both industrial and developing countries. The purpose of this paper is to explore the philosophical origins of corporatism, as well as the various ideal-types found in more recent studies of corporatism. The movement of the paper is from an examination of theoretical formulations, both philosophical and empirical, to an analysis of two cases in which the corporate idea can be understood in the concrete, its processes and problems. The theoretical concepts will be examined in the first two chapters, and the ideal-types found in more recent theoretical models will be applied to case studies to see how closely these cases resemble the ideas developed in corporatist theory. In addition, these theoretical concepts will be applied to the Canadian case (which is often described as a pluralist society) to see if corporatism is a more appropriate mode of interest representation than pluralism.⁵

The sources of corporatism can be traced to medieval Europe where members of society belonged to groups or associations. More specifically, the origin of these associations (frequently referred to as guilds) is derived

⁵Pluralism is a system of competing, non-hierarchical, multiple interest groups which are not licensed or created by the state, and do not exercise a monopoly of interest representation in their respective categories. See Schmitter, "Still the Century of Corporatism?," 96.

from two competing theories. The first such theory contends that guilds had evolved from the persistence of earlier institutions which were composed of members of the lower classes, organized by compulsory membership, and were concerned with menial functions. In contrast to the first theory, the second hypothesis finds its origins in Germany. Its derivation was based on the idea that associations resembled families, and the members of these associations functioned in such a manner as to assist other members who were less well off.⁶ Over a period of time the functions of the corporation began to emphasize the individual's status within a particular occupational sub-group. Membership in these groups was compulsory, and the individual's standing within the complex organization of these groups was based on his occupation which was hierarchically determined. For example, apprentices would be situated at the bottom of the hierarchy, while a master of a particular craft would be situated atop the hierarchical structure. The functions of the corporations were varied, however, they generally operated simultaneously with town officials in the management of public affairs with the objective of ensuring a harmonious relationship between agents within society.⁷

As the emergence of liberalism became a major political

⁶Georges Renard, Guilds in the Middle Ages (New York: Augustus M. Kelley, 1968), 1.

⁷Steiner, European Democracy, 219.

factor, the emphasis shifted towards the concerns of the individual rather than the group or association. Consequently, the concept of the corporation was seen as increasingly obsolete during the period of the Enlightenment. The philosophers of the Enlightenment mainly addressed the question of the relationship between the individual and the state; hence the development of liberalism began to emerge. The corporation, for example, was viewed by a number of Natural Law theorists as an entity lacking its own social existence; hence, the association as a fragment of the state would not be permitted a birthright in Natural Law. Yet on the other hand, most of these theorists rejected the notion that the state derived its existence from an immediate union between individuals. Rather, the state evolved from the association of the family, and subsequently an ascending series of associations followed, thereby forming a state.⁸ Once the state had been formed, only the family would be granted status as an association since it was treated as a natural basis of the state. The corporation, on the other hand, was predicated on positive law which denied it any claim to an inherent social authority over its own affairs.⁹ Conversely, there were a number of Natural Law theorists who

⁸Otto von Gierke, Natural Law and the Theory of Society: 1500-1800, Trans. Ernest Barker (Boston: Beacon Hill, 1957), 62-63.

⁹Ibid., 64.

rejected the centralist theory of associations. The federalist school of thought, through the development of the notion of the Social Contract, placed associations on the same level as the state itself within the confines of Natural Law.¹⁰ So, despite the ideological decline of corporations, there were still many advocates of a corporative system.

In addition to the ideological shift towards individualism, the American Revolution and, to a greater extent, the French Revolution played a symbolic and effective role in the abolition of associations. In both cases, the conception of natural rights of the individual independent of the groups to which they belonged, (that is, the individual's inalienable rights, of which the right to free association is included) led to revolution in the United States and France. This arrangement permitted individuals with similar ideological orientations to congregate to discuss and pursue their common interests. Decisions were made on the basis of individual competing interests rather than on the basis of organic groups in which individuals were represented by associations to which they belonged.

Although the individual was the primary focus, a corporative system began to develop in some sectors of the American economy. In both the political and economic spheres, the units of social organization also emphasized the concerns of the individual. The American revolution emancipated the

¹⁰Ibid., 70.

people from mercantilism and the dependence of colonial status; it achieved a measure of economic independence for the people with the primary emphasis directed to the economic well being of the individual rather than group interests.¹¹

In contrast to the American case, the notion surrounding the right to free association in France was short lived; there were several groups who profited by the law of August 21, 1790, which permitted individuals to form various associations. These associations, in many cases, were formed for benevolent purposes only, and in practice they were beneficial to the workers in their struggles with the masters of the particular crafts that were affected. Although the masters were higher than the journeymen, conflict between the two exacerbated after the passage of the law of free association and, consequently, the masters called for an end of the "tyranny of the journeymen." As a result, these protests contributed to an anti-corporatist sentiment which was reflected in law.¹² This anti-corporatist sentiment reflected the emergence of a new type of democracy based on individualism which proved to be the impetus for revolution in the first place.¹³ To magnify the importance of the individual, the 1791 d'Allarde and LeChapelier Laws were

¹¹Emmette S. Redford, The Role of Government in the American Economy (New York: Macmillan, 1966), 3-4.

¹²Louis Levine, The Labor Movement in France (New York: Columbia University Press, 1912), 16-17.

¹³Steiner, European Democracies, 220.

passed. The former abolished guilds and permitted any individual who paid for a trade licence to keep a shop, exercise a craft, or practice a profession, while the latter prohibited people within the same occupational trade to form any type of association. It even went so far as to prevent individuals from meeting informally for the purpose of discussing common interests.¹⁴ The crux of the *LeChapelier* Law was that the corporation was no longer a recognized element within society. The interests of the individual were no longer to be represented in terms of group interests, but in terms of either the particular interest of each individual or the general interests of the state.¹⁵ Therefore, the French Revolution was the pivotal event leading to the abolition of guilds in the name of economic liberty. This new arrangement permitted individuals to practice any trade they wished; yet at the same time, individuals were not allowed to unite in any associational form.

In the post Revolutionary period, only particular individual interests, and the general interest carried any significance,¹⁶ but it was commonly believed by many corporatists that the corporative structure would once again

¹⁴Michael David Sibal, "Corporatism After the Corporations: The Debate on Restoring the Guilds under Napoleon I and the Restoration," French Historical Studies 15:4 (Fall 1988), 719.

¹⁵Levine, The Labor Movement in France, 17.

¹⁶Val R. Lorwin, The French Labor Movement (Cambridge: Harvard University Press, 1954), 4.

emerge in France. However, an anti-corporatist stance prevailed and any form of associational structure was prohibited. The prevailing attitudes towards the importance of associations and the establishment of *syndicats* illustrated the need for some type of corporative structure.¹⁷ Syndicates of various kinds existed for many years on the fringes of legality until the French parliament affirmed their legal status in 1884. The labour syndicates, or we would say trade unions, may have seen their role as basically collaborative and reformist, operating with the capitalist system. However, revolutionary syndicalism had as its final objective the substitution of a classless society for capitalism. The union would be the basic unity in this struggle which involved the use of the general strike to achieve its goals. Revolutionary syndicalism as a socialist movement rejected parliamentary socialism. Syndicalist emphasis on local organizations of producers resembled some features of guild socialism.¹⁸ While revolutionary syndicalism envisioned a society of decentralized, free workshops coordinated through union organizations,¹⁹ collaborative and reformist unions operated within occupational sub-groups in a way similar to the trade union movement elsewhere in Europe.

¹⁷Sibalis, "Corporatism After the Corporations," 729.

¹⁸Peter N. Stearns, Revolutionary Syndicalism and French Labour: A Cause Without Rebels (New Brunswick, N.J.: Rutgers University Press, 1971), 12.

¹⁹Lorwin, The French Labour Movement, 30.

Although demands were made for the reemergence of guilds, the type of economic structures that existed in the years following the American and French Revolutions were considered to be the antithesis of a corporative system; the importance of the individual was emphasized and the state became less oppressive. However, there were no attempts to implement a pure *laissez-faire* economic system. In a liberal democracy, state intervention in some areas of economic and social spheres existed, but the state rarely intervened in the spontaneous workings of the market. The American case was probably the closest approximation to a *laissez-faire* economy since state intervention rarely occurred in any form.

Although individual interests were emphasized in modern democratic theory, a number of political thinkers promulgated the importance of corporations. These ideas are reflected in the works of Montesquieu, Hegel, Gierke, Durkheim, Gentile, and others. The first chapter, then, will address three distinct philosophical views on corporatism. G.W.F. Hegel was one of the most prominent political philosophers endorsing the notion of a corporative system. Implicit in some aspects of his corporate doctrine, Hegel reflects the realities of Prussian politics during the early part of the nineteenth century. Unlike France in the post-revolutionary period, a corporative apparatus continued to exist in Prussia. But the existence of corporatism in Prussia did not gain wholesale support by Prussian officials and was subject to stringent

regulations.²⁰ Although there were several laws regulating the activities of guilds and guild membership, there were no serious attempts to abolish the corporative structure entirely.

The Hegelian theory of corporations was based on the concept of the extended family. The immediate family comprises the first ethical root of civil society, and the corporation is simply an extension of the family in civil society, thus forming the second ethical root of civil society.²¹ According to Hegel, a "member of society is in virtue of his own particular skill a member of a corporation, whose universal purpose is wholly concrete."²² The Hegelian conception of the corporation is universal in so far as it articulates the common interests of its members, but on the other hand, the corporation embodies the particular interests of individual members. Therefore, it is the task of the state to articulate the universal interests of all members of society rather than sectional interests of particular groups.²³

Hegel's corporate doctrine stood in stark contrast to the

²⁰Hugo C. M. Wendel, The Evolution of Industrial Freedom in Prussia, 1845-1849 (Freeport, N.Y.: Books for Libraries Press, 1970), 8.

²¹G. W. F. Hegel, Elements of the Philosophy of Right, ed. Allen W. Wood (Cambridge: Cambridge University Press, 1991), 272.

²²Raymond Plant, Hegel (London: George Allen and Unwin, 1973), 170.

²³Ibid., 171.

societal conditions which persisted at that time, since the poverty and alienation endured by the "proletariat" as a direct result of capitalism made it difficult to discuss the prospects of a harmonious society. Secondly, most liberals were fearful that a move towards a corporative society would lead to socialism.²⁴

Otto von Gierke wrote extensively on medieval corporations using the ideas of the Natural Law theorists who adopted a federalist view of associations. In particular Gierke's work is strongly influenced by Johannes Althusius, a seventeenth century political thinker. Following Althusius in many respects, Gierke argues that the corporation is a species of the genus association, which comprises the family, commune, province, and the state. These various associations are then assigned a "bottom to top" ordering thus defining the social sphere. The higher associations are derived from the lower ones, and this hierarchical ordering results in the distinction between *consociato privata* which unites individuals for a particular common interest, and the *consociato mixta et publica* which links societies to a particular community.²⁵ Gierke's views on corporatism ran counter to the anti-corporatist tendencies that persisted at the time. Gierke's corporative theory is normative to the extent that he

²⁴Peter J. Williamson, Varieties of Corporatism: A Conceptual Discussion (Cambridge: Cambridge University Press, 1985), 34.

²⁵Gierke, The Development of Political Theory, 36.

endorsed the concept of the corporation; he believed that a corporative system was most appropriate.

The corporative theories proposed by Gierke have been particularly influential on a number of British pluralists such as J.N. Figgis and F. W. Maitland. Gierke's corporate theories have less to do with the development of the corporate state in which an arrangement between the state, business interests and labour interests attempts to collaborate for the purpose of promoting economic growth or better conditions for labour, than with the interest representation of a particular group within a pluralist society. The British pluralists have maintained that corporations ought to have an autonomous existence from that of the state. They advocated the existence of traditional groups and regarded them as bulwarks against the total state; voluntary organizations of various types would serve a similar purpose.²⁶ In contrast to American pluralism where the primary function of interest organizations is to pressure the government to draft policies that would parallel their specific interests, British pluralism focuses on preserving liberty through the dispersion of power.²⁷ Consequently, the British pluralist view of the corporation was incongruent with the prevailing attitudes during that period. Associations were generally deemed an unnecessary

²⁶David Nicholls, The Pluralist State (New York: St. Martin's Press, 1975), 30.

²⁷David Nicholls, Three Varieties of Pluralism (New York: St. Martin's Press, 1974), 5.

element within society, tolerated rather than recognized, equipped with minimal rights and powers.

In contrast to the corporative ideas put forth by Gierke, the Neo-Hegelian philosopher Giovanni Gentile presents a more radical philosophical approach concerning the functions of associations during the period of Fascist hegemony. Prior to his association with Fascism, Gentile vigorously opposed all brands of associations, although he later became a leading apologist for the corporate state in Italy.²⁸

The idea of the corporate state was popularized by the Fascist models, and was based in part on the Hegelian notion of the extended family. These cases led some political observers to conjecture that the "twentieth century will be the century of corporatism."²⁹ However, during the period in which this assertion was made, the concept of corporatism bore little or no resemblance to neocorporatism which emerged during the 1970s.

Chapter Two will provide an examination of the theoretical framework associated with the neocorporatist trend that emerged in Western Europe, and to a lesser extent North America, as a reaction to the exorbitant costs of the welfare state, and the decline of Keynesian economics. This so-called neocorporatism, which is generally found in most advanced

²⁸H.S. Harris, The Social Philosophy of Giovanni Gentile (Urbana: University of Illinois Press, 1966), 139.

²⁹Schmitter, "Still the Century of Corporatism?," 85.

industrial European countries, and to a lesser degree in North America, has resulted in significant levels of interest from the social science perspective. The type of arrangement that exists under a neocorporate scheme is by no means universal. The developing countries of Africa and Latin America have tended to resort to authoritative models,³⁰ while the advanced industrial countries provide examples of liberal models. This means that "liberal" or "societal" corporatism is found in countries that are characterized as capitalist, liberal societies with a welfare state apparatus.³¹ While liberalism is more closely akin to pluralism, corporatism and liberalism have common elements as well, namely the idea that the role of government should be limited. Policies should also reflect the various interests in society, but in contrast to liberalism, corporatism does not stress individualism and competition; instead it strives for consensus and cooperation between different interests. The emphasis on individualism is one significant factor in explaining why some countries are corporatist and others are not.

In addition to macro-level corporatism which is based on the entire economy, the liberal models may also include examples of meso-level corporatism, which involves interaction between state agencies and various functional interests

³⁰Ibid., 104.

³¹Ibid., 105.

organized on a sectoral basis.³² The most common arrangement is a tripartite structure based on cooperation between and among the state, business interests and labour, although other groups such as the representatives of the agricultural sector, may be permitted to engage in the policy-making process. But, ultimately the state acts as the guiding force behind the negotiations. In this account, the directive capacities of the state are strengthened, thus allowing it to develop a framework for its economic and political affairs. Organized interests are expected to maintain order over members within their association in order to support the agreed policies in return for direct access to state officials, thereby forming a representational monopoly.³³

Chapter Three provides an analysis of case studies bearing on the Swedish and German models, both of which illustrate examples of corporatist policy-making with varying degrees of centralization. Nowhere is the tripartite structure as apparent as in the case of Sweden. In fact, Sweden was described in 1975 as the "real model of corporate society."³⁴

³²Alan Cawson, "Varieties of Corporatism: The Importance of the Meso-level of Interest Intermediation," in Organized Interests and the State: Studies in Meso-Corporatism, ed. Alan Cawson (London: Sage Publications, 1985), 2.

³³David Held, Models of Democracy (Stanford: Stanford University Press, 1987), 215.

³⁴Neil Elder, "Corporatism in Sweden," in The Corporate State: Corporatism and State Tradition in Western Europe, eds. Andrew Cox and Noel O'Sullivan (Aldershot: Edward Elger, 1988), 153.

It is a society that emphasizes organizational membership rather than the plight of the individual. Moreover, the corporate structure in Sweden is characterized by high levels of participation from all parties involved (business, labour, and the government), which is a unique feature. Most countries have exhibited tendencies to exclude certain elements, such as labour which has traditionally been subject to high levels of exclusion. Therefore, while corporatism implies high levels of labour participation in theory, in practice this is generally not the case. The Swedish case, then, presents a clear example of tripartism, primarily because labour has been involved in extensive negotiations with the government and business interests; yet it has achieved these results through cooperation rather than the utilization of pressure tactics.³⁵

Like the Swedish case, the corporatist framework in Germany has developed along the lines of tripartism. The role of labour was particularly important since its integration into the social, economic, and political sphere would likely contribute not only to worker loyalty, thereby resolving the traditionally antagonistic relationship between capital and labour, but also to persuade labour leaders to adopt a more positive stance towards establishing a cooperative relationship with the other parties involved in the policy

³⁵Alan Cawson, Corporatism and Political Theory (Oxford: Basil Blackwell, 1986), 37.

process in order to meet common economic objectives.³⁶

Although most features of corporatism in Europe are similar, there are some unique features as well. Switzerland, for example, has also adopted a corporatist system, but it is a rather unique case because it is not only based on interest associations (characterized by a number of peak associations³⁷) structured according to hierarchical lines³⁸, but it also features a bloc of corporatist representation in parliament. In fact, all three of the main parties in the Swiss parliament have corporate representation in its legislative institution.³⁹ Theoretically, the Swiss case is similar to that of most other Western European countries. According to Schmitter, it is classified as a model of societal corporatism, which is an inherent component of political systems characterized by "relatively autonomous, multilayered territorial units; open, competitive electoral processes and party systems;

³⁶Donald Hancock, West Germany: The Politics of Democratic Corporatism (Chatham N. J.: Chatham House Publishers, 1989), 134.

³⁷Peak associations are organizations that collectively represent a large number of smaller organizations. For example, most labour unions would be members of a peak labour organization. Thus, the peak association (sometimes referred to as umbrella organizations) would enter into tripartite consultations with the other key participants and attempt to negotiate on behalf of labour. These peak organizations also exist for other interests such as business and agriculture.

³⁸Hanspeter Kriesi, "The Structure of the Swiss Political System," in Patterns of Corporatist Policy-making, eds. Gerhard Lehmbruch and Phillippe C. Schmitter (London: Sage Publications, 1982), 133-34.

³⁹Ibid., 142-43.

ideologically varied" with "layered political subcultures."⁴⁰ But the distinction between its societal counterparts is marked by its emphasis on corporate representation in parliament.

The societal label is not confined strictly to Western Europe alone; indeed, Schmitter finds the societal label appropriate for budding corporatist societies. These are societies which had previously been characterized as pluralist ones. Canada is one such example, which will be examined in the final chapter. The Canadian case is peculiar because while it lacks some important elements which are generally present in the paradigm cases of Sweden and Austria, and even in more decentralized systems, there are numerous examples in which joint negotiations have been undertaken at both the federal and provincial levels.

⁴⁰Schmitter, "Still the Century of Corporatism?," 105.

CHAPTER I

PHILOSOPHICAL THEORIES ON CORPORATISM

The ideas surrounding the importance and functions of the corporation have been subject to scrutiny from a number of opposing theorists, many of whom have flatly rejected the notion of the corporation. This, in part, stems from the anti-corporatist character of the French Revolution which effectively abolished any form of associational order. The ideological basis of the French Revolution emphasized individualism and particularism; it adopted the Rousseauist notion of establishing a direct state-citizen relationship without any interference from intermediary bodies.¹ The philosophers considered in this section have all endorsed the implementation of some type of corporative structure, which they argue serves as a means of maintaining societal order by promoting the interests of particular groups rather than emphasizing the interests of the individual.

HEGEL'S CORPORATE DOCTRINE

The theory of the corporation put forth by G. W. F. Hegel is predicated on the relationship between civil society and the state. As previously stated, Hegel views the corporation

¹G. Heiman, "The Sources and Significance of Hegel's Corporate Doctrine," in Hegel's Political Philosophy: Problems and Perspectives, ed. Z. A. Pelczynski (Cambridge: Cambridge University Press, 1971), 117-18.

as the second ethical root in civil society which is an extension of the family, and is regarded as the first ethical root of civil society.² However, a distinction is made between the family and the corporation. Since the family precedes civil society, questions of an economic nature are only considered following the dissolution of the family,³ its members are then subject to elements constitutive of civil society. The corporation on the other hand, develops as an organ of civil society, and as a result, it functions in an economic sphere, and further along its development the corporation begins to perform political functions.⁴ For example, the corporation operates as a form of integration; it organizes individuals into a community which would simultaneously take their particular interests and the universal aims into account.⁵ The corporation also operates as a form of mediation and a vehicle of socialization.

²Hegel, Elements of the Philosophy of Right, 272.

³According to Hegel, the family is the epitome of ethical unity. However, its dissolution is inevitable. The dissolution of the family comes about in two ways: first, natural causes (the emergence of a younger generation) contribute to the disintegration of the family. Secondly, the family disintegrates through the legal recognition of the individual as he enters into civil society. At this point, the individual contributes to the particularism within civil society and his ties with his family are weakened. The corporation provides a stable basis for the individual, hence the notion of the corporation as a second family.

⁴Harry Brod, Hegel's Philosophy of Politics: Idealism, Identity, and Modernity (Boulder: Westview Press, 1992), 111.

⁵Plant, Hegel, 170,73.

Although the corporation is technically part of the private sector,⁶ the Hegelian notion of the corporation in civil society is subject to the authority of the state and, therefore, its functions may be abrogated or taken over by some public authority.⁷ Although Hegel maintains that the corporation ought to possess some measure of autonomy from the state, in the end, the state ultimately possesses the authority over corporations. Some measure of state authority over the functions of corporations would, according to Hegel, prevent them from ossifying and being transformed into a "miserable system of castes."⁸ Thus, Hegel believes that corporations serve essential functions only if they are permitted some measure of autonomy from the state, but not complete autonomy. With the dissolution of the family, the corporation provides individuals with an alternate family that has a stable basis in both an economic and ethical sense.⁹

It has been argued that the Hegelian concept of civil

⁶Merold Westphal, "Hegel's Radical Idealism: Family and State as Ethical Communities," in The State and Civil Society: Studies in Hegel's Political Philosophy, ed. Z. A. Pelczynski (Cambridge: Cambridge University Press, 1984), 82.

⁷Z. A. Pelczynski, "Political Community and Individual Freedom in Hegel's Philosophy of State," in The State and Civil Society: Studies in Hegel's Political Philosophy, ed. Z. A. Pelczynski (Cambridge: Cambridge University Press, 1984), 72.

⁸David McGregor, Hegel, Marx, and the English State (Boulder: Broadview Press, 1992), 285.

⁹Heiman, "The Sources and Significance of Hegel's Corporate Doctrine," 124.

society has been defined in a rather contradictory manner. The first definition of civil society is related to the "association of all self-subsistent individuals," while the second one is directed at the emergence of the business class. According to Hegel, the business class must be disciplined by a "second family." Hegel makes the distinction between civil society as a type of second family, and the corporation as a second family.¹⁰ The corporation belongs almost exclusively to the business class; it rarely enters into other realms of civil society, such as the agricultural sector¹¹ or the civil service.

Hegel, then, draws upon three distinct "moments" of civil society: the system of needs which looks at issues of an economic nature, the administration of justice, and the public authority (the police) and the corporation. The division of civil society is further divided into three estates: the substantial (agriculture), the reflecting or formal (business), and the universal (civil service) estates. The second estate is particularly relevant for the corporation. Initially, it appears that the functions of the corporation

¹⁰Zdravko Planinc, "Family and Civil Society in Hegel's Philosophy of Right," History of Political Thought 12:2 (Summer 1991), 311-12.

¹¹Although the corporation is not viewed as being an essential element of the agricultural sector, it is not the case that this sector is non-corporative. But, in the agricultural sector, representation is confined only to those who own estates, and this excludes most individuals employed in this sector from obtaining membership to any type of corporative organization.

are limited even though unprecedented levels of industrialization and urbanization emerged during that period. Since membership within the business estate was substantial, the functions of the corporation were particularly relevant "to all members of civil society who do not derive their livelihood from the soil and who do not belong to the civil service."¹² This amounts to a substantial proportion of the population. Since the business estate is most oriented toward the particular, membership within corporations occurs almost exclusively through this estate¹³; the agricultural and civil service estates, on the contrary, did not emphasize corporate membership to the same degree. In contrast to the agricultural class and the universal (civil service) class, the business class finds its universal existence in corporate life. The corporation is an integral branch of society. Its members belong to a whole which is itself an organ of society and, ultimately, members seek to promote the "comparatively disinterested end of the whole."¹⁴ In effect, the corporation is the embodiment of the "oneness of the business community."¹⁵ Thus, the corporation functions so as to represent the

¹²Heiman, "The Sources and Significance of Hegel's Corporate Doctrine," 123.

¹³Lewis P. Hinchman, Hegel's Critique of the Enlightenment (Gainesville: University of Florida Press, 1984), 230.

¹⁴V. P. Verma, Political Philosophy of Hegel (New Delhi: Trimurti, 1974), 106.

¹⁵Ibid., 107.

interests of various groups, each of which is organized along occupational lines.¹⁶

The internal corporate structure is an important element of the Hegelian corporate doctrine. Corporations are licensed by the government; their leadership must be ratified by higher officials; and in cases of conflict, the state should be the arbitrator in the functions and operations of the corporation since the conditions are deemed too complex for individual representatives to grasp.¹⁷ According to Hegel, one of the strengths of the state lies in the existence of subsidiary organizations and, therefore, the autonomy of these associations at the local level is essential.¹⁸ But as previously stated, under certain circumstances, these relatively autonomous corporations are subject to the ultimate authority of the state.

Representation in the first estate, which comprises the agricultural sector, is confined to those who own "entailed estates." Rather than selecting officials to articulate their concerns, these landowners attend the sessions of their estates in person, thus forming a House of Lords. In the case of the second estate, the corporation and local governments simultaneously organize and articulate the concerns of the

¹⁶Plant, Hegel, 170.

¹⁷McGregor, Hegel, Marx, and the English State, 285.

¹⁸Heiman, "The Sources and Significance of Hegel's Corporate Doctrine," 126.

individual. At this stage, the individual as a citizen is viewed as an abstraction and is required to belong to a corporation or an apparatus of the local government in order to be recognized as a concrete member of society.¹⁹

According to Hegel, the corporation as the second family guarantees the member a means to make a living (livelihood) as well as securing resources based on the capability of the corporation itself. Thus, the individual member is exempt from demonstrating that he is competent or wealthy, or from possessing any other individual quality which sets him apart from the rest; he is a member of the corporation, and as such he belongs to a whole which is itself a component of society. The purpose of corporations is to pursue corporate interests. That is, the corporations, under the authority of public officials, and in conjunction with the interests of the state, afford the opportunity for individuals to fulfill their personality by offering economic security to their members, and training citizens to become responsible members.²⁰ In return, the individual member ought to pursue ends which are congruent to the interests of the whole if he is to have honour in his estate.²¹ This does not entail, however, that the individual will completely ignore his own particular interests; indeed, in a rational civil society, individuals

¹⁹Hinchman, Hegel's Critique of the Enlightenment, 244-45.

²⁰Verma, Political Philosophy of Hegel, 106.

²¹Hegel, Philosophy of Right, 271.

will pursue their own goals, but will not act in a completely single-minded manner. Rather, individuals will pursue their own goals in such a way as to promote the shared values which exist in society.²² If the individual belongs to a recognized corporation, he will already have a stable, respected status in the community, which will in turn dictate his lifestyle in conformity with the code of the corporation, thus preventing the member from declining to the state of a "rabble mentality."²³ Violation of the code of the corporation would likely result in purely private accumulation, which is prominent among members of the business class, and is bound to promote poverty. In the corporation, the individual's status transcends class divisions since he is "actively concerned with promoting the comparatively disinterested ends of the whole."²⁴

The sources of Hegel's corporate doctrine lie in his interpretation of Roman law. Historical accounts of Rome have established that it was founded on force, which is an integral component of Roman politics. The citizen in Rome is not a member of any particular organization or association, but is instead part of a rigid hierarchy of power; on one hand, a

²²A. S. Walton, "Economy, Utility and Community in Hegel's Theory of Civil Society," in The State and Civil Society: Studies in Hegel's Political Philosophy, ed. Z. A. Pelczynski (Cambridge: Cambridge University Press, 1984), 258.

²³Hinchman, Hegel's Critique of the Enlightenment, 231.

²⁴Verma, Political Philosophy of Hegel, 106.

servant towards the state, and on the other, a despot towards his family.²⁵ The negative attitudes towards the existence of groups did not prevent their formation; individuals with similar concerns banded together to protect their common interests, and in this respect corporations were part of the political landscape in Rome. However, the Roman state viewed all organizations and associations with suspicion; yet, the very existence of these associations was dependent on the legitimacy derived from the state.²⁶ The rulers of Rome generally viewed corporations with disdain, and made efforts to abolish them. However, this view was not by any means universal; in many cases the existence of corporations served various essential economic functions such as tax collecting, mining, and shipping.²⁷ While it cannot be plausibly argued that the corporate principle advanced significantly under Roman law, the argument can be made that the notion of the corporation was greatly advanced under the aegis of the church.

Hegel follows in the tradition of the Italo-Roman school, in which the legitimacy of the corporation is dependent on the state's recognition of these associations. There is no recognition of a "natural right" to form any type of

²⁵Harry Brod, Hegel's Philosophy of Politics, 110-11.

²⁶Heiman, "The Sources and Significance of Hegel's Corporate Doctrine," 115.

²⁷Ibid., 116.

association, including the church. Since the church is regarded as a "collective," Hegel considers them as "corporative bodies capable of holding conjoint rights and legally liable for their actions." One can abstract from this notion that they are, in fact, legal persons.²⁸ This theory embodies the Lutheran principle that the church is subordinate to the state.

The denomination of the corporation, in Hegel's theory, can be applied to numerous trade, professional, religious, and municipal organizations. As a corollary of the corporation's vast area of representation, they are delegated several functions. They have the right to act in accordance with their interests, to co-opt members, to educate members, and to protect themselves against contingencies.²⁹ Membership within a particular corporation, in Hegel's view, "transforms men from self-seeking individuals to cooperating members of an association with a general purpose."³⁰ Thus, membership within a legally recognized corporation is an essential element if the individual is to have honour in his estate. Without membership, the individual's isolation reduces him to act in a selfish manner; he will attempt to "gain recognition through

²⁸Ibid., 125.

²⁹T.M. Knox, Hegel's Political Writings (Oxford: Clarendon Press, 1964), 121.

³⁰Ibid., 122.

external manifestations of success in his trade."³¹ Without the corporation, the individual has no basis for which to act so as to serve the best interests of society since a community cannot exist in civil society without legal recognition. Instead, the individual acts selfishly, particularly in his acquisition of goods derived from the success of his trade.³² Moreover, membership within the corporation provides benefits to its members, while at the same time fostering ethical characteristics in its members, such as a sense of honesty, group pride, and a sense of belonging to a common unit in the pursuit of shared objectives.³³ In addition to securing the universal aims of the corporation, it reciprocally secures the individual interests of its members through a "conscious effort for a common need." However, the universal objectives of the corporation (the aims of the whole) transcend those of the individual even though its primary function is to represent the particular interests of its members, who, in most cases express sectional interests rather than the interests of society as a whole.³⁴ Ultimately, the individual is expected to promote the universal aims of the corporation rather than his own particular interests.

³¹Hegel, Elements of the Philosophy of Right, 272.

³²Ibid., 272.

³³pelczynski, "Political Community and Individual Freedom in Hegel's Philosophy of State," 71.

³⁴Plant, Hegel, 171.

The idea of associations reached its culmination during the middle ages, and Hegel's notion of corporations is strongly based on his understanding of medieval society. He suggests that the social classes of the middle ages were not loosely structured units; rather, they were highly organized and self-contained organizations, with a degree of autonomy from the state.³⁵ The corporation, then, was viewed as a state within a state. Since political decisions were difficult to achieve because of the vast number of interests held by various associations, many of which claimed that their own interests coincided with the general good, the state's ability to articulate certain demands was limited.³⁶ According to Hegel, a wholly independent corporation without a will that transcends its own particular interests, has dire consequences for the state. Moreover, the emergence of a corporate structure served as the initial means of establishing some form of political participation and representation; it evolved into a system of interest and group representation, and resembled what might be called legal-political pluralism.³⁷

With the emergence of the modern state, in which the individual became the primary focus, corporate bodies were no

³⁵Cary J. Nederman, "Sovereignty, War and the Corporation: Hegel on the Medieval Foundations of the Modern State," The Journal of Politics 49:2 (May 1987), 511.

³⁶Ibid., 512.

³⁷Heiman, "The Sources and Significance of Hegel's Corporate Doctrine," 133.

longer held in high esteem. Most states viewed them with suspicion, and consequently, an anti-corporatist character emerged. The French Revolution, for example, was a major factor in the abolition of virtually all forms of intermediary bodies. Opposition to corporate bodies was also reflected in the views of several philosophers during the Revolution as well as the post-revolutionary period. Rousseau, for example, stated that "if the general will is to be able to express itself, it is essential that there should be no partial society within the State and that each citizen should think only his thought."³⁸ Rousseau's rejection of intermediary bodies is based on the idea of a direct citizen-state relationship, and the individualism expressed by this view was reflected in the passage of legislative enactments of the Revolution, particularly the Lechapelier Law of 1791, which outlawed all forms of intermediary associations.³⁹ The particular interest of an individual in isolation differs from the particular interest of a social group. The interests of a group are considered particular in relation to the general interests of society, but have no relation to the 'pure' particular interests of the individual. Consequently,

³⁸Henry W. Ehrmann, Politics in France (Boston: Little, Brown and Company, 1968), 165.

³⁹Ibid., 165-66.

Rousseau rejected the idea of human groups within the state.⁴⁰ Thus, independent corporations were viewed as reactionary elements within society primarily because of their inability to achieve consensus regarding the common course of action for the state in order to achieve a common good.⁴¹ The American Revolution also played a significant role in the demise of corporations. It lacked any significant corporative development in the first place, and promoted an ideology that stressed individualism.

According to Hegel, the modern corporation mirrors its medieval predecessor in many ways, most notably in terms of its internal cohesion which was strongly based on occupation and common interests. The corporation serves the dual function of representing the interests of the individual, specifically in terms of education and welfare, and addressing the general economic interests of society.⁴² In addition, the corporation serves as the initial vehicle towards political participation and representation. The organization of the masses into associations means articulation of their interests and articulation of interests brings about the political recognition of these groups. Members of the corporation are exposed to political activity through the decision-making

⁴⁰Louis Althusser, Politics and History: Montesquieu, Rousseau, Hegel and Marx, trans. Ben Brewster (London: NLB, 1972), 151-52.

⁴¹Nederman, "Sovereignty, War and the Corporation," 513.

⁴²Ibid., 514.

processes found in the administration of the association. These groups also elect representatives to the lower house of the bi-cameral legislature, and they vote as a clearly identifiable group with clearly stated interests.⁴³

Hegel's notion of corporatism brings the individual as a member of a group into the political realm by blurring the distinction between the private and the public. That is, through legal institutions, the individual's interests are legitimized. It can be argued that Hegel's conception of corporatism operated for specific purposes. It served the purpose of recognizing the individual and protecting his rights to political participation and representation. However, membership in the corporate sphere was only relevant to the individual's occupational experience; it played no role in his private life.⁴⁴

THE CORPORATE DOCTRINE OF OTTO VON GIERKE

Unlike Hegel, the corporate doctrine of Otto von Gierke is not derived from the Roman tradition. Rather, it is based on the medieval guild system, and in particular, on the corporate doctrine set forth by Johannes Althusius during the early part of the seventeenth century. Gierke's corporate doctrine was later adopted by the British pluralists, most

⁴³Heiman, "The Sources and Significance of Hegel's Corporate Doctrine," 131-32.

⁴⁴Ibid., 134.

notably, J. N. Figgis, F. W. Maitland, and Harold Laski, the last thinker rejected Gierke's doctrine after he integrated Marxist ideology into his political thought.

Gierke centres his corporate doctrine on an interpretation of Althusius' corporative theory, which is set during the medieval period. Althusius treats the corporation as a species of association, which also comprises units such as the family, commune, province, and state. The corporation as a species of association is assigned a "bottom to top" ordering, which defines the social sphere; hence, the higher associations are derived from the lower ones.⁴⁵ Thus, the corporate structure takes on a hierarchical nature, which is not emphasized to the same degree in Hegel's corporate doctrine.

A distinction is then made between the *consociato privata* and the *consociato mixta publica*. The former unites individuals for a particular common interest, while the latter links societies to a political community. In the case of the *consociato privata*, Althusius developed a set of principles which requires that it be treated as a corporate body governed by a common will, including a unitary sphere of rights applicable under a concrete set of rules. The corporation, then, is to be defined as a unitary body, freely formed and freely dissolved, in which collective rights are guaranteed for all its members. The executive is elected by the members

⁴⁵Gierke, The Development of Political Theory, 36.

of the corporation, and is responsible for managing its own affairs. As a result, the executive also exercises authority over the individual members of the organization.⁴⁶

The origins of corporative development can be linked to the notion of the Social Contract, in which the evolution of the state was derived from the outcome of a collective act of will on the part of all citizens of the community; hence, this collective act can be characterized as the "self constitution of a corporation."⁴⁷ However, Gierke, in contrast to Althusius, postulated that the Germanic peoples experienced four distinct phases of associational development. The first phase ended in approximately 800 A. D., and was one of free association, albeit with tribal characteristics, in which law took the form of priestly edicts and customs. Phase two lasted from 800-1200, and resulted in the first form of sovereignty among the citizens. The notion of *Genossenschaft*, or free union among equals emerged by the thirteenth century, and this was the impetus for the institution-building force of medieval German society. One of the major developments during this phase was the emergence of guilds, and towns, each striving for its own personality, and each influencing the individuals who were incorporated into these associations. The Reformation was the final phase, and was further advanced by the Enlightenment. Henceforth, the individual was the focal point, and new

⁴⁶Ibid., 36-37.

⁴⁷Ibid., 100.

notions of sovereignty produced a "new, all-embracing order of the state" emerging as the supreme corporation. This effectively spelled an end to competing institutions; the state assumed the right to grant or withhold the legal identities of lower order associations, and eventually, all associations were dependent on the state for legal recognition and status.⁴⁸

The argument put forth by Althusius is that a contractual arrangement is a necessary function in the development of any human association. The individual, however, must be able to freely enter into the fold of a corporation at any time. In addition, the organizational features of a corporation can be further applied to the notion of representation, which borrowed from the corporation the idea that the ruler is the representative of the community, the notion of majority rule by the representation of the majority, and the exercise of rights possessed by individuals belonging to the association, which is governed by a representative assembly.⁴⁹

The idea of representation can be examined in many different ways. The most common of which is to formulate planned electoral districts where a segment of the population would be granted its own representatives to protect their interests. At the same time, constituencies constructed along

⁴⁸Roger Scruton, The Philosopher on the Beach (New York: St. Martin's Press, 1990), 58-59.

⁴⁹Gierke, The Development of Political Theory, 241.

corporative lines would serve a similar purpose. The members of these corporatively organized constituencies would be permitted to articulate their interests, but only in extreme cases could the community override the authority of its representatives.⁵⁰ Yet, Althusius maintained that in a system of popular representation, it is the representative's mandate to serve those who appoint him.

There may be instances where representational institutions do not exist; and if this is the case, the people themselves ought to form some type of association with the exclusive authority over parliamentary powers as an imprescriptible right, which must not be overridden by positive law under any circumstances. The composition of the association should be based on the already existing system of Estates, which are determinant, in part, on the establishment of corporative agencies acting as a cohesive unit in order to construct the state.⁵¹

Through the Social Contract, the system associations was reconstructed from the medieval arrangement based on ascending and descending levels of government to one which emphasized the role of intermediary bodies designed strictly from bottom to top.⁵² Althusius follows the federalist interpretation of

⁵⁰Ibid., 243.

⁵¹Ibid., 245.

associations; this interpretation is based on the idea that associations ought to be placed on the same natural law basis as the state. These organizations, therefore, are permitted an independent sphere of rights belonging strictly to themselves.⁵³ The state consists of a number of intermediate agencies, each with a purpose of its own, but with a necessary connection to a larger whole. Although these intermediate agencies vary in size, the classification of corporations generally refers to smaller groups, and these associations possess an "independent life of their own, [with] a sphere of inherent rights within the domain of public law, and an organic position intermediate between the individual and the community of all."⁵⁴ The federalist view expounded by Althusius was based on the effect that state sovereignty had

⁵²Walter Ullman, Medieval Political Thought (Markham: Penguin, 1975), 12-13. The ascending theory of government holds that original power resides in the people or the community itself. It follows, then, that the people through an assembly, would elect a king, who was delegated only the power to represent the people. The king was held accountable to the popular assembly for his actions, and could be disposed if his actions were not approved. Hence, the power in this system of government ascended from the "broad base of a pyramid to its apex." Contrasting the ascending theory of government is the descending thesis. In this case, following the Christian ideal original power resided in a supreme being. For example, St. Thomas Aquinas declared that power descended from God. This metaphor was extended to rulers and anyone else who exercised some degree of authority over the community. These authoritative figures were said to be appointed from above, but ultimately, all power was restored in God.

⁵³Gierke, Natural Law and the Theory of Society: 1500 to 1800, 70.

⁵⁴Gierke, The Development of Political Theory, 260.

on the separate and independent lives of partial societies and associations. In order to examine the question of whether or not there was any relation between the state and lesser societies, the concept of the medieval theory of corporations by jurisprudence was deemed an integral factor.

By the sixteenth century, jurisprudence defended the rights of corporations in cases where they were threatened by the growth of the state and, as a result, corporations were granted their own independent sphere of rights within the domain of public law.⁵⁵ But, the idea of the corporation as an independent association was not immune from the authority of the state in matters deemed outside the realm of the corporation. Even the most ardent supporters of corporations recognized that they could not function completely independent from the state. Hence, they sought to promote the greatest possible sphere of inherent rights permitting self-government of the corporation, while simultaneously protecting the corporate structure from the revocation of privileges that exceeded the limits of private law.⁵⁶ Althusius embraced a federalist system, and by merging the principle of the Social Contract into a scheme of resolving all public law into private law, he developed a construction of society by pure Natural Law in which associations provide a link between the state and the individual. Consequently, corporative units act

⁵⁵Ibid., 262.

⁵⁶Ibid., 264.

as the framework through which the state acts upon its members; the corporative unit possesses its own sphere of rights, thus permitting the state, which is generally similar in nature to the smaller associations with the exception of its exclusive sovereignty, only those rights necessary to achieve its objectives.⁵⁷ Gierke, then, postulated that Althusius' concept concerning the relation between private and public law was evident in a new concept of the role of the corporation.

The question of the corporate personality arises in Gierke's doctrine. Gierke believes that corporations receive their legal recognition through their personality.⁵⁸ That is, the state is morally and legally bound to recognize the rights and personality of various associations; although the state is distinguished from other groups by its possession of sovereign power.⁵⁹ In fact, Gierke applies the word "persons" to his description of corporations in both a legal and moral sense. Therefore, the law attributes a personality to the association, and this enables it to translate its will into action in much the same way as individual persons.⁶⁰ Gierke also believed that the individual owes his personality in part

⁵⁷Ibid., 266..

⁵⁸Nicholls, The Pluralist State, 73.

⁵⁹Ibid., 42.

⁶⁰Bernard Zylstra, From Pluralism to Collectivism: The Development of Harold Laski's Political Thought (Assen, The Netherlands: Van Gorcum and Comp., 1968), 17.

to the experience of membership within an association. Without the necessary experience of membership, individuals become irresponsible and personal life moves toward extinction.⁶¹ This line of thought was also adopted by followers of Gierke, particularly Figgis and Maitland.

Figgis adopted Gierke's corporate doctrine for political purposes. He was particularly concerned with applying the notion that corporations possessed their own personality in order to defend the freedom of churches. The explanation proposed by Figgis was that the state had no part in the creation of the family, nor in that of the church. He maintained that the state could not claim responsibility for the formation of associations in general because they arise out of the "natural associative instincts of mankind, and should all be treated by the supreme authority as having a life original and guaranteed, to be controlled and directed like persons."⁶² At this point, Figgis moves from a purely legal theory of corporations to the practical problem of securing the liberty necessary for churches to exist as self-developing bodies, thus transcending Gierke's theory of the corporation in relation to the law.⁶³ Gierke rejected the notion that the personality of associations is derived from

⁶¹Scruton, The Philosopher on Dover Beach, 60.

⁶²J. N. Figgis, Churches in the Modern State (London: Longmans, Green and Co., 1914), 47,48..

⁶³Zylstra, From Pluralism to Collectivism, 19.

the state. This hypothesis is based on Gierke's rejection of the fiction and concession theory of group(s) personality.⁶⁴ The former theory states that the individual is the only legally defined person. The group, therefore, is only a fictitious person. The concession theory merely states that groups were granted their legal status as a concession from the state.⁶⁵ Clearly, then, both Gierke and the English pluralists subscribe to neither theory. The principal aim of the English pluralists was to defend and protect the autonomy of various corporations from interference by the state. This means that it moves in a different direction than corporatist tendencies in the twentieth century.

The idea of the corporate person does not exist, according to critics of the British pluralists, since the term 'person' refers to man's religious nature, as well as the very essence of his being. The idea of the corporate person can only be used in a secondary way, in terms of defining the social structure found within a particular society and, consequently, it must be distinguished from the person in its traditional meaning.⁶⁶

GIOVANNI GENTILE AND THE CORPORATE STATE IN FASCIST ITALY

During the period of Fascist hegemony in Italy, the neo-

⁶⁴Williamson, Varieties of Corporatism, 42.

⁶⁵Nicholls, The Pluralist State, 62.

⁶⁶Zylstra, From Pluralism to Collectivism, 36.

Hegelian philosopher Giovanni Gentile, developed his own corporate doctrine. Given the fact that Gentile was a prominent member of the Fascist Party, one might assume that he would naturally affirm the corporatist view held by many of his Fascist colleagues. However, this was not the case, at least not at the beginning of his association with Mussolini. Gentile was initially opposed to all brands of syndicalism as well as any other type of associational structure. Gentile defended the "liberal ideal of respect for the development of the individual person" against a regime which emphasized the capitalist ideology at the expense of the workers; however, he later became one of the most outspoken proponents for the development of the Corporate State in Italy.⁶⁷

By 1926, with the proposed development of the Corporate State, many liberals argued that it would make both the worker and the employer subordinate to the demands of the state. Gentile's criticism was based upon the proposal made by the Confederation of Labour to transfer Parliamentary jurisdiction over these institutions to a syndical committee composed of experts in that particular area. Gentile claimed that the liberty to be found in a nation-state was far superior to a government based on a system of medieval corporations.⁶⁸ The philosophical argument Gentile provided for this opposition was that the corporate structure would render the citizens of

⁶⁷Harris, The Social Philosophy of Giovanni Gentile, 139.

⁶⁸Ibid., 180.

Italy incapable of consciously "willing the State." According to Gentile, the will of the state would override the particular wills of the individual; hence, the existence of the Corporate State provided no means for the individual to pursue his own interests.⁶⁹ Rather, this arrangement encouraged individuals to pursue the goals of the state as single-mindedly as possible. According to Gentile, a system of corporations would not emphasize the common good because the individual would weaken his own volitional effectiveness and, ultimately, he would indirectly weaken the power of the state.⁷⁰ Therefore, the personality of the individual would transcend the collective will of the corporation in its effectiveness on the power of the state.

Upon his association with Mussolini, Gentile rejected his earlier views which were akin to liberalism, and eventually became a proponent of corporatism. When Gentile finally reconciled his earlier views with corporatism, he put forth a corporate doctrine which was hierarchical in nature. Like Hegel, he viewed corporations as an extended family, but Gentile's idea of the family was to draw man outside of his "primitive egoism," and a system of corporations was precisely the method to do this.⁷¹ Because individuals could not

⁶⁹Ibid., 180.

⁷⁰Ibid., 180-81.

⁷¹Giovanni Gentile, Genesis and Structure of Society, trans. H. S. Harris (Urbana: University of Illinois Press, 1960), 129.

transcend the consciousness of their own unity in relation to nationalism, the corporation could instead be used as an instrument to unify the people of Italy, and guarantee their freedom and existence.⁷² He believed that the general population should be organized along divisions in which their lives are articulated for the purpose of "gain[ing] consciousness of the indissoluble unity between his interests and those of the society as a whole."⁷³ This concept involved two distinct, yet simultaneous conceptions of corporatism. First, Gentile believed that it was legitimate to conceive of corporations as instruments of authoritarian governments. The purpose of these corporations was to educate and discipline the citizens in such a way as to bring them to act collectively in the interests of the state, rather than acting in their own self interests. The second notion of corporatism was the antithesis of the first. It appeared that the implementation of a Corporate State would be based on some type of democratic ideal since corporations would be used as a vehicle for articulating one's interests. But the state articulated these interests instead of permitting corporations to articulate them independently of the state.⁷⁴ Thus, it is impossible for the corporation to exist simultaneously as an instrument of the state and as an autonomous institution. The

⁷²Ibid., 130.

⁷³Harris, The Social Philosophy of Giovanni Gentile, 182.

⁷⁴Ibid., 182

claim that both conceptions of corporatism can function harmoniously should be rejected on the grounds that they are diametrically opposed to one another.

Gentile's corporative theory coincides with his views on education. He was appointed Minister of Education under Mussolini, and was responsible for a series of educational reforms which had constituted a significant part of his social philosophy.⁷⁵ The rationale behind this procedure was to integrate labour into the process of education which would be reflected through real culture.⁷⁶ Labour was viewed by Gentile as a form of humanism; however, Gentile later discovered that the concept of "humanism of labour" was not adequately expressed through the Fascist doctrine. The Fascist state in its authoritarian nature suppressed the interests of the worker and, consequently, the worker would be compelled to rebel against rather than acquiesce to the authority of the state.⁷⁷

The political structure found in Fascist Italy was based upon the capitalist elements found in most democratic countries, but it simultaneously constructed a hegemonic

⁷⁵Elizabeth Wiskemann, Fascism in Italy: its Development and Influence (Toronto: Macmillan, 1969), 34.

⁷⁶Harris, The Social Philosophy of Giovanni Gentile, 276.

⁷⁷Ibid., 277-78.

apparatus which approached an extreme form of nationalism.⁷⁸ Fascism, then, was not only an alternative to liberalism and socialism, but was instituted to transcend these so-called outdated ideologies.⁷⁹ In a Fascist system of government, the state is venerated above all else, and its ostentatious display of nationalism was illustrated by a shift away from an emphasis on the individual towards the emergence of an organic society. Thus, the development of the Corporate State was the primary instrument used to promote the objectives of the state. According to the Fascist doctrine the state is everything; nothing can rise above it, nor can anything fall below it.

According to Mussolini, the corporation was formed for the purpose of expanding wealth, political power, and promoting the general well-being of the citizens of Italy, and these objectives were interconnected and conditional upon one another.⁸⁰ Anything that brings the individual closer to the state is viewed as being advantageous to the "social and national objectives of Fascism," and the implementation of the Corporate State was precisely the means to accomplish this

⁷⁸Christine Buci-Glucksmann, "State, Transition and Passive Revolution," in Gramsci and Marxist Theory, ed. Chantal Mouffe (London: 1979).

⁷⁹Denis Mack Smith, Mussolini (New York: Alfred A. Knopf, 1982), 118.

⁸⁰Benito Mussolini, Fascism: Doctrine and Institutions (Rome: Ardita Publishers, 1935), 55.

goal.⁸¹

The totalitarian elements of Fascist corporatism obscures the fact that these organizations were instituted with the intent of suppressing the antagonistic relationship that existed between the employer and the worker, and in no area was this antagonism as evident as in the case of wages. In Germany also one found an attempt to establish a cooperative relationship between the employer and the worker, with a set of equal rights for both parties, and a system based upon capitalist practices. Yet, there was no admission of any type of capital-labour conflict in Germany.⁸² Originally, the idea surrounding the implementation of corporatism was linked to trade unions which included both employers and employees, and would function so as to minimize industrial strife while increasing industrial productivity. Under this arrangement, both parties would theoretically be engaged in a harmonious relationship; neither party would resort to strikes or lock-outs.⁸³ Yet, such a relationship could only exist under the aegis of a Fascist government where the individual lacked any kind of existence with the exception of being subordinated to the demands of the state.⁸⁴ In effect, this arrangement forced

⁸¹Ibid., 56.

⁸²E. B. Ashton [Ernst Basch], The Fascist: His State and His Mind (New York: William Morrow, 1937), 94.

⁸³Smith, Mussolini, 118-19.

⁸⁴Ibid., 119.

the worker to accept Fascist functionaries as their representatives; industrialists, however, were not subject to similar restrictions. In fact, the Fascist government made a distinction between legally recognized and de facto organizations. The latter was given extra privileges; but ultimately all organizations were subject to government restrictions.⁸⁵ Corporatism in Italy, then, disguised the means used to settle antagonistic relationships between labour and management; in practice it tended to direct favouritism towards the entrepreneurial class rather than towards labour.

In the period following the March on Rome of October 1922, in which the Fascists seized power, Mussolini and his government took the initial steps towards establishing a corporate state through the formation of institutions that would permit the government to regulate the affairs of both the worker and the employer. These institutions were referred to as syndicates,⁸⁶ and were used as a means for the "organization and discipline of the productive activities" in

⁸⁵Ernst Nolte, Three Faces of Fascism, Trans. Leila Vannewitz (New York: Mentor, 1969), 336.

⁸⁶G. Lowell Field, The Syndical and Corporative Institutions of Italian Fascism (New York: Columbia University Press, 1938), 61. Also see: Paul Einzig, The Economic Foundations of Fascism (Toronto: Macmillan, 1934), 28. These government controlled syndicates were implemented primarily with the intent of representing both employers and workers, and regulating wages. As opposed to the corporations, which were concerned with "productive aims in a national economic synthesis," syndicates functioned to promote the "organization and discipline of productive activities." Essentially, syndicates resemble trade unions.

such areas as agriculture.⁸⁷ First significant in France during the period between 1890-1914, syndicalism was an attempt to emancipate the worker from the subordination of capitalism through the formation of unions which were arranged along occupational lines.⁸⁸ The establishment of labour organizations in Fascist Italy, however, transferred the defence of the worker's rights from the worker's themselves to the authority of the state.⁸⁹ Consequently, the system of syndical organizations implemented by Mussolini effectively operated as a decorative facade; the worker's rights were essentially in the hands of an outside party and, therefore, labour rights were far from being guaranteed.

Italian corporatism was first authorized by the syndical law of April 3, 1926; the provisions of which were decreed on July 1, 1926, and the term "corporation" was first formally used. The promulgation of these laws, however, had a minimal impact on the effects of the corporation, and in fact only one corporation was actually constituted. It was not until February 1934 that further legislation was added to these provisions, and Italy could finally be truly regarded as a corporate state.⁹⁰ At this point, the number of corporations

⁸⁷Field, The Syndical and Corporative Institutions of Italian Fascism, 61.

⁸⁸Theodore Zeldin, France, 1848-1945: Ambition and Love (Oxford: Oxford University Press, 1979), 231.

⁸⁹Williamson, Varieties of Corporatism, 96.

⁹⁰Field, Syndical and Corporative Institutions, 138-39.

was increased to 22 and were divided into three sectors: agricultural and industrial elements (production of raw materials), production of commercial and industrial elements, and productive services.⁹¹ This arrangement was designed to reconcile the exigencies of a planned economy with the desire of economic groups to achieve some degree of autonomy.⁹²

The year after the legislation had expanded the role of the corporation, most of these associations were put into operation, although they generally took a minimalist approach in their mode of operation. For example, these organizations were often concerned with rendering advisory opinions on matters of insignificant detail.⁹³ Therefore, the effects of the Corporate State were fairly innocuous considering the initial goals of the Fascist regime. But on the other hand the existence of these corporations could perhaps have been considered detrimental to the sluggish Italian economy. In contrast to their proposed functions, the actual functions of these corporations were relatively inconsequential. Consequently, corporations were deemed superfluous primarily because of the minor role they played within Italian society

⁹¹Ibid., 145,188-89.

⁹²Roland Sarti, Fascism and the Industrial Leadership in Italy, 1919-1940 (Berkeley: University of California Press, 1971), 98.

⁹³Gaetano Salvemini, The Origins of Fascism in Italy (New York: Harper and Row, 1973),418.

and because of the exorbitant costs associated with them.⁹⁴ Moreover, several public officials began to criticize the corporative scheme. But rather than admit that this system was ineffective and expensive, Mussolini pursued the same course of action regarding the corporations since any deviation in his policy would be politically embarrassing.⁹⁵

Essentially, all that the corporative structure ever amounted to was an over-staffed and cumbersome bureaucracy, which generally acted in a passive manner. Originally, the Fascist regime sought to develop a hegemonic state, which could be accomplished through uniting the Italian people through nationalist programs; the corporation was to be used as a primary instrument to achieve this objective. While the workers were subject to stringent regulations, particularly in areas such as wage negotiations, the landowners and industrialists enjoyed relative freedom. Protected from the working class who were deprived of the means of defending their interests which were supposedly to be represented within the corporate framework, the capitalists were able to realize enormous profits.⁹⁶

⁹⁴Smith, Mussolini, 272.

⁹⁵Sarti, Fascism and Industrial Leadership in Italy, 106.

⁹⁶Gianfranco Pasquino, "The Demise of the First Fascist Regime and Italy's Transition to Democracy: 1943-1948," in Transitions from Authoritarian Rule: Southern Europe, eds. Guillermo O'Donnell, Phillippe C. Schmitter, and Laurence Whitehead (Baltimore: The John's Hopkins University Press, 1986), 46.

Hence, the corporative system in Italy never achieved its intended purpose, and by 1939 the Italian Corporate State was effectively dismantled. At one time, Mussolini stated that the corporative structure was the "Fascist institution par excellence," and that "the Fascist State was corporate or it is nothing."⁹⁷ By 1939, however, Mussolini finally discovered that the implementation of the Corporate State would not bring about the impact necessary to unify Italy. Not only was it extremely expensive, but it was never properly put into practice, particularly in the economic sphere. In fact, it may be accurate to suggest that inter-war Italian corporatism was little more than a paper revolution.⁹⁸

⁹⁷Smith, Mussolini, 271.

⁹⁸Otto Newman, The Challenge of Corporatism (London: Macmillan, 1981), 22.

CHAPTER II

THE THEORETICAL COMPONENTS OF NEOCORPORATISM

"The twentieth century will be the century of corporatism just as the nineteenth was the century of liberalism."¹ This sentiment was affirmed by the Romanian foreign trade theorist, Mihail Manoilescu, during the period of Fascist hegemony and corporate dominance in Italy and Nazi Germany. Until recently, this statement could easily have been dismissed as little more than the type of ideological bias that prevailed during the 1930s. But, at the culmination of the Second World War, the corporate structures that had existed in both Italy and Germany had long been dismantled, and the only remnants left were to be found in the authoritarian regimes of Portugal and Spain², thus casting a shadow over Manoilescu's assertion.

DEMOCRATIC CORPORATIST THEORY

By the early 1970s, the notion of corporatism had reemerged in the political structures of several countries, and was also examined by many modern political theorists. Of the political theorists who have studied neocorporatism,

¹Schmitter, "Still the Century of Corporatism?," 85.

²Howard J. Wiarda, "Corporatism and the Development in the Iberic-Latin World: Persistent Strains and New Variations, in The New Corporatism: Social-Political Structures in the Iberian World, eds. Fredrick B. Pike and Thomas Stritch (Notre Dame: University of Notre Dame Press, 1974), 6-7.

Phillippe Schmitter is generally credited as a leading figure in this kind of inquiry. He addressed the concept of corporatism as a "sort of paradigmatic revolution when juxtaposed to the long predominant pluralist way of describing and analyzing the role of organized interest groups."³ The contemporary notion of corporatism, in its most general sense, can be analyzed in terms of the dichotomy between societal and state corporatism.⁴ This distinction was first made by Schmitter, and subsequent studies by different theorists follow similar dichotomies, although the language used differs significantly. In contrast to the traditional concept of corporatism, there is much less capacity for consensus among theorists as to which of the conceptual approaches are most appropriate in examining the various dimensions found in corporatist theory. In effect, neocorporatism can be understood as a highly complex phenomena containing a number of dimensions which are subject to diverse conceptualizations, and are often times subject to semantic ambiguities.⁵ And although these corporatist theories are essentially value-laden, their credibility depends heavily on the extent to

³Grant Jordan, "The Pluralism of Pluralism: An Anti-theory?," Political Studies 38:2 (June 1990), 296.

⁴Schmitter, "Still the Century of Corporatism?," 103-105. Schmitter's distinction between both state and societal corporatism will be defined later.

⁵Gerhard Lehmbruch, "Neo-Corporatism in Comparative Perspective," in Patterns of Corporatist Policy-Making, eds. Gerhard Lehmbruch and Phillippe C. Schmitter (London: Sage Publications, 1982), 2.

which they correspond to actual cases.⁶

In Schmitter's initial analysis of neocorporatist theory, there appear to be several elements which are deemed wholly incompatible with pluralist theory, which was the dominant theory in most Western democracies prior to the 1970s. Corporatism is based on the assumption that state-society relations are built upon a common premise that class harmony and organic unity are essential ingredients of society, and can be secured by the existence of functional organizations representing the interests of business and labour through cooperation. Pluralism, on the other hand, implies competition between the fragmented interests with a struggle for an advantage in influencing the policy options of a weak state.⁷ Although there are several differences, both concepts contain many common elements. Neocorporatist theorists have attempted to distance this mode of government operation from the pejorative connotations associated with its Fascist predecessor.⁸ The distinction between corporatism as it existed in relation to Fascism and as it exists in its present context (although there are several variations) as a reaction

⁶Alan Cawson, "Functional Representation and Democratic Politics: Towards a Corporatist Democracy?," in Democratic Theory in Practice, ed. Graeme Duncan (Cambridge: Cambridge University Press, 1983), 173.

⁷Held, Political Theory and the Modern State, 64.

⁸Phillippe C. Schmitter, "Corporatism is Dead! Long Live Corporatism!" Government and Opposition 24:1 (Winter 1989), 57.

to the Welfare State and Keynesian economics has provided evidence that the concept has overcome its negative association with Fascism.

Schmitter's comprehensive definition of corporatism is as follows:

Corporatism can be defined as a system of representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, 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 supports.⁹

He expands the concept through his distinction between state and societal corporatism. According to Schmitter, societal corporatism is

imbedded in political systems with relatively autonomous, multilayered territorial units; open, competitive electoral processes and party systems; ideologically varied, coalitionally based executive authorities—even with highly layered or pillared political subcultures. State corporatism tends to be associated with political systems in which territorial subunits are tightly subordinated to the central bureaucratic power; elections are nonexistent or plebiscitary; party systems are dominated or monopolized by a weak single party; executive authorities are ideologically exclusive and more narrowly recruited and are such that political subcultures based on class, ethnicity, language, or regionalism are repressed.¹⁰

⁹Ibid., 105.

¹⁰Ibid., 105.

Thus, state corporatism refers to a system which is reflected in an anti-liberal, delayed capitalist, authoritarian, neo-mercantilist state, while societal corporatism is the "concomitant component of the post-liberal, advanced capitalist Welfare State."¹¹

Following Schmitter, David Held further elaborated the dichotomy between state and societal corporatism. The former is described as "corporatism from above" where the state has implemented a corporate system as a form of a decorative facade, though in practice it was no more than a system for "organic unity won through the consistent exercise of repression."¹² Conversely, the societal approach is described as "corporatism from below," which reflects the current European political realities, and challenges the political theories found in both democratic and Marxist doctrines.¹³ Schmitter's distinction can be quite useful when implementing comparative analyses of countries exhibiting corporatist tendencies; however, it has been criticized because the corporatist structures that exist between different countries have not necessarily adopted all of the necessary requirements even though they are classified under the same heading. For example, Schmitter does not elucidate the precise role of the state in which his model of societal corporatism operates.

¹¹Ibid., 105.

¹²Held, Political Theory and the Modern State, 64.

¹³Ibid., 64-65.

The role of the state varies significantly in French, British, and Swiss cases; yet, each case is considered a societal sub-type.¹⁴ Therefore, Schmitter's notion of societal corporatism is problematic on the grounds that the theories contained within it do not necessarily correspond to actual cases because the role of the state differs significantly in each country.

Gerhard Lehbruch adopts a similar approach to that of Schmitter. He defines corporatism as a collection of bargaining units which are autonomous, and this arrangement rests on a strong interdependence between the interests of "ostensibly conflicting groups." This system begins as a process of bargaining, but soon evolves into a system which stresses politicization of the market in virtually every area.¹⁵ Lehbruch follows Schmitter's distinction between authoritarian and democratic corporatism, but instead he refers to them as "liberal" and "statist" versions of corporatism.¹⁶ It has been argued that Lehbruch's distinction can be applied more directly to the dichotomy which Schmitter was attempting to draw attention to since liberal corporatism, for Lehbruch, is found in a "liberal

¹⁴Pierre Birnbaum, "The State versus Corporatism," Politics and Society 11:4 (Fall 1982), 481.

¹⁵Frederic L. Pryor, "Corporatism as an Economic System: A Review Essay," Journal of Comparative Economics 12:3 (September 1988), 323.

¹⁶Gabriel Almond, "Corporatism and Pluralism, and Professional Memory," World Politics 35:1 (January 1983), 249.

constitutional democracy, comprising institutional rules such as freedom of association," and in which interest organizations are permitted to voluntarily enter or exit relations with the government.¹⁷ Schmitter's notion of societal corporatism, on the other hand, does not explicitly state that the relationship between the state and the various associations is a voluntary one, it only implies that this is the case.

In his subsequent analyses of neocorporatism, Schmitter acknowledges that his conception of societal corporatism suffers from both political as well as a conceptual shortcomings. As discussed earlier, relations between functional organizations representing the interests of their members and the state can take place under either the pluralist or corporatist modes of interest intermediation. However, Schmitter argues that the corporatist arrangement works best in a system where the "plural interests of classes and societal organizations mesh with the interests of the state."¹⁸ At this point, Schmitter recognizes that the descriptive range of corporatism has been extended from macro-corporatism, in which peak associations representing a large number of groups of both business and labour interests, in

¹⁷Ross M. Martin, "Pluralism and the New Corporatism," Political Studies 31:1 (March 1983), 87.

¹⁸Noel O'Sullivan, "The Political Theory of Neo-Corporatism," in The Corporate State: Corporatism and State Tradition in Western Europe, eds. Andrew Cox and Noel O'Sullivan (Aldershot: Edward Elger, 1988), 13.

either a tripartite or bipartite arrangement, engage in negotiations with the state with the aim of formulating macro-economic policy, to meso-corporatism where sectoral associations are engaged in bipartite relations with the state for the purpose of drafting industrial policies, and to micro-corporatism where consultations between the state and particular firms labelled as corporatist take place in order to achieve a policy that reflects the specific interests of these firms.¹⁹ Schmitter shifts the emphasis of his analysis from macro-corporatism to sectoral corporatism and by doing this, Schmitter recognizes that the concept entails more than a political form of the state.

In relation to the corporatist/pluralist modes of interest intermediation, Schmitter distinguishes between pressure and concertation. Furthermore, policy formation under each mode of interest intermediation can be divided into pressure tactics or concertation. In cases where pressure tactics are used, the affected interests are not formally permitted access to the policy-making process, and generally behave as consultants or combatants in relation to the issues in which they are involved. Concertation, on the other hand, incorporates the affected interests directly in the policy process, and are often integral components, along with the

¹⁹Leo Panitch, "Corporatism: A Growth Industry Reaches the Monopoly Stage," Canadian Journal of Political Science 21:4 (December 1988), 814.

state, in policy formation.²⁰ Concertation is based on organization, coordination, and planning between all parties involved,²¹ and is typically the ideal arrangement under the corporatist praxis. But, it has been argued that as the degree of concertation between the various groups and state increases, the corporatist arrangement becomes increasingly illiberal.²²

Schmitter's distinction between corporatism as a political form of the state and corporatism as a distinctive mode of policy-making has been criticized as being erroneous. His approach is intended to distinguish, through empirical inspection, corporatism from pluralism; although, the results of such a study may be difficult to quantify.²³ When one views corporatism in this light, it may be nothing more than a political system that strongly resembles the pluralist paradigm it was supposed to challenge. Schmitter counters the pluralist critique by stating that corporatism has made

²⁰Phillippe C. Schmitter, "Reflections on Where the Theory of Neo-Corporatism Has Gone and Where the Praxis of Neo-Corporatism May be Going," in Patterns of Corporatist Policy-Making, eds. Gerhard Lehmbruch and Phillippe C. Schmitter (London: Sage Publications, 1982), 262-63.

²¹Pryor, "Corporatism as an Economic System: A Review Essay," 320.

²²Reginald J. Harrison, Pluralism and Corporatism: The Political Evolution of Modern Democracies (London: George Allen and Unwin, 1980), 185.

²³Grant Jordan, "Pluralistic Corporatisms and Corporate Pluralisms," Scandinavian Political Studies 7:3 (September 1984), 139.

strides in policy-making that far surpasses anything the pluralist mode could hope to accomplish.²⁴ For example, neo-corporatism

has revealed that monopolies of interest representation exist; that hierarchies develop in associations; membership of associations is not always voluntary; interest associations shape members views and coerce and discipline them; the state is not just a neutral referee or arena of group conflicts; and interest associations intermediate and become incorporated and deliver the compliance of their members to government policy goals by delegated self enforcement.²⁵

Although Schmitter makes reference to the capacity of organizations to influence government policy, his definition of corporatism is primarily concerned with the political form of the state rather than a process of policy formation. For example, his distinction between state and societal corporatism was developed as a means of distancing the democratic type from the authoritarian, anti-democratic notion that has traditionally been associated with corporatism. The societal approach, as previously stated, occurs primarily in Western democracies, and according to Schmitter, it is a voluntary arrangement.²⁶

The distinction between state and societal corporatism is

²⁴Andrew Cox, "Neo-corporatism versus the Corporate State," in The Corporate State: Corporatism and the State tradition in Western Europe, eds. Andrew Cox and Noel O'Sullivan (Aldershot: Edward Elger, 1988), 35.

²⁵Ibid., 35-36.

²⁶Ibid., 33.

vast, but the state itself, even under the societal mode, is the prime mover behind the process. In any corporatist structure, the state has the ability to grant a monopoly of representation to various associations, and in some cases these organizations themselves may be created by the state.²⁷ Schmitter categorizes cases where interest groups have a representational monopoly, and the state has little or no control over these groups under the societal approach. According to Schmitter, societal corporatism was intended to diminish the authoritarian nature of the state from the political process, but there is a fundamental contradiction in this categorization. He defines corporatism as a system in which the state exercises at least a modicum of control over interest groups, thereby, designating the societal mode as a subtype of corporatism itself. Moreover, the relations between the state and the various interest groups are by no means uniform. The granting of a monopoly of representation results in state control in some cases but not in others. A prime example is that the state is much more likely to exercise control over labour associations, while business groups are often permitted to function in a relatively autonomous setting.²⁸ Also, in cases where societal

²⁷Andrew Cox, "The Old and New Testaments of Corporatism: Is it a Political Form or a Method of Policy-Making," Political Studies 36:2 (June 1988), 296.

²⁸Youssef Cohen and Franco Pavoncello, "Corporatism and Pluralism: A Critique of Schmitter's Typology," British Journal of Political Science 17:1 (January 1987), 118.

corporatism emerged as a political form, it was deemed a voluntary development; however, in practice the state is ultimately responsible for the regulation of the units of interest representation. Consequently, state regulation over groups produces an element of state authority which is found even in the societal mode.

Others argue that societal corporatism is merely one of many sub-types of pluralism, which can be divided between competitive pluralism on one hand and state controlled pluralism on the other.²⁹ But even among pluralists, there is not much consensus regarding the degree of state intervention in the competitive pluralist mode.

Alan Cawson defines corporatism in less abstract terms than Schmitter, and his ideal type differs vastly from that which is found in Schmitter's typology. Cawson defines corporatism as a theory which "builds on the manifest concentration and centralization of functional interests which is the outcome of the pluralist process."³⁰ Corporatism also involves state intervention in the activities of predominantly privately owned businesses. The state enters into a partnership with the various representative organizations associated with business interests, and to a lesser degree

²⁹Almond, "Corporatism, Pluralism, and Professional Memory," 251.

³⁰Cawson, "Varieties of Corporatism," 5.

labour interests.³¹ Therefore, corporatist structures emerge out of the formation of associations between individuals, but at the same time, not all associations have the ability to form corporate interests, which led Cawson to make a distinction between pluralist and corporatist groups. The former refers to voluntary associations which merely articulate the sum interests of the members within each competing group, while the latter refers to a functional division of labour in society with common group interests emerging from similar positions within a particular socioeconomic structure of society.³² According to Cawson, corporatism is an attempt to address the problems associated with the Welfare State, to reexamine the notion of pluralism, and to enhance the capitalist ideology. In short, corporatism can be described as "managerial politics."³³

J. T. Winkler provides an analysis of managerial politics in his distinction between the corporatist system and the capitalist system. In the latter, production takes place in a market system, albeit with increasing levels of state intervention, while in the corporatist mode, the freedom of private capitalism is effectively replaced by state direction,

³¹Williamson, Varieties of Corporatism, 155.

³²Alan Cawson, Corporatism and Welfare: Social Policy and State Intervention in Britain (London: Heinemann Educational Books, 1982), 37-38.

³³O'Sullivan, "The Political Theory of Neo-Corporatism," 23.

"not unlike Lenin's notion of state capitalism,"³⁴ hence the link to managerial politics. In this case, the state does not act as a dominant class; instead it embodies a general will which is reflected in the politics of the state. Under a corporatist structure, the state supervises privately owned business and, therefore, privately owned capital has been abrogated by the state.³⁵ According to Winkler, corporatism is defined by one particularly important qualitative change; that change being the state's shift from a supportive to a directive role in the economy. A supportive role is one in which the state offers protection, and at times attempts to influence private economic activity, but does not prescribe long-term solutions. In contrast, the directive role entails government regulation over the affairs of private business by establishing national goals and controlling the allocation of resources. Although the degree to which the state controls economic activity varies, the state remains the protagonist behind economic matters.³⁶ Although there is a perceived loss of freedom in the capitalist market, the corporatist system, according to Winkler, is designed to enhance the economic benefits associated with capitalism.

³⁴Cawson, Corporatism and Political Theory, 22.

³⁵Ibid., 23.

³⁶J.T. Winkler, The Corporatist Economy: Theory and Administration in Industrial Society: Class, Cleavage and Control, ed. Richard Scase (London: George Allen and Unwin, 1977), 45.

In contrast to Schmitter's two corporatisms, which he labelled corporatism-1 (pressure) and corporatism-2 (concertation), Cawson maintains that corporatism can only be viewed as a combination of both pressure tactics and concertation.³⁷ It has been argued that Schmitter's ideal type is flawed since it is completely based on the political structure of the state, although he later made attempts to include policy provisions. The policy provisions developed by Schmitter describe a "comprehensive incorporation of interest groups within the framework of government."³⁸ While this ideal type can be distinguished from pluralism, it cannot be distinguished from the Fascist Corporate State. Cawson, on the other hand, overcomes the dichotomous distinction between corporatism as a mode of interest intermediation and as a mode of policy making by merging the two and developing an ideal-type which precludes any identification with state corporatism.³⁹ Moreover, Cawson states that pluralism and corporatism are always found in combination since both aspects are characterized in Western democracies.⁴⁰ According to Cawson

³⁷Martin J. Bull, "The Corporatist Ideal-Type and Political Exchange," Political Studies 40:2 (June 1992), 258.

³⁸Ibid., 260-61.

³⁹Ibid., 260.

⁴⁰Alan Cawson, "In Defence of the New Testament: A Reply to Andrew Cox, 'The Old and New Testaments of Corporatism,'" Political Studies 36:2 (June 1988), 311.

corporatism is a specific socio-political process in which organizations representing monopolistic functional interests engage in political exchange with state agencies over public policy outputs which involves those organizations in a role which combines interest representation and policy implementation through delegated self-enforcement.⁴¹

In contrast to Schmitter's analysis, Cawson is primarily concerned with the study of meso-level corporatism, also referred to as "sectoral corporatism." This sub-type of corporatism involves the interaction of state agencies and interests organized on a sectoral basis. In this case, interest groups reflect the more specific concerns of the members of the particular organizations which they represent.⁴² Meso-level corporatism refers to "the fusion of the processes of interest representation, decision-making, and policy implementation with respect to a more restricted range of issues" than the macro approach.⁴³

At the meso-level, Cawson distinguishes between two types of power relations linked to the policy process. The first type is referred to as the "collaboration-enlisting" power relation. It is based on the idea that a large number of interest associations collaborate in a cooperative fashion with the state regarding several wide ranging issues.

⁴¹Cawson, Corporatism and Political Theory, 38.

⁴²Cawson, "Varieties of Corporatism: The Importance of the Meso-Level of Interest Intermediation," 2.

⁴³Ibid., 11.

Policies, in this case, are shaped through the state's ability to gain acquiescence to its initiatives from numerous associations with varying interests. The "function enlisting" power relation, on the other hand, involves negotiations between one particular association and the state.⁴⁴ In this case, there is no input from outside associations with conflicting interests and policy strongly reflects the demands of the select participants.

An example of meso-level corporatism can be found in Cawson's notion of the dual economy in which there is a corporate sector dominated by large firms as well as the emergence of smaller competitive firms subject to the market power of the large firms.⁴⁵ The large firms are located in the corporate sector and are managed by a structure of hierarchical committees. At the apex of this hierarchy is the elite executive class. In its attempts to achieve greater levels of success, the larger firms seek to develop symbiotic links with the state which guides the dual economy through its interventionist measures. Cawson defines the corporate sector of the dual economy as "a system characterized by corporations which have developed by merger and by large-scale physical

⁴⁴Joel D. Wolfe, "Democracy and Economic Adjustment: A Comparative Analysis of Political Change," in The Politics of Economic Adjustment: Pluralism, Corporatism, and Privatization, eds. Richard E. Foglesong and Joel D. Wolfe (Westport: Greenwood Press, 1989), 164.

⁴⁵Cawson, Corporatism and Welfare, 16.

capital investment and technological innovation."⁴⁶ Thus, the corporate sector seeks to extend its control of the market by planning, which forces the state to acknowledge business influence in the market by attempting to coordinate autonomous decision-making by corporations through the exchange of information.⁴⁷ This arrangement results in an interdependence between the state and the corporate sector in various segments of the economy. This type of arrangement can be thought of as a fragmented state where individual companies are viewed as units in government industrial relations, and this arrangement is similar to the idea of corporate pluralism. The notion of the fragmented state entails the devolution of powers to different groups thereby eroding the government's basis of political authority.⁴⁸

Following Schmitter in some respects of his analysis of the corporatist paradigm, Cawson makes a distinction between concertation and interest intermediation. The former is a bipartite arrangement and is concerned with the formation of economic policies through a cooperative process between the state and powerful economic interests. This corporate arrangement is a distinctive mode of policy formation. Conversely, interest intermediation is not only concerned with negotiations between participants in the policy process in

⁴⁶Ibid., 19.

⁴⁷Ibid., 20.

⁴⁸Ibid., 54.

order to protect the interests of the membership within the organizations represented, but it is also predicated on the idea of group representation. However, Cawson argues that in a corporate structure, one is not possible without the other. Corporatism involves the link between both policy and interest representation, and if this link is neglected, the system breaks down into a pluralist one, which abstracts only part of the political system, thus failing to consider the whole.⁴⁹

In its most rudimentary form, the neo-corporatist arrangement is described as a tripartite structure; it emphasizes the cooperative bargaining process between the state, business interests, and labour interests. Both labour and capital are generally represented by peak associations (umbrella organizations) which represent a large number of groups with no significant occupational boundaries. The main function of a peak association is to reflect the common interests of the group leaders so that they are not forced to compete for members.⁵⁰ Cawson argues that peak associations are no longer emphasized as the constitutive element of corporatism, but rather, the smaller meso-level organizations, which defend the specific interests of particular occupational sub-groups, are deemed more relevant in the corporatist

⁴⁹Cawson, Corporatism and Political Theory, 70-71.

⁵⁰Patrick Dunleavy, Democracy, Bureaucracy and Public Choice: Economic Explanations in Political Science (Englewood Cliffs, N.J.: Prentice Hall, 1992), 29.

arrangement.⁵¹ Corporatism at the meso level may exclude certain elements which generally fall within the realm of traditional tripartite arrangements. However, elements which may be considered fringe associations outside of the tripartite arrangement may be included provided they have the organizational capacity to monopolize representation in their specific area of interest.⁵² Thus, Cawson's formulation does not limit the possibility of bipartite or multipartite arrangements provided there is some degree of organization among the interested groups and that a monopoly over interest representation exists in that particular area.

Cawson's definition of corporatism entails some degree of state intervention, though there is no agreement on the extent to which the state regulates these activities. The state's presence within corporatist arrangements is viewed as being essential, but Cawson's notion of corporatism does not permit the state to play a directive role; instead it has incrementally diminished the sovereignty and autonomy of the state. The primary consideration is that the state's interest are reflected in this arrangement.⁵³ Consequently, the state's relationship with various corporatist organizations is a reciprocal one based on the idea of exchange or bargaining,

⁵¹Cawson, "Varieties of Corporatism," 9.

⁵²Ibid., 11-12.

⁵³Ibid., 6.

but not completely free exchange.⁵⁴ In order to achieve consensus on the particular policy in question, a cooperative negotiating process between key participants must take place. The outcome of these negotiations should result in policies with which all parties can reasonably endorse. Therefore, the policies formulated should ideally reflect the interests and concerns of all participants.

THE NEO-MARXIST ANALYSIS OF CORPORATISM

The concept of corporatism has often been described as a political system that transcends ideological boundaries. In contrast to the views put forth by Schmitter and Cawson, a number of Neo-Marxist theorists such as Claus Offe and Leo Panitch have emphasized the importance of interest group intermediation and the role of labour within the corporatist praxis. Notably, the corporatist mode of government is quite uniform in most Western European nations in so far as it addresses the social, political, and economic, rather than the ideological concerns of a particular country.

Offe's initial theory on the emergence of interest organizations is based on the Marxian notion of the oppression of the proletariat. Although the state plays an integral role in interest intermediation, he rejects the idea that the state alone is responsible for this oppression. Instead, the state is indirectly involved in the tyranny over the proletarian

⁵⁴Ibid., 20.

class, working not so much to promote the interests of the ruling class, but rather as a "sustainer of an oppressive social system." While the state does not promote the interests of a few elite classes, it does guarantee the collective interests of a large number of groups, and these interests are all heavily motivated by capital.⁵⁵ Through the existence of this systematic oppression, corporatist techniques of intermediation arise which are used as a means to merge both the state and the various interests in society into a "seamless web of exploitation."⁵⁶ Within this structure, the influence of traditional political actors such as political parties, Parliament, and the bureaucracy, have been eroded, while the concept of group accommodation as found in corporatist systems has assumed an increasingly central role in the politics of most Westernized democracies. But, one essential condition must be satisfied. It is imperative that sufficient levels of economic growth are realized for all participants or interests within the corporatist arrangement. Once economic growth declines, there is less consensus to be found among the various groups, and the legitimacy of the state may be brought into question by the disaffected interests.⁵⁷

⁵⁵O'Sullivan, "The Political Theory of Neo-Corporatism," 14.

⁵⁶Ibid., 14.

⁵⁷Ibid., 14-15.

In Offe's analysis, the notion of interest group intermediation provides an explanation for the emergence of corporatism in industrial democracies. This progression is described as an "axis of development" where particular political systems are more or less corporatist depending on the degree of status delegated to organized interest organizations. As a result, the policy process becomes increasingly advanced in cases where various groups are "publicly attributed status in all or most of the relevant dimensions of institutionalization."⁵⁸ Under this scheme, neo-corporatist or tripartite modes of decision-making are conducted by representatives of interest organizations under the guidance of the state.⁵⁹ Offe suggests that the attribution of public status to interest groups means that organizations are no longer defined through their actions which emerge from interests, ideologies, and need perceptions.⁶⁰ The issue of policy-making brings up the question of majority rule. Corporatism propounds the theory that majority decisions have effectively declined in their significance over policy to the point where they have little or no impact. The decisions reached in the outcome of corporatist intermediation preclude any identification with

⁵⁸Claus Offe, Disorganized Capitalism, ed. John Keane (Cambridge: The MIT Press, 1985), 237.

⁵⁹Claus Offe, Contradictions of the Welfare State, ed. John Keane (Cambridge: The MIT Press, 1984), 158-59.

⁶⁰Williamson, Varieties of Corporatism, 179-80.

the notion of majority rule. Corporatist decision-making procedures undermine and discredit the rationality of majority procedures, which can then lead to a legitimation crisis.⁶¹ But Offe also argues that the principle of majority rule has been "diluted and bypassed through a series of mechanisms that allow its egalitarian claims to become empty."⁶² Corporatist procedures do not necessarily produce anti-democratic decisions even though majority decisions are generally viewed as being more democratic. Thus, Offe argues that decisions based on the principle of majority rule are becoming increasingly ineffective.

In Offe's analysis, the extent to which a country can be viewed as corporatist depends on the following considerations. First, the extent to which the resources of an interest group are provided by the state. Examples of these resources are subsidies, compulsory membership, and tax exemptions. Secondly, a country is labelled corporatist to the extent to which the range of representation of interests is defined through political decision-making based on number and region. Thirdly, the extent to which the internal relations between rank-and-file members and executive members are regulated. The final consideration is the extent to which organizations are licensed, recognized, and assigned a role in legislation,

⁶¹Claus Offe, "Political Legitimation Through Majority Rule?" Social Research 50:4 (Winter 1983), 744-45.

⁶²Ibid., 746.

policy planning, and implementation. These four dimensions are respectively labelled resource status, representational status, organizational status, and procedural status.⁶³ Moreover, Offe claims that there is a second significant component of corporatism which is based on various organizations that are affected by status attribution. Market participants comprise the first group which is affected. Within this organizational group exists all "organized collectivities representing the supply or demand sides of either labour markets or goods and services."⁶⁴ Union and employer organizations are found under this classification. Their primary task is to influence state policies which may affect their members by making demands or employing sanctions on policy makers. The second group consists of "policymakers." These interest groups participate in the political market in which subsidies and transfer payments are exchanged for political support.⁶⁵ Offe claims that a corporatist mode of interest representation is superior to a democratic representative one in so far as it restricts both the potential for conflict between participants and the scope of tactics that can be utilized, which often exacerbates conflict.⁶⁶ In order to support the argument that the

⁶³Offe, *Disorganized Capitalism*, 237-38.

⁶⁴*Ibid.*, 239.

⁶⁵*Ibid.*, 239.

⁶⁶*Ibid.*, 242.

corporatist system depoliticizes conflict, Offe finds it necessary to examine the functions performed by political parties and the functions of bureaucratic policy-making and implementation.

Since corporatist decision-making entails the consensus of something less than a majority, and also integrates extra-governmental organizations into the policy process, the role of political parties has evolved from a policy-making machine to an institution which is primarily concerned with attracting voter support. According to Offe, while there is not much conflict between parties on policy alternatives, there may be conflict between factions of a particular party over policy issues, and this conflict arises out of the transformation of "class parties" into "mass integration parties." Consequently, the dissolution of party identities may have signalled the end of ideologies. In any case, it appears to have inhibited political parties from performing many of their traditional functions. For example, most governments are dependent on "more direct supportive relations to major organized interests and, thus, supplementary corporatist relations (such as plebiscites) [are viewed] as a solution to the problem from the disorganization of political parties."⁶⁷ Therefore, Offe argues that the emergence of tripartite bodies as a form of decision-making can, in many respects, be traced to the relative decline of conventional democratic mechanisms

⁶⁷Ibid., 243-44.

such as the legislative function in policy formation.⁶⁸

Offe maintains that the corporatist mode of interest representation is also the most suitable way to deal with the difficulties of policy formation. In many policy areas the establishment of tripartite bodies has become an important component of the policy-making function. First, the formal admission of corporate groups into the policy process ensures that the more powerful groups are not overrepresented in the outcome of the policy process. Second, interest organizations have control over their members, which ensures that opposition within the association will be kept to a minimum. In effect, this type of organizational discipline acts as a form of extended governmental control. Third, in cases where a policy creates conflict and opposition, the government alone is not at fault. All participants engaging in negotiations are held responsible and, therefore, opposition may be less likely to occur since the organization itself must question the effectiveness of its leadership.⁶⁹

Yet, tripartism does not necessarily imply that all participants are granted equal power; the government has some discretion over the delegation of power, and for organized interests, power may be seen as a privilege, particularly in cases where the objectives of the organization differ markedly

⁶⁸John Keane, in Offe, Contradictions of the Welfare State, 28.

⁶⁹Offe, Disorganized Capitalism, 246.

from politically defined common interests. Power introduces a class element into the corporatist arrangement, and it has been argued that this class bias is most readily manifested in the restrictions imposed upon labour. Tripartite bodies theoretically imply equal participation by all groups, though in practice, labour is always viewed as the junior partner.⁷⁰ The power of various organizations also extends to their internal structures. This means that obstructive power can be brought to bear by capital interests even without any type of organization, while for labour to behave similarly requires collective action. In addition, the interests of labour when taken as a whole are not only divided between different strata of the working class, but also over a wide range of concerns. On the other hand, business interests are primarily concerned with financial incentives.⁷¹ Thus, corporatist structures may be thought of as a solution to situations where "parametrical methods of political control have become insufficient for economic reasons and interventionist methods have become insufficient for political ones."⁷²

Offe argues that in order to gain an understanding of the corporatist paradigm, an examination of interest groups is required. According to Offe interest groups are characterized

⁷⁰Erik Oddvar Ericksen, "Towards the Post-Corporate State?," Scandinavian Political Studies 13:4 (1990), 346.

⁷¹Offe, Disorganized Capitalism, 249-50.

⁷²Ibid., 246-47.

by three perspectives: the sense of collective identity, and the values of the constituent members of the interest group; the level of the socioeconomic "opportunity structure" of society within which an interest group emerges; and the institutional practices which the political system directs towards interest groups.⁷³ These three elements taken as a whole play an integral role in the shape and content of the system of interest representation, although interest representation is a dependent rather than an independent variable in the process of policy formation.⁷⁴ Although interest group politics requires all three perspectives, the pluralist model focuses on the first, while the neo-Marxist theory concentrates on the third. However, Offe claims that corporatism transcends the notion of sectional representation by combining all perspectives in a dialectical fashion where organizational interests are shaped by individual ones, while simultaneously shaping and controlling these interests.⁷⁵

In order to see the corporatist trend in Western Europe since the late 1960s, Offe makes the distinction between two types of political rationality: the distinction between conjunctural policies and structural policies. The former seeks to "maximize the adequacy of policy responses to

⁷³Ibid., 222.

⁷⁴Ibid., 223.

⁷⁵Cawson, "Varieties of Corporatism: The Importance of the Meso-Level of Interest Intermediation," 3-4.

problems as they emerge and appear on the agenda." Thus, demands must remain within a range of manageability as defined by the existing capacities of state action. Structured policies become the primary mode of intervention since they are usually adopted in periods of economic and institutional crisis. Hence, there has been greater emphasis on the shift from state intervention to politicization in most Western democracies through corporatist modes of functional representation.⁷⁶ However, with the increased involvement of interest groups there appears to be a dilemma. It is the idea that corporatist organizations are able to have an effect on the policy process in a way that is not necessarily effective. But, at the same time, these organizations are viewed as necessary components of policy formation because they possess a monopoly over specialized information which is particularly relevant for policy, as well as controlling their respective constituencies.⁷⁷ Offe believes that the only solution to the dilemma is to make changes in the mode of interest representation which was incrementally undertaken in the Federal Republic of Germany beginning in 1963.⁷⁸ The corporatist paradigm, then, is not universal; it depends heavily on the status delegated to interest organizations, and becomes advanced when these organizations are publicly

⁷⁶Offe, Disorganized Capitalism, 226-27.

⁷⁷Ibid., 230.

⁷⁸Ibid., 231.

recognized by the state. Moreover, corporatist arrangements were predicated on the idea that labour's integration into the policy process would reduce its opposition to policies. The issue is not only one of participation, but also of equality.

In contrast to Schmitter's group-theoretical model of corporatism, Leo Panitch focuses on the class-theoretical approach,⁷⁹ and has applied it to countries which are generally characterized as weaker cases of corporatism. Despite the popularity of the idea of corporatist intermediation in most industrialized democracies, Panitch argues that the attempts to establish a corporatist framework in countries such as Canada have not been nearly as successful. Panitch defines neo-corporatism as a

political structure within advanced capitalism that integrates organized socioeconomic producer groups through a system of representation and cooperative mutual interaction at the leadership level and mobilization and social control at the mass level.⁸⁰

Panitch's definition of corporatism implies that it is an actual political structure, not merely an ideology.⁸¹ Corporatism involves the existence of social control and

⁷⁹Williamson, Varieties of Corporatism, 151.

⁸⁰Leo Panitch, "Corporatism in Canada?," in The Canadian Political Process, eds. Richard Schultz, Orest M. Kruhlak and John C. Terry (Toronto: Holt Rinehart and Winston, 1979), 53.

⁸¹Leo Panitch, "Trade Unions and the Capitalist State," New Left Review 125 (January/February 1981), 24.

mobilization in relations between the workers and union leaders."⁸² Thus, Panitch, like Offe, argues that corporatism is used as an instrument for the purpose of oppressing the members of various labour unions. He believes that labour unions constitute an integral part of the corporatist confederation, in so far as they control their members in exchange for inclusion in the negotiating process.⁸³ In a corporatist structure, the working class is effectively integrated in the capitalist system and is subject to the authority of their unions. In theory, countries which have been characterized as exhibiting strong corporatist tendencies demonstrate patterns of equal political exchange and regulation of class conflict. Panitch, however, opposes this hypothesis. He states that corporatist arrangements are often biased against the interests of labour, thus resulting in a system of unequal political exchange.⁸⁴ Seen in this light, corporatism is viewed as a political structure within

⁸²Bo Rothstein, "Corporatism and Reformism: The Social Democratic Institutionalization of Class Conflict," Acta Sociologica 30:3-4 (1987), 296.

⁸³Harmon Ziegler, Pluralism, Corporatism, and Confucianism: Political Association and Conflict Regulation in the United States, Europe, and Taiwan (Philadelphia: Temple University Press, 1988), 70.

⁸⁴Manfred G. Schmidt, "Does Corporatism Matter?: Economic Crisis, Politics and Rates of Unemployment in Capitalist Democracies in the 1970s," in Patterns of Corporatist Policy-Making, eds. Gerhard Lehmbruch and Phillippe C. Schmitter (London: Sage, 1982), 242.

capitalism rather than an alternative to capitalism.⁸⁵ Panitch believes that the system, although theoretically tripartite in nature, effectively becomes a bipartite relationship between the state and business interests; labour is situated on the periphery, playing a minor role in the negotiating process.

Although Panitch argues that there has been little or no consensus as to what corporatism actually refers to,⁸⁶ his definition is based on four integral components. First, corporatism is an actual political form, not an ideology. Second, the political form it takes involves a linkage between the state and functional interest groups which are permitted to interact with the state in the policy-making function. Third, corporatism is associated with advanced capitalism, particularly in terms of the monopolization of business interests and labour interests; the objectives of this arrangement are primarily economic ones. And finally, the relationship between interest groups and the state may not necessarily fit the corporatist mould, and the degree of power exercised by these groups is not necessarily uniform.⁸⁷

Although it has been argued that corporatism flourishes

⁸⁵Michael M. Atkinson and William D. Coleman, "Corporatism and Industrial Policy," in Organized Interests and the State: Studies in Meso-Corporatism, ed., Alan Cawson (London: Sage Publications, 1985), 26.

⁸⁶Wyn Grant, The Political Economy of Corporatism (New York: St. Martin's Press, 1985), 2.

⁸⁷Panitch, "Corporatism in Canada?," 54.

in countries that have socialist characteristics,⁸⁸ Panitch claims that corporatism is less likely to occur in countries where a large proportion of the population is committed to Marxism or communism.⁸⁹ There is an underlying ideological element present in countries in which corporatism emerges. However, another important factor contributing to the success of corporatism in a particular country is the presence of a strong labour union movement.

Panitch states that unlike the traditional notion of corporatism which strives for organic unity of economic groups and social classes, the new corporatism shows no signs of underlying social harmony. This is an essential element if, for example, trade union leaders are to escape opposition from their members for their voluntary cooperation in policies that directly affect them. Neocorporatism, then, is characterized by significant levels of instability.⁹⁰

The Marxist notion of the development of corporatism in a "bourgeois-democratic" state implies the hegemonic domination of class specific interests by Parliament, which is predicated on the mediation between the ruling and the ruled

⁸⁸James McAllister, "Do Parties Make a Difference?," in Canadian Parties in Transition: Discourse, Organization, and Representation, eds. Alain G. Gagnon and A. Brian Tanguay (Scarborough: Nelson, 1989), 489.

⁸⁹Pryor, "Corporatism as an Economic System," 331.

⁹⁰Leo Panitch, Social Democracy and Industrial Militancy: The Labour Party, the Trade Unions and Incomes Policy, 1945-1947 (Cambridge: Cambridge University Press, 1976), 246.

classes. This might imply a shift from Parliamentary representation to corporatist forms of representation with mediation based primarily on class interests. However, corporatist arrangements are unable to completely resolve class conflict. Consequently, the traditional political outlets, in addition to corporatist modes of representation and mediation, remain integral components of representation and of "hegemonic control."⁹¹ Corporatist political structures are partial political structures; "they cannot displace parliamentary representation, bureaucratic administration and interest group lobbying, but exists alongside them, and [are] in many ways interwoven with them."⁹² Panitch argues that within the corporatist framework, labour integration is more important than business integration because labour associations play a more critical role for class representation and social control than business associations. This can be explained in terms of the internal structures of the respective associations. Most power in trade-unions is derived from the effectiveness of its collective organization, while, on the other hand, the control over the means of production is the constitutive element in determining the power of capital.⁹³

⁹¹Panitch, "Trade Unions and the Capitalist State," 26.

⁹²Leo Panitch, "Recent Theorizations of Corporatism: Reflections on a Growth Industry," British Journal of Sociology 31:2 (June 1980), 173.

⁹³Panitch "Trade Unions and the Capitalist State," 26-27.

According to Panitch, corporatism in advanced Western democracies originated as an instrument to suppress both the political and economic strength of the working class. Panitch traces its origins to the period immediately following the Second World War which was characterized by high rates of employment. But, it was the attenuation of the "reserve army of labour" as a direct result of full employment that served to strengthen the working class. During this period, however, the state and business interests collaborated in a joint effort to facilitate the restructuring of capital in order to promote accumulation which would foster economic growth. Yet, demand in the labour market exceeded the supply of labour, and this obstructed the possibility of exploiting the working class.⁹⁴ Because the demand for labour exceeded its supply, the political and economic strength of the working class was bolstered, and as a result, labour was formally integrated into the corporatist framework in exchange for its cooperation in the policy process and the administration of wage restraint over their membership.⁹⁵ And although labour was formally integrated in the corporatist arrangement, its role was relatively inconsequential in comparison to that of management.

Corporatism, in Panitch's analysis, is primarily a system of state induced collaboration. It can be viewed as a

⁹⁴Ibid., 30.

⁹⁵Panitch, "Recent Theorizations on Corporatism," 174.

political structure which attempts to integrate labour interests in the machinery of the capitalist state. Obviously, this notion contrasts with the ideas of interest intermediation put forth by both Schmitter and Cawson. Schmitter, for example, views corporatism's gradual displacement of pluralism as the imperative necessary for a stable bourgeois-dominant regime, and the expansion of the scope of policy by integrating all groups, including subordinate classes, with the outcome being reflected in economic growth.⁹⁶ Rather than adopting Schmitter's group theoretical approach to interest intermediation, Panitch emphasizes a class-theoretical approach. Panitch argues that Schmitter's approach is essentially identical with the pluralist paradigm. Moreover, Panitch argues that Schmitter does not really adopt a group-theoretical method since his corporatist model is predicated on the integration of business and labour interests in the corporatist arrangement, which brings about conflicting class interests.⁹⁷ Although Schmitter's model is based primarily on the integration of business and labour with the state in a cooperative arrangement, he does not exclude the possibility that different interest organizations would be permitted to enter into the process and, consequently, it is perhaps more

⁹⁶Ibid., 169, 177. See also, Schmitter, "Still the Century of Corporatism?," 107-8.

⁹⁷Ibid., 169-70.

conducive to the group-theoretical approach, rather than Panitch's class-based interpretation of Schmitter's theory.

The notion that interest organizations located on the periphery are effectively excluded from the negotiating process is, according to Panitch, somewhat of a misnomer. He argues that corporatist structures can also develop within particular industrial sectors, and can be broadened to include such sectors as agriculture, health and education. Panitch maintains that not all group-state relations are corporatist and that classifying total societies as corporatist is problematic precisely for this reason.⁹⁸

The theories put forth by Schmitter, Cawson, Offe, and Panitch show that corporatism is indeed subject to diverse conceptions. For example, Schmitter and Panitch both argue that corporatism is a political form, not an ideology, however, Panitch's notion of corporatism stems from the Marxist concept of class struggle, while Schmitter's does not. In addition, both Schmitter and Cawson appear to favour a corporatist system of government, while the Neo-Marxian perspectives of Offe and Panitch view it as an instrument to suppress the interests of labour. While these various theories have attempted to approximate actual cases where corporatism exists, some of them have been criticized on the grounds that the ideal-types developed within them do not

⁹⁸Ibid., 178.

approximate actual cases.

CHAPTER III

CASE STUDIES OF CORPORATISM: SWEDEN AND GERMANY

Within the framework of corporatist theory, there exists a number of contrasting, and often diametrically opposed views put forth by different scholars. As such, the concept is subject to diverse conceptual approaches; yet, the validity of these hypotheses depends, to a great extent, on their empirical application to actual cases themselves. Of the countries generally considered to be "corporatist," the Swedish case most closely approximates the ideal type espoused by modern corporatist theorists. Germany, on the other hand, exhibits numerous corporatist tendencies, but does not quite fit the societal paradigm developed by Schmitter and others because of its decentralized structure. German labour unions have never occupied as central a place in corporatist negotiations as their counterparts in Sweden, and attempts at corporatist policy-making have been less stable in Germany than in Sweden, as the demise of concerted action (*Konzertierte Aktion*) in 1977 illustrates.

CORPORATISM IN SWEDEN

In 1971, Roland Huntford, in his book, The New Totalitarians, stated that Sweden was regarded as a corporate state just as Fascist Italy was.¹ In practice, however, there

¹Elder, "Corporatism in Sweden," 153.

is no comparison between the two; the Swedish case is a prime example of a neocorporatist arrangement, characterized by a "multi-level analytical framework based on an ideal type,"² and is therefore, incongruous with the type of corporate structure found in Italy during the period of Fascist hegemony. The most striking feature of the Swedish model is that it is characterized by cooperation between all participants in the policy process. The Italian Corporate State, in contrast, was implemented primarily for the purpose of abolishing political parties, although it provided the citizens of Italy with a form of representative government. Theoretically, the emphasis was directed at the unity between workers and management, although in practice Italian corporatism made no pretensions of achieving any sort of unity between the two groups. Instead, it sought to advance the capitalist ideology through the repression of labour and the promotion of the business class.³

Another contrasting feature of the Swedish model is that it is geared towards a socialist ideal rather than a capitalist one. The activities of labour play a more prominent role in the formulation of policy, thereby reflecting the importance of cooperation and consensus. In

²Henry Milner, Sweden: Social Democracy in Practice (Oxford: Oxford University Press, 1990), 23.

³Michael Roskin, Other Governments of Europe: Sweden, Spain, Italy, Yugoslavia, and East Germany (Englewood Cliffs: Prentice-Hall, 1977), 29.

fact, during the 1970s, Sweden was described as "the real model of corporate society"; it was a society that had been pervaded by collectivist norms. The general rule of Swedish corporatism is that the individual must "belong to an organization in order to have a framework of reference."⁴

The first coherent signs of corporatism in Sweden can be traced back to the 1938 Saltsjobaden Agreement between the Swedish Confederation of Trade Unions (LO) and the Swedish Employers Confederation (SAF),⁵ although corporatist institutions had already been established at the local level as early as 1902.⁶ This agreement has often been cited as the symbol of compromise between capital and labour in as much as it permitted unions to engage in a cooperative partnership with management in an effort to rationalize and maximize production. Under this agreement, the responsibility for the decisions involving production rested with management, as industry was predominantly privately owned and controlled. The state assumed the role of countering unemployment and promoting structural change in order to increase economic efficiency.⁷ In addition to providing a mechanism for labour

⁴Elder, "Corporatism in Sweden," 153.

⁵Bo Rothstein, Explaining Swedish Corporatism: The Formative Movement, Scandinavian Political Studies 15:3 (1992), 176.

⁶Bo Rothstein, "State Structure and Variations in Corporatism: The Swedish Case," Scandinavian Political Studies 14:2 (1991), 157.

⁷Elder, "Corporatism in Sweden," 155.

and capital to negotiate, the Saltsjöbaden Agreement also significantly reduced incidents of industrial strife that had plagued the Swedish industrial sector since the turn of the century.

There are several factors which may foster the development of corporatism in a particular country. Two of these factors are of particular importance here. The first factor is that there appears to be a very strong correlation between polities with a dominant socialist party and countries that rank high on the corporatist scale.⁸ A second factor contributing to the development of corporatism is a cohesive labour union structure with high levels of union membership in all sectors of the economy located outside of the agricultural sector. Both of these elements had been present in Swedish society for a long period of time, which has pushed Sweden to the forefront of corporatist systems.

The Swedish Social Democrats have, to a great extent, been identified with the power of the Swedish state, acting as the governing party from 1932-1976 and from 1982 to the present. This government experienced a longer and more stable tenure than any other reformist labour party in the West. In addition, union membership in Sweden is significantly greater than any of its societal counterparts including Austria⁹

⁸Bo Rothstein, "State and Capital in Sweden: The Importance of Corporatist Arrangements," Scandinavian Political Studies 11:3 (1988), 239.

⁹Zeigler, Pluralism, Corporatism, and Confucianism, 103.

(which is yet another case of the societal paradigm). High union membership and a cohesive organization guarantees that labour interests wield considerable power over the outcome of policy than is generally the case in most other advanced industrialized countries.¹⁰ For example, in the period between 1961-1976 in Sweden, an average of 76 percent of workers employed outside of the agricultural sector belonged to unions, and by 1980, that figure had increased to 87.7 percent.¹¹ Union membership in Sweden is not divided along ideological, ethnic or religious lines, for the country is generally characterized by ethnic and religious homogeneity.¹² Instead, unions are divided along occupational lines, and in most cases they are affiliated with umbrella organizations. For example, approximately 90 percent of blue-collar workers belong to the 22 unions affiliated with the LO, which is the peak organization for the labour sector.¹³ This highly centralized structure ensures that the interests of labour are well represented and are influential in the policy-process. The "grass roots" levels within the labour movement, which were initially excluded from corporatist negotiations, have

¹⁰Jonus Pontusson, "Labour, Corporatism, and Industrial Policy: The Swedish Case in Comparative Perspective," Comparative Politics 23:2 (January 1991), 166.

¹¹Elder, "Corporatism in Sweden," 154.

¹²Rothstein, "Explaining Swedish Corporatism: The Formative Movement," 173.

¹³Elder, "Corporatism in Sweden," 154.

presented difficulties following their subsequent integration. Inclusion in the corporatist arrangement was clearly an attempt to placate the grass roots, but this settlement has resulted in little more than "pedantic behaviour and squabbling" at this level."¹⁴ Therefore, central control and cohesiveness do not always exist throughout all sectors of the peak associations.

The tripartite arrangement in Sweden is made complete by a moderately cohesive and fairly well organized business community, which has been dominated by Swedish multi-national corporations. Like labour unions which are affiliated with peak associations, business or white-collar organizations are similarly affiliated with such associations. One of the shortcomings of peak associations is that they are heterogeneous in terms of the contrasting objectives of various members, and this in turn, may foster discontent among members. Under these circumstances, discontent eventually leads to inefficacy, thereby undermining organizational cohesiveness in the long run.¹⁵ This scenario, however, has been the exception rather than the rule; most member unions recognize the importance of belonging to peak associations because they are primarily concerned with obtaining representation from their umbrella organization in order to

¹⁴Williamson, Varieties of Corporatism, 198.

¹⁵Michele Micheletti, "Toward Interest Articulation: A Major Consequence of Corporatism for Interest Organizations," Scandinavian Political Studies 13:3 (1990), 266.

promote their interests more effectively.

Within the corporatist framework, the popular notion that business has been granted privileged access to the state can be verified in the Swedish case. The primary factor contributing to the privileged position of business is its control over the investment process which is essential to the government in its ability to formulate economic forecasts.¹⁶ Thus, it has been argued that business interests in Sweden as elsewhere have been granted privileged access to the state; but in Sweden business domination is far less conspicuous than in many other Western democracies. In fact, business interests in Sweden have become increasingly dissatisfied with their status within the corporatist arrangement, and business' decreasing levels of capital investment in recent years is one such indicator.¹⁷

Although the organizational structure and membership of Swedish business associations is moderately centralized and cohesive, it is less cohesive than the Swedish Trade Union Confederation; its membership consists of roughly 40,000 members, and these members employ only one-third of all workers in the Swedish labour force.¹⁸

Under the auspices of the Socialist Party during the late

¹⁶Shaun Bowler, "Corporatism and the Privileged Position of Business," West European Politics 10:2 (April 1987), 157.

¹⁷Ibid., 166-67.

¹⁸Zeigler, Pluralism, Corporatism, and Confucianism, 103.

1960s, the balance of power between capital and labour shifted in favour of the latter and, consequently, the LO set up a Committee of Inquiry into industrial democracy. This inquiry did not successfully moderate conflict over the various proposals debated in collective bargaining which prompted unions to seek passage of these proposals in the legislature. The difficulty, however, was that Sweden had a hung parliament from 1973-1976 with representation of both the socialist and bourgeois parties equally divided at 175 seats each.¹⁹ In order to carry out some of their proposals, the Socialist government required the support of the Liberals, which forced the white-collar organization (TCO) to align itself with its traditional rivals LO on the influence of grassroots democracy on the leadership level. The radical left interpreted this shift as an emergence toward a wage earner front with the capacity to engage in a class struggle against the employers, which in the process would resurrect the socialist dynamic for the first time since the Saltsjobaden Agreement. The outcome of this two-pronged movement marked the demise of the old bilateral corporatist balance between the state and business interests; it made management subject to the processes of collective bargaining, and introduced a scheme referred to as wage-earner funds. Hence, the move to make management subject to the processes of collective bargaining and the introduction of wage earner funds could best be described as

¹⁹Elder, "Corporatism in Sweden," 156.

"manifestations of functional socialism."²⁰ These reforms crystallized, in large part, as a result of the lengthy tenure of the Social Democrats, and can be attributed in part to the increased role which labour plays within the Swedish corporatist framework.

In Sweden, as in many other corporatist countries, the state is viewed as the leading partner in corporatist arrangements, and the Social Democrats have become identified with the power of the Swedish state since their initial electoral victory in 1932. But, contrary to the socialist doctrine, the government permitted the development of private industry during their early years in power, and it rarely intervened in matters concerning labour; however, the government would later shift its emphasis more in line with the socialist doctrine. The primary factor accounting for the shift towards state intervention was the sluggish economic performance in Sweden during the early 1970s. In fact, the negative GNP growth between 1974 and 1978 signalled that the Swedish economy had truly fallen on hard times, so the corporatism equals growth hypothesis was adopted in order to counteract economic difficulties.²¹

Although Sweden's economic performance declined after the oil crisis of 1973, the principle of full employment was maintained. This is due in large part to an active labour

²⁰Ibid., 157.

²¹Zeigler, Pluralism, Corporatism, and Confucianism, 83.

market policy undertaken by the socialist government.²² The objective of this program was to preserve jobs in the industrial sector in areas such as steel and shipbuilding, while retraining workers to enter into new sectors of the economy.²³ High rates of employment during economic stagnation have also been documented in other corporatist countries such as Norway and Switzerland. Thus, the theory that corporatist accommodation is correlated to high rates of employment can be verified in several European countries. However, when measures such as price stability, and other economic indicators enter into the equation, it is difficult to measure the contribution employment alone makes to economic performance.²⁴ Based on the data gathered by certain corporatist theorists, it is clear that when measuring macroeconomic performance in terms of growth, employment, and inflation,²⁵ corporatist societies have achieved superior

²²Alice Brown and Desmond S. King, "Economic Change and Labour Market Policy: Corporatist and Dualist Tendencies in Britain and Sweden," West European Politics 11:3 (Fall 1989), 78.

²³Andrew Glyn and Bob Rowthorn, "West European Unemployment: Corporatism and Structural Change," The American Economic Review 78:2 (May 1988), 198.

²⁴Milner, Sweden: Social Democracy in Practice, 25.

²⁵Arend Lijphart and Markus M. L. Crepaz, "Corporatism and Consensus Democracy in Eighteen Countries: Conceptual and Empirical Linkages," British Journal of Political Science 21:2 ((April 1991), 236., in Markus M. L. Crepaz, "Corporatism in Decline? An Empirical Analysis of the Impact of Corporatism on Macroeconomic Performances and Industrial Democracies," Comparative Political Studies 25:2 (July 1992): 139-68.

results to those found in pluralist ones. However, the argument can be made that corporatism only flourishes during periods of satisfactory economic performance; and in periods of economic decline, the tripartite setting may be dismantled. Since corporatism has been described as a "fair weather" theory, these findings may not accurately reflect the real effects derived from tripartite arrangements.

Sweden's transformation to a more cooperative corporatist setting was a relatively easy one since most the necessary mechanisms had already been put in place. The ability to integrate all of the major interests into the process of policy formation and implementation is perhaps the most important factor, and in this respect, Sweden can be regarded as the proto-typical neocorporatist state. Although this feature is found in most countries adopting the societal approach, and in particular the Austrian case which is often referred to as a consociational democracy²⁶ characterized by elite cooperation,²⁷ the Swedish case manifests exceptional features as well. For example, representatives of the largest interest organizations often serve on the Commissions of Inquiry which are responsible for the advancement of various reforms; these proposals are then sent to the relevant

²⁶Brend Marin, "Austria-The Paradigm Case of Liberal Corporatism?," in The Political Economy of Corporatism, ed. Wyn Grant (New York: St. Martin's Press, 1985), 90.

²⁷Arend Lijphart, Democracy in Plural Societies: A Comparative Exploration (New Haven: Yale University Press, 1977), 1.

organizations for additional input. In addition, and with increasing frequency since the 1960s, interest groups in many cases have been represented by "lay" members on administration boards. Forums for participation in policy options and reforms have also increased in number during this period.²⁸

In terms of policy formation, the post-war Swedish governments have largely avoided direct intervention in wage bargaining, which was separate from corporatist bargaining over state policy. Under this arrangement, unions agreed to maintain wage levels regardless of the size or profitability of a firm which would drive inefficient firms into bankruptcy, while businesses would guarantee employment through retraining displaced workers.²⁹ This bipartite agreement is known as the *Rehn* policy which began in 1960.

For most corporatist polities, the primary feature is the centralization of wage bargaining; however, in addition to wage bargaining the Swedish variant of corporatism emphasizes wage equalization.³⁰ The bipartite negotiating process between the LO and the SAF, which began during the 1960s, eroded

²⁸Elder, "Corporatism in Sweden," 166.

²⁹Lane Kenworthy, "Are Industrial Policy and Corporatism Compatible?" Journal of Public Policy 10:3 (July-September 1990), 247.

³⁰Ramana Ramaswamy, "Wage Bargaining Institutions, Adaptability, and Structural Change: The Swedish Experience," Journal of Economic Issues 26:4 (December 1992), 1042.

governmental authority over economic policy to some extent.³¹ Unions recognized that wage restraint was necessary for the Social Democrats to remain in power, and as a trade-off with the government, unions made demands for an increased role in the policy-making function.³² In this respect, it has been argued that the LO has been one of the most important instruments of Swedish economic policy through restricting wages in export oriented sectors of the economy, while increasing wages in sectors that could withstand such effects.³³ Through these negotiations, union leaders have attempted to procure both legitimacy and resources from the state in exchange for labour's quiescence over policy issues.³⁴ By committing themselves to a policy of wage restraint, unions receive protection from unemployment as a trade-off.³⁵ These wage restraints, however, were not formally part of the government's economic agenda; instead, they were predicated on the notion of an "egalitarian solidaristic wage policy of LO

³¹Kenworthy, "Are Industrial Policy and Corporatism Compatible?," 247.

³²Pontusson, "Labour, Corporatism, and Industrial Policy," 168.

³³Scott Lash, "The End of Neo-Corporatism: The Breakdown of Centralized Bargaining in Sweden," British Journal of Industrial Relations 23:2 (July 1985), 232.

³⁴Bo Rothstein, "Corporatism and Reformism: The Social Democratic Institutionalization of Class Conflict," Acta Sociologica 30:3-4 (1987), 303.

³⁵Francis G. Castles, "Neocorporatism and the Happiness Index, or What the Trade Unions Get for Their Cooperation," European Journal of Political Research 15:4 (Fall 1987), 386.

and of a highly developed and active labour market policy with intense organizational participation of unions and business," which has become the focal point for economic growth.³⁶

Typically, wage restraint policies are high on the government's agenda in a corporatist setting, but unions rather than the government must make efforts to ensure that these objectives are met. This type of structure is based on a reciprocal relationship between business and labour. The latter is concerned with issues such as wages, working conditions, social security, and participatory democracy, and is forced to take into account inflation, productivity, and investment; business interests, on the other hand, are concerned with profit, productivity, and investment, and as a result, are forced to consider issues related to social policy.³⁷

The Swedish case, then, presents a clear case of tripartism, primarily because labour interests have been integrated into an extensive negotiating process (with both the state and business interests) through consultations rather than through the utilization of pressure tactics.³⁸ Labour's integration into the corporatist arrangement has been

³⁶Lehmbruch, "Neo-Corporatism in Comparative Perspective," 18.

³⁷Henry Milner, "Corporatism and the Microeconomic Foundations of Swedish Social Democracy: The Swedish Model Revisited," Scandinavian Political Studies 10:3 (1987), 244.

³⁸Cawson, Corporatism and Political Theory, 37.

successful in so far as the policy-making function is concerned, and this runs counter to the role that labour plays in many other corporatist countries. In most cases, labour organizations occupy a peripheral position within the policy framework because there is a fundamental class bias in corporatist arrangements which has more far reaching consequences on labour than capital.³⁹ This class bias arises because many of the conditions subject to corporatist bargaining are conditioned by the power of investment which is controlled by the business sector;⁴⁰ however, organized labour in Sweden is not penalized by these class biases to the extent that labour organizations are in most other countries.

The Swedish political process has often been characterized as cooperative and consensual, based on dialogue and mutual respect rather than conflict and mistrust, and this has contributed to Sweden's modernization. This arrangement is parallel to the societal paradigm, but during the 1980s, negotiations and cooperation between the participants had become less amicable, thereby prompting many analysts to detect a shift from societal corporatism to managerial corporatism.⁴¹ In contrast to the societal approach which is

³⁹Ericksen, "Towards the Post-Corporate State?," 347.

⁴⁰Offe, Disorganized Capitalism, 28.

⁴¹Goran Brulin and Tommy Nilsson, "From Societal to Managerial Corporatism: New Forms of Work Organization as a Transformation Vehicle," Economic and Industrial Democracy 12:3 (August 1991), 332.

tripartite in nature, managerial corporatism implies that regulation between labour and capital, employers and employees takes place at the firm level rather than the societal level.⁴² Some political analysts have found this relationship problematic on the grounds that an inherent contradiction between individual and collective interests would develop as a consequence of the trend toward modernization. It has been argued that as a consequence of this contradiction, Swedish society would undergo a process of transformation into a post-modern one.⁴³

A post-modern society rejects the traditional "economic, technological and historical determinism of the old political ideologies of liberalism, conservatism and socialism."⁴⁴ Not only does it imply societal decentralization since power is removed from the hands of a few and restored to many, but it also implies organizational decentralization. It is argued that the LO is the only organization that has maintained strong political ties with the state; other associations maintain less frequent links and represent more sectional interests.⁴⁵ Therefore, a post-modern society in this sense requires a reconstruction of the corporate apparatus to

⁴²Ibid., 330.

⁴³Michele Micheletti, "Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements," West European Politics 14:3 (July 1991), 144-45.

⁴⁴Ibid., 145.

⁴⁵Ibid., 145,47.

reflect these new concerns.

The post-modernization of Swedish society means an ongoing fragmentation of society, politics, and the economy. For example, the fragmentation of the Swedish state can be illustrated through the devolution of political and administrative responsibility involving welfare policy to local governments, and, in addition, state agencies have been increasingly vulnerable to the trend towards decentralization.⁴⁶ Corporatization implies centralization of the state and interest organizations, homogeneity, compromise and consensus, but in recent years with higher rates of unemployment and economic stagnation⁴⁷ it appears that the cooperative nature of Swedish politics may be a thing of the past. Perhaps the most often cited instance of this trend is the decentralization of the collective bargaining apparatus. As recently as the early 1980s, collective bargaining was an integral component of Sweden's corporatist structure; however, the SAF (Swedish Employers Confederation) proposed a move towards decentralization which would effectively remove the responsibility of umbrella organizations in the negotiation process. Henceforth, member associations would be required to bargain without the assistance of the peak organization to

⁴⁶Ibid., 149.

⁴⁷Anne Applebaum, "Decline and Fall of the Swedish Model," The Spectator (13 February 1993), 9.

which they belong.⁴⁸ This trend has often been referred to as the "Japanization" of the labour market; the solidarity among union members would likely disintegrate under a decentralized collective bargaining scheme.⁴⁹ Consequently, labour organizations will find it increasingly difficult to have an impact on public policy through consultations with other key players.

It is questionable whether Sweden is undergoing a process of decorporatization in spite of these significant changes. Although there are systematic constraints on the corporatist exercise of power which labour can employ in some areas, this should not necessarily translate into fragmentation of labour interests, or the desire to break away from the corporatist mode of decision-making. Although the argument can be made that Sweden is gradually becoming decorporatized because of increasing decentralization, several indicators such as government intervention, and business and labour participation in the political realm, coupled with exorbitant rates of taxation and low levels of unemployment show that Sweden has continued to manifest numerous corporatist characteristics in recent years.

⁴⁸Micheletti, "Swedish Corporatism at a Crossroads," 155.

⁴⁹Ibid., 156.

CORPORATISM IN GERMANY

The corporate arrangement in Germany is based in part on historical antecedents, though, the post-war structural and political changes were the primary forces in the development of contemporary German corporatism. A number of scholars have traced the origins of German corporatism to the Bismarckian era during which time the Great Depression (1873-1896) hit Germany very severely.⁵⁰ During this period, the liberal trend, which had been adopted in Germany by the 1850s and 1860s, came to an end, and a more rigid and repressive political system had returned to Germany. The liberal suspicion of the state did not achieve popularity among the German population. The veneration of the state was a more traditional view held by most of its citizens, which hindered the development of liberalism. As a result of the shift back to a more authoritarian state, most sectors of industry were quasi-nationalized, and the state emerged as a protector of the social realm, primarily in the area of labour.⁵¹

In the aftermath of the First World War, corporatism again resurfaced in Germany, albeit under a different set of circumstances. In fact, it has been argued that the First World War was one of the most important events contributing to a system of interest representation in Germany. An example of

⁵⁰Abelheid von Saldern, "The Old *Mittelstand* 1890-1939: How Backward were the Artisans?," Central European History 25:1 (1992), 28.

⁵¹Newman, The Challenge of Corporatism, 19-20.

a tripartite structure can be found in the case in which the state, the military, and industry entered into negotiations in an attempt to manage the German wartime economy.⁵² This trend flourished in the period following the First World War, and by the 1920s Germany entered into what could be characterized as the "heyday" of societal corporatism; but by 1933, the Nazis seized power and Germany reverted back to an authoritarian version of corporatism.⁵³

One of the contrasting differences between the German and Italian models of authoritative or state corporatism was that the former did not engage in price or wage controls; hence, German corporatism during the Nazi era, was less influential in the economic sphere than Italian corporatism.⁵⁴ However, there were several comparisons that could be made between the Fascist and Nazi models, the primary one being that both countries erected a corporate state in name only. Neither version was put into practice in the manner in which it was originally envisaged. Instead, both versions were essentially used as decorative facades implemented by the state in order to achieve their objectives through totalitarian means.

Following the collapse of Nazi state corporatism at the

⁵²V. R. Berghahn, "Corporatism in Germany in Historical Perspective, in The Corporate State: Corporatism and State Tradition in Western Europe, eds. Andrew Cox and Noel O'Sullivan (Aldershot: Edward Elger, 1988), 106.

⁵³Ibid., 108-9.

⁵⁴Diana Spearman, Modern Dictatorship (London: Jonathan Cape, 1939), 237.

culmination of the Second World War, Germany again moved towards a societal version of corporatism. But, the formative moment in Germany's transformation to the societal paradigm occurred during of the recession of 1966-67. This series of corporatist reforms was undertaken in an attempt to address the problems associated with Germany's fiscal crisis, rising unemployment, and economic decline.⁵⁵ Prior to the implementation of corporatist policies in Germany, most of the necessary elements had already been put into place in the post-war years. Among these various structural changes were the reconstruction of various autonomous interest groups such as the development of a trade union movement, as well as the "institutionalization of effective decision-making and administrative structures."⁵⁶ As in Sweden, labour unions were centralized, but with an effective and highly professional grass roots movement. Unions provided services to their members and were involved in all facets of planning, which had contributed greatly to its effectiveness in the tripartite negotiating process.⁵⁷ But, in contrast to Sweden, whose union membership has fluctuated between 75 to 90 percent over the

⁵⁵Wolfgang Streeck, "Organizational Consequences of Neo-Corporatist Co-Operation in West German Labour Unions," in Patterns of Corporatist Policy-Making, eds. Gerhard Lehbruch and Phillippe C. Schmitter (London: Sage Publications, 1982), 36.

⁵⁶Hancock, West Germany: The Politics of Democratic Corporatism, 131.

⁵⁷Andrew Shonfield, In Defence of the Mixed Economy (Oxford: Oxford University Press, 1984), 143.

past 30 years, membership in West German unions had fluctuated between only 30 to 35 percent during the same time span.⁵⁸ Therefore, while West German unions had been viewed as centralized institutions, they were far less centralized than their counterparts in countries such as Sweden and Austria.

West Germany's establishment as a sovereign state in 1949 coincided with its development of a corporatist triad involving labour, business and the state. The crux of the West German corporate framework was predicated on a cooperative relationship between labour and management which was reinforced through legislation passed in 1951 and later in 1976. This alliance has served to integrate the labour movement and its union representatives into the socioeconomic and political order, contributing not only to worker loyalty, and thereby ameliorating the antagonistic relationship between the two parties, but also providing incentives for labour leaders to adopt a positive stance towards establishing cooperative relations with other policy actors (government and management) in the pursuit of common objectives.⁵⁹ In order to achieve policy goals in the relevant sectors, the corporatist arrangement not only involved tripartite

⁵⁸Wolfgang Streeck, "Organizational Consequences of Neo-Corporatist Co-operation in West German Labour Unions," in Patterns of Corporatist Policy-Making, eds. Gerhard Lehbruch and Phillippe C. Schmitter (London: Sage Publications, 1982), 38-39.

⁵⁹Hancock, West Germany: The Politics of Democratic Corporatism, 134.

bargaining, but it also permitted bipartite bargaining between labour and business to address areas such as labour market decisions affecting wages and hours. Bipartite bargaining was also evident in the relations between the state and either employer groups or labour interests concerning the formation and implementation of economic, social, and labour policies. These bilateral negotiations existed for many years before moves were made towards trilateral bargaining during the reign of the Grand Coalition government (1966-69).⁶⁰ The Social Democrats who were elected in 1969, carried on with the idea of a social partnership and under these terms economic policy was shaped through cooperation.⁶¹ Yet, the presence of tripartite structures in West Germany did not necessarily signify its conformity with the ideal types developed by the corporatist theorists examined in the previous chapter.

In most Western democracies where societal corporatism operates, there exists two subtypes which can be labelled liberal and social. With its strong and highly centralized business community, its relatively weak and decentralized labour movement, and a weak state, Switzerland is an example of liberal corporatism. Austria, on the other hand, boasts a significantly stronger state as well as a strong and cohesive business community and labour movement. Thus, the Austrian

⁶⁰Ibid., 135.

⁶¹Kenworthy, "Are Industrial Policy and Corporatism Compatible?," 251.

case would be defined as a social subtype of societal corporatism.⁶²

Tripartite decision-making was much more difficult in West Germany than in Sweden; each participant was endowed with unequal sources of power and bargaining skills which can exacerbate conflict over policy issues. The Grand Coalition finally intervened in these battles in order to integrate the groups possessing specialized information to achieve effective economic policy. This has prompted many theorists to classify the West German case as a third variant, a statist version of democratic corporatism, which is an offshoot of both subtypes previously discussed.⁶³

Although West Germany was classified as a variant of corporatism, a case can be made that it was a "hesitant practitioner" of corporatist policy-making in comparison to most other European countries. The primary factor accounting for West Germany's reluctance to implement a more effective corporatist structure could be viewed as the government's unwillingness to assume the role of the leading partner within the tripartite arrangement.⁶⁴ The government's inaction, for example, had important consequences for labour's concerns over wage restraint as business associations were permitted to

⁶²Peter J. Katzenstein, Policy and Politics in West Germany (Philadelphia: Temple University Press, 1987), 368.

⁶³Ibid., 369.

⁶⁴Shonfield, In Defence of the Mixed Economy, 136-37.

determine wage levels which in many cases led to labour-management conflict. In West Germany, however, this had not been the case in practice. But at the same time, the system of collective bargaining effectively prohibits workers from unofficially striking.⁶⁵ Because of this asymmetrical arrangement, the government did not feel compelled to act on behalf of labour since it was viewed as the junior partner.

In contrast to the conventional view, incomes policies in West Germany, as well as Sweden, had been fairly stable with few incidents of conflict between union leaders and shop floor workers. Their participation within the corporatist framework helped to keep tensions between the two from exacerbating. Corporatism provided unions with options and opportunities, but not without trade-offs. It was often the case that unions were required to cooperate with management in the regulation of wages in order to partake in corporatist negotiations. But labour unions in West Germany had gone beyond this traditional role. In addition to exercising responsible wage restraint, labour unions contributed to the election of the Social Democrats in 1969 and 1972 through mass support. Unions, in return, secured considerable benefits from the government (such as increased representation on various boards and committees).⁶⁶ In West Germany, there were two preconditions

⁶⁵Offe, Contradictions of the Welfare State, 291.

⁶⁶Streeck, "Neo-Corporatist Co-operation in West German Labour Unions," 37.

for labour's role in corporatist mediation: a centralized union structure, and a tradition of state intervention with unions connected to industrial relations. The latter condition refers to the idea that industrial unions negotiated on behalf of a large proportion of the labour force and were generally responsive to macroeconomic policy. Therefore, industrial unions were more likely to negotiate with the government than sectionally based unions.⁶⁷

In 1967, the West German government implemented an experimental program which would prove to be the most influential element in contemporary German corporatism. The program was referred to as concerted action (*Konzertierte Aktion*). This plan was designed to "facilitate the attainment of economic stability" through trilateral discussions between and among the government, business and labour (along with delegates from other social groups, as well as experts in the economy) in the area of macroeconomic policy. Participants convened periodically each year to discuss issues such as economic performance, wage restraints, and structural policies.⁶⁸ Initially, concerted action proved to be successful; the recession which plagued West Germany in 1966-67 gave way to high levels of economic growth. But, while wage rates increased sharply during the late 1960s, profits

⁶⁷Ibid., 34.

⁶⁸Hancock, West Germany: The Politics of Democratic Corporatism, 136.

increased at disproportionately higher levels, precipitating numerous spontaneous strikes.⁶⁹ Despite increasing tensions between the participants (labour and management), concerted action was instrumental in determining wage and price levels, but had little effect in other areas of the economy. In fact, concerted action was used mainly as an instrument of crisis management instead of a permanent mechanism for economic guidance. There were many reasons for the ineffectiveness of concerted action, but the primary factors accounting for its failure can be traced to the government's unwillingness to give a clear lead, and confusion resulting from too many participants.⁷⁰ By 1977, labour representatives protested efforts by business leaders to have West Germany's codetermination law (which provided equal representation of labour and shareholders on company supervisory boards) declared unconstitutional,⁷¹ which if successful, would spell an end to concerted action.⁷² Employer associations challenged the legality of the codetermination bill, but the constitutionality of the bill was upheld by West Germany's

⁶⁹Berghahn, "Corporatism in Germany in Historical Perspective," 119.

⁷⁰Shonfield, In Defence of the Mixed Economy, 136-37.

⁷¹Hancock, West Germany: The Politics of Democratic Corporatism, 77.

⁷²Kenworthy, "Are Industrial Policy and Corporatism Compatible?," 252.

Federal Constitutional court in 1979.⁷³ The collapse of concerted action, however, did not signal an end to corporatism altogether. The corporate apparatus continued to function in West Germany, but under a different set of circumstances.

By the late 1970s, and into the 1980s, trilateral negotiations had been replaced by intensive bilateral consultations, with the federal government continuing to play a coordinating role. Under bilateralism, key participants would be informed of government economic policy; the government would also encourage various groups (particularly labour), to cooperate in the implementation of economic policy through mutual price and wage restraint.⁷⁴ Even in corporatist countries such as Austria, traditional tripartite bargaining processes were gradually being replaced by a system where corporatist spheres of influence were being reduced to more specialized areas.⁷⁵ Through a series of bipartite negotiations, the government sought to maintain the essence of concerted action through less formal means. It was the government's intent to utilize bipartite negotiations for the purpose of minimizing conflict and producing more concrete

⁷³Hancock, West Germany: The Politics of Democratic Corporatism, 78.

⁷⁴Hancock, West Germany: The Politics of Democratic Corporatism, 138.

⁷⁵Peter Gerlich, "A Farewell to Corporatism," West European Politics 15:1 (January 1992), 143.

results in economic planning.

By 1980, bipartite arrangements between labour and management finally produced some tangible results. For example, employers and unions negotiated moderate wage increases averaging less than five percent. The unions' acquiescence enabled the West German economy to post substantially lower inflation levels than in most other advanced democracies.⁷⁶ Thus, West Germany was still dependent on corporatist negotiations well into the 1980s to remedy the problems associated with the economy. The primary area of mediation between participants concerned price and wage levels, but the groups included in the negotiations also provided specialized information which could be applied to various sectors of the economy.

West Germany's experience with corporatism, however, was presented with more complexities than those which could be found in countries such as of Sweden and Austria. In addition to the asymmetrical relations between labour, capital, and the state, one of the major difficulties of corporatism in West Germany, and other countries that are described as marginally corporatist, is the existence of the regional or sector-specific nature of economic adjustment. This has undercut the effectiveness of corporatist institutions to deal with economic difficulties that persist in many of these countries. The West German case illustrates how regionalism had

⁷⁶Ibid., 139.

contributed to economic decline. Perhaps the most significant example were the disparities that existed between the research intensive south and the declining shipbuilding industries of the north.⁷⁷ Regionalism produces diverse interests between key players in the negotiating process, which reduces the effectiveness of policies formulated through corporatist bargaining.

Thus, West Germany, like many corporatist countries during the 1980s, had undergone a process of decorporatization. The scenario is similar to that of many other countries; all too often interests were too divergent for consistent compromise between participants.⁷⁸ Moreover, the reunification of Germany in 1989 has contributed to its decorporatization. With the integration of a former communist country, Germany was forced to restructure its economy, thereby forcing it to abandon many of the programs developed in the years preceding reunification. But, perhaps the most important factor contributing to the decline of corporatism, not only in Germany, but throughout most of Europe, is the abolition of economic boundaries between the markets of the 12 member states composing the European Economic Community. This agreement will transform 12 former national economies into

⁷⁷Christopher S. Allen, "Corporatism and Regional Economic Policies in the Federal Republic of Germany: The Meso Politics of Industrial Adjustment," Publius 19:4 (Fall 1989), 148.

⁷⁸Berghahn, "Corporatism in Germany in Historical Perspective," 119.

regional subunits of a larger economic entity, and these subunits will also surrender sovereignty over their borders.⁷⁹

According to Andrew Shonfield, all types of planning in modern capitalism entails some degree of corporatist decision-making. He argues that an arrangement based on cooperative decision-making by organized groups is more effective than conflict between competing interests. However, it is a matter for concern when corporatist systems bypass traditional democratic processes; these democratic institutions must have some influence on the outcome of corporatist negotiations.⁸⁰ But, it appears that societal corporatism peaked during the 1970s. While some countries such as Sweden and Austria have not entirely abandoned corporatist practices, circumstances have made it much more difficult for countries like Germany to continue to practice tripartite bargaining processes. And while countries such as Sweden and Austria remain more corporatist than Germany, the trend towards decentralization during the 1980s and into the 1990s has undercut the effectiveness of trilateral economic planning even in countries that rank highest on the corporatist scale; and in less corporatist countries like Germany, decentralization has

⁷⁹Wolfgang Streeck and Phillippe C. Schmitter, "From National Corporatism to transnational Pluralism: Organized Interests in the Single European Market," Politics and Society 19:2 (January 1991), 152-53.

⁸⁰Andrew Shonfield, Modern Capitalism: The Changing Balance of Public and Private Power (London: Oxford University Press, 1965), 161.

resulted in a shift away from tripartite negotiations towards new forms of macroeconomic planning.

TABLE 1: VARIOUS SUB-TYPES OF CORPORATISM

<p>SOCIETAL: Found in political systems characterized by relatively autonomous groups, competitive electoral systems, party systems, liberalism as the dominant ideology, capitalist systems, and a welfare state apparatus. Found in countries such as Sweden, Norway, and Switzerland, and countries such as Canada, Great Britain, and West Germany which are often described as pluralist systems.</p>	<p>STATE: Characterized by political systems where the associational structure is subordinate to the state. Elections are non-existent or plebiscitary; party systems are dominated by a single weak political party. Consistent with an anti-liberal, authoritarian state. Examples include Fascist Italy, Nazi Germany, Portugal, Spain, and Mexico.</p>
<p>LIBERAL: Similar to societal corporatism. Found in Liberal consitiutional democracies, interest organizations are permitted to voluntarily enter or exit relations with the government. Labour is comparatively decentralized, and business interests are powerful. The degree to which these groups are included in corporatist negotiations varies with each country.</p>	<p>STATIST: Based on an economic system that combines private enterprises with high levels of state intervention in order to achieve, order, unity, nationalism, and achieving success in the promotion of national objectives. The government's role is a directive one rather than supportive. Its application is diverse; it may resemble the Fascist model implemented by Mussolini, or conversely, it may be applied to an egalitarian model with a strong labour movement as in Sweden.</p>

<p>DEMOCRATIC: Similar to societal and liberal corporatism. Based on an interest group system in which groups are organized into national, specialized, hierarchical and monopolistic peak associations. These groups are then incorporated into the policy-making process.</p>	<p>SOCIAL: Characterized by a strong and centralized trade union movement, a cohesive business community, and a strong state. Austria is considered to be the best example of this sub-type of corporatism.</p>
<p>MANAGERIAL: The regulation between labour and capital takes place at the firm level rather than the societal level. This arrangement is essentially a bipartite one between business and labour.</p>	<p>MACRO: This sub-type of corporatism involves tripartite negotiations between the state, business, and labour interests (it may also be a multipartite arrangement if outside interests are included in the negotiations) with the objective of drafting macro economic policies.</p>
<p>MESO (SECTORAL): Sectional interests engage in bipartite relations with the state for the purpose of formulating industrial policies. In Canada, meso level corporatism is prominent in industries such as agriculture, mining, construction, and pharmaceuticals.</p>	<p>MICRO: This sub-type is based on consultations between the state and particular firms. These negotiations produce policies that directly reflect the interests of these firms. All other interests are excluded from these discussions.</p>

SOURCES: Schmitter, "Still the Century of Corporatism?," Lehmruch, "Neo-corporatism in Comparative Perspective," Panitch, "Corporatism as a Growth Industry," Brulin and Nilsson "From Societal to Managerial Corporatism," Pryor, "Corporatism as an Economic System," Lijphart and Crepaz, "Corporatism and Consensus Democracy in Eighteen Countries," Hancock, West Germany: The Politics of Democratic Corporatism."

CHAPTER IV
CORPORATISM IN CANADA: A CASE STUDY

Corporatism in Canada has a long but undistinguished history. The origins of tripartite decision-making can be traced back to MacKenzie King's Industry and Humanity which was first published in 1918.¹ In fact, MacKenzie King was one of the first writers in the Western world to discuss the idea of welfare benefits while delegating the responsibility for economic and social service management to business, labour and government. He envisioned a state in which the industrial sector would reach unprecedented levels of productivity and, perhaps more importantly, cooperation between various groups would replace the idea of rival factions. Although Mackenzie King was Canada's Prime Minister for most of the period immediately following his writings on tripartism, corporatist policy-making, even of the most rudimentary kind, was virtually non-existent during the next quarter-century, with the exception of the Second World War and infrequent attempts during the depression.²

During this period, the notion of corporatism was also

¹Paul Craven, Corporatism, Liberalism and MacKenzie King: A Reply to Whitaker, Discussion Paper (Toronto: York University, 1987). 27.

²Leo Panitch, "The Role and Nature of the Canadian State," in The Canadian State: Political Economy and Political Power, ed. Leo Panitch (Toronto: University of Toronto Press, 1977), 20.

espoused by the Union Nationale government led by Maurice Duplessis in Quebec, and by the prairie wheat farmers during the 1930s. Duplessis advocated the abolition of Quebec's upper house, and its subsequent replacement by an advisory council in which all "corporations" would have input into policy issues. These corporations would resemble employee associations organized along occupational lines. In addition, these corporations would be instrumental in the determination of industrial policy. The prairie wheat farmers, on the other hand, viewed corporatism as a means to eradicate the corruption of the traditional parties, which contributed heavily to western alienation.³ But in spite of these positive attitudes towards corporatism, there were never any concrete efforts to implement corporatist proposals. Hence, Canadian corporatism can be distinguished from many of the Western European models; the Canadian case manifests a number of striking characteristics which have mitigated against its further development.

While corporatism has made recent advances in the Canadian context, the political climate in Canada is not particularly conducive to this mode of policy-making and, as a result, tripartism is viewed as merely a marginal phenomenon. Indeed, corporatism has been subject to numerous barriers at the national level, and consequently it has

³A. Paul Pross, Group Politics and Public Policy (Toronto: Oxford University Press, 1986), 217.

garnered limited success at this level; however, corporatism has experienced a better track record at the provincial level.

Although Canadian corporatism became more popular during the 1970s, tripartite structures first appeared during the two world wars. The government enlisted the cooperation of both labour and business interests in an attempt to bolster the war effort and to undertake the post-war reconstruction. For example, during World War II, a national manpower board comprised of both business and union representatives was established to ensure the availability of labour for the war effort.⁴ Tripartism, however, was virtually confined to wartime; there were no significant examples of inter-war tripartite decision-making. The primary factors that contributed to the lack of corporatist policy-making are the weak and fragmented nature of labour unions, and business hostility to the idea of corporatism and the political power to oppose such initiatives. These factors worked against the development of any pivotal consultative processes.⁵ During the inter-war period negotiations regarding the direction of the economy took place, although, labour representation was

⁴Pierre Fournier, "Consensus Building in Canada: Case Studies and Prospects," in The State and Economic Interests, ed. Keith G. Banting (Toronto: University of Toronto Press, 1986), 295.

⁵Leo Panitch, "The Tripartite Experience," in The State and Economic Interests, ed., Keith Banting (Toronto: University of Toronto Press, 1986), 41.

effectively excluded from these meetings.⁶ Thus, with the exception of recessionary periods, the importance of tripartism in Canada diminished during the inter-war period until its resurgence during the 1970s.

It may be useful to look at the role that interest groups play in terms of policy networks. A policy network is defined by William Coleman and Grace Skogstad as a "concept reserved for describing the properties that characterize the relationships among the particular set of actors that forms around an issue of importance to the policy community."⁷ In Canada, two types of policy networks exist: pluralist and closed (state directed policy networks constitute a third variant, but do not have any significance in Canada). Corporatism is characterized as a closed policy network in that only select groups are permitted to engage in negotiations with the government. Since various associations representing conflicting interests participate directly with the state in the formulation and implementation of policy, the state seeks to mediate these interests in order to reach a compromise. The result may lead to consensus on a particular policy, but it also results in some loss of group autonomy.⁸

⁶Panitch, "Corporatism in Canada?," 60.

⁷William D. Coleman and Grace Skogstad, "Policy Communities and Policy Networks: A Structural Approach," in Policy Communities and Public Policy in Canada: A Structural Approach, eds. William D. Coleman and Grace Skogstad (Mississauga: Copp Clark Pittman, 1990), 26.

⁸Ibid., 27-28.

TABLE 2: TYPES OF POLICY NETWORKS

PLURALIST	CLOSED
<p>PRESSURE PLURALISM: Interest groups assume a policy advocacy role. The state remains autonomous in the formulation of policy.</p>	<p>CORPORATISM: Bipartite, tripartite or multipartite arrangements in which organized interests representing conflicting producer or consumer groups consult with the state in order to formulate and implement policy.</p>
<p>CLIENTELE PLURALISM: State officials become dependent on specialized information and expertise provided by interest groups. As a trade-off, the government offers these groups an opportunity to participate in the policy process.</p>	<p>CONCERTATION: Single associations representing particular sectors participate with corresponding state agencies in the development of policy. Generally a bilateral relationship and exists at the sectoral level.</p>
<p>PARENTELA PLURALISM: Organized interests occupy a dominant place within a governing political party that has members in the bureaucracy.</p>	<p>STATE DIRECTED: Is not a closed policy network. Characterized by a strong, centralized state and a weak associational structure.</p>

SOURCE: Coleman and Skogstad, "Policy Communities and Policy Networks: A Structural Approach," 26-29.

Despite the decentralized nature of the Canadian political structure, it has been argued by a number of corporatist theorists that Canada has instituted a corporatist framework throughout its history. Robert Presthus is perhaps the first scholar to recognize the importance of corporatism in Canada, not only in its current incarnation, but throughout Canadian history. He defines corporatism as a "conception of society in which government delegates many of its functions to

private groups, which in turn provide guidance regarding the social and economic legislation required in the modern national state."⁹ He suggests, moreover, that the presence of underlying pluralism is an essential element in the legitimation of corporatism since it provides the various private associations with both "normative and functional legitimacy in our political system."¹⁰ Presthus' formulation, however, has been criticized, most notably by Leo Panitch, for being virtually indistinguishable from pluralism.¹¹ Indeed, Presthus' conception does not address the distinguishing features between pluralism and corporatism of the type found in Schmitter's formulation. J.T. McLeod has further elaborated on Presthus' formulation stating that the "essence of corporatism is private or capitalist ownership coupled with state control. Various functional economic groups are brought into harmony and into more or less direct collaboration with the state, with the will of the state being ultimately decisive."¹² This implies that the various functional groups, usually within a tripartite arrangement, will engage in joint action in order to reach consensus on particular policies under the aegis of the state. Conversely, the criteria put

⁹Robert Presthus, Elite Accommodation in Canadian Politics (Toronto: Macmillan, 1973), 24-25.

¹⁰Ibid., 25.

¹¹Panitch, "Corporatism in Canada?," 54.

¹²Ibid., 55.

forth by Lehbruch ostensibly suggests that Canada simply does not fall under the corporatist label. According to Lehbruch, corporatism is defined as a procedure based on

consultation and cooperation among administrators and organized interests [which] is of course common in all constitutional democracies with a highly developed capitalist economy. But the distinguishing mark of liberal corporatism is a high degree of cooperation among those groups themselves in the shaping of public policy."¹³

Lehbruch's formulation emphasizes cooperation to a great extent, but the nature of Canada's system of interest associations is competitive and pluralistic. Schmitter's classification is more vague; he argues that the Canadian case should be classified as a variant of societal corporatism, yet he also states that it has many elements in common with pluralism.¹⁴ He defines pluralism as 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 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.¹⁵

In contrast to his definition of corporatism (Chapter II), Schmitter's definition of pluralism appears to describe more appropriately the reality of interest group politics in

¹³Ibid., 55.

¹⁴Schmitter, "Still the Century of Corporatism?," 105.

¹⁵Ibid., 96.

Canada.

CANADIAN CORPORATISM: ORGANIZATIONAL STRUCTURE

It has been argued in recent years that traditional institutions of representative democracy are being replaced by direct negotiations between and among the government, business and labour organizations, as well as other organized interests which are located on the periphery of the decision-making process.¹⁶ But, in comparison to the paradigm cases of Sweden and Austria, and the comparatively decentralized tripartite structures such as that in Germany, the Canadian framework of economic and political institutions is marked not only by decentralization, but also by a process in which social consensus is tenuous at best.¹⁷ Typically, countries with the most experience with corporatism are small, homogenous countries with centralized political and organizational designs. The Canadian case contradicts these proto-typical corporatist countries on virtually all accounts. Canada is a large country, characterized by both political and organizational decentralization, cultural heterogeneity, and lacking any significant presence of a socialist political

¹⁶Hugh G. Thorburn, Interest Groups in the Canadian Federal System (Toronto: University of Toronto Press, 1985), 124.

¹⁷Keith G. Banting, "The State and Economic Interests: An Introduction," in The State and Economic Interests, ed. Keith G. Banting (Toronto: University of Toronto Press, 1986), 5.

party, especially at the national level.¹⁸ Through the empirical application of these variables, Canada ranks lower on the corporatist scale than every other industrialized country with the exception of the United States; and in terms of consensus democracy¹⁹, Canada is ranked lowest.²⁰ Taken together, then, all of the above attributes suggest that Canada should be classified as a pluralist model of state-association relations; it is typically characterized by competition between various interest groups rather than by consensus. Therefore, the Canadian government is forced to play a greater role in the balancing of various interests than its counterparts in countries that have extensively implemented tripartite structures.

In terms of organizational design, the Canadian system of associations is fragmented and competitive. Interest groups in Canada represent very specialized interests rather than formally integrating themselves into a broader association; thus there is a conspicuous absence of peak association similar to the ones found in most Western European corporatist societies, although there are some cases in which peak

¹⁸Ibid., 7, 22.

¹⁹According to Lijphart and Crepaz, consensus democracy is defined as a theory in which party, executive, electoral, and legislative systems occur in distinct clusters, but excludes interest groups from these clusters. Corporatism is viewed as the interest group system that can link interest groups to these clusters.

²⁰Lijphart and Crepaz, "Corporatism and Consensus Democracy in Eighteen Countries," 239.

organization function at both the federal and provincial levels, but this is not a common occurrence.²¹

The system of labour organizations in Canada meets virtually none of the requirements necessary for tripartism to work effectively.²² Fragmentation within labour organizations is common in Canada. By 1984, there were roughly 800 unions, whereas the West German labour movement consisted of just 16 unions. In addition, where multi-employer unions are the rule in most corporatist countries in Europe, only eight percent of units and 25 percent of employees bargain under multi-employer structures in Canada.²³ Decentralization also occurs at the peaks levels (where they exist) as well. For example, the Canadian Labour Congress (CLC) represents 56 percent of all union members affiliated with umbrella organizations, yet there are numerous organizations performing similar functions. While the CLC may be powerful enough to engage in broad national discussions, it cannot claim to speak on behalf of all organized labour. Most of the bargaining power in the labour movement rests with autonomous union locals. These unions may be associated with a central federation of unions, but their membership in them is purely voluntary.²⁴ On the

²¹Banting, "The State and Economic Interests," 17.

²²Atkinson and Coleman, "Corporatism and Industrial Policy," 26.

²³Banting, "The State and Economic Interests," 19.

²⁴Ibid., 19-20.

positive side, union membership in Canada between 1961-1981 has increased more rapidly than that of Swedish and West German unions.²⁵ The expansion in union membership over this period increases the likelihood that corporatist structures can function more effectively; however, union membership in Canada is still relatively weak in comparison to the European corporatist countries.

Fragmentation is also prevalent within the system of business associations. General business associations such as the Business Council on National Issues (BCNI), the Canadian Chamber of Commerce (CCC), as well as the Canadian Federation of Small Business (CFIB), are not organized to function as peak organizations. Rather they "direct membership organizations, with no formal, hierarchical relationship with sectoral interests."²⁶ These organizations, then, cannot authoritatively speak on behalf of all business interests. Factors which may account for organizational fragmentation may be attributed to Canada's territorial divisions and language differences, and the degree to which large corporations are foreign owned.

In contrast to the paradigm cases of Sweden and Austria, Canada is plagued not only with conflictual relationships between different sectors of industry, but also by language

²⁵Carolyn J. Tuohy, Policy and Politics in Canada: Institutionalized Ambivalence (Philadelphia: Temple University Press, 1992), 188.

²⁶Banting, "The State and Economic Interests", 17.

and regional issues. Language and region constitute different bases for organization in all segments of society, including business. But the territorial conflict that has always been a characteristic of Canadian politics has been exacerbated through the increased participation of the provincial governments in economic affairs and, according to Coleman, this regional dimension weakens its organizational structure.²⁷ In addition, some business organizations such as the BCNI have no regional structure at all. The BCNI is composed of the largest corporations in Canada, many of which are multi-national corporations and are located primarily in the central regions of Canada. As a result, the BCNI cannot adequately deal with regional concerns; the only region taken into account is Quebec. The CCC on the other hand does make a serious attempt to integrate regional differences into its organization. For example, each president of a provincial branch is represented on the board of directors of the national body, thus guaranteeing that local and provincial interests are addressed.²⁸

A second contributing factor is the degree to which Canadian corporations are owned by foreign multi-nationals.

²⁷Ibid., 17. Also see, William D. Coleman and Wyn Grant, "Regional Differentiation of Business Interest Associations: A Comparison of Canada and the United Kingdom," Canadian Journal of Political Science (March 1985):3-29.

²⁸William D. Coleman, "Canadian Business and the State," in The State and Economic Interests, ed., Keith Banting (Toronto: University of Toronto Press, 1986), 267.

Among industrialized countries, Canada has historically experienced unparalleled levels of foreign investment ownership. During the nineteenth century, Great Britain was the primary investor²⁹ in Canadian industry, but by the turn of the century, direct American investment far surpassed that of Britain, and has increased over time.³⁰ For example, in 1939, 21 percent of Canadian industry was foreign owned; by 1951, it had increased to 27 percent; and since the 1960s, it has appeared to level off at approximately 35 percent.³¹ Thus, foreign ownership imposes barriers to corporatism in Canada. The primary barrier is that foreign ownership significantly reduces the prospects of consensus within the business sector, thereby encouraging fragmentation.

Another factor which may have contributed to the fragmentation of interest groups in Canadian society is its weak state tradition. According to Coleman, a strong state tradition promotes ideological unity within the state, and increases awareness of the public interest. This in turn, creates more cohesive and "better integrated organization[s]

²⁹British investment in Canada was generally indirect in nature; it did not confer any ownership rights to Canadian industry through the purchase of stocks. In contrast, American investment in Canada is characterized by direct investment which entails the purchase of stock and actual ownership.

³⁰Stephen Brooks, Business and Government in Canada (Scarborough: Prentice-Hall, 1991), 112-13.

³¹Ibid., 48.

of civil society."³² Therefore, the overall nature of the Canadian state contributes to the fragmentation of interest associations.

CANADIAN CORPORATISM IN PRACTICE AT THE MACRO LEVEL

In spite of the pluralistic and competitive nature of the various interests within Canadian system, efforts were made during the 1970s to organize these interests in order to enter into direct negotiations with the government in the formulation of policy. Prior to this undertaking, however, the government first ventured into joint action during the First and Second World Wars. It should be noted that these joint negotiations were not necessarily corporatist in nature. It may be more appropriate to label these arrangements as concerted efforts, or a process of "concertation." This arrangement closely resembles corporatism, since, instead of employing tripartite negotiations, it is only business that shares policy-making responsibilities with the state; labour is integrated only marginally, if at all.³³

Joint action emerged in the post-war period with the establishment of the National Productivity Council in 1961, which was organized along the lines of European models. Its

³²Coleman, "Canadian Business and the State," 273.

³³Michael M. Atkinson and William D. Coleman, "Strong States and Weak States: Sectoral Policy in Advanced Capitalist Economies," British Journal of Political Science 19:1 (January 1989), 58.

primary objective was to promote increased efficiency in the increasingly competitive, international industrial sector. By 1963, the committee merged with the Economic Council of Canada which functioned to promote economic consensus.³⁴ In the latter part of the decade, mounting concerns over inflation, declining profits, and unprecedented labour militancy brought about the establishment the Price and Incomes Commission in 1968 with the primary objective of determining the causes of inflation. Ultimately, it recommended a policy of voluntary wage and price restraint. But in light of the recommendations forwarded by this commission, the unions refused to take part in any further negotiations. The issue of contention was wage restraint, which they viewed as "simplistic, inequitable and discriminatory."³⁵ While this project achieved some success, the unwillingness of labour to participate led to its demise in 1970.³⁶

By the early 1970s, a new phenomenon began to emerge. The Keynesian approach to macroeconomic policy emphasizes government spending in order to promote economic growth. This economic theory had worked well since the Second World War, but was inadequate to counteract the effects of stagflation.³⁷

³⁴Fournier, "Consensus Building in Canada," 293.

³⁵Ibid., 296-97.

³⁶Pross, Group Politics and Public Policy, 218.

Therefore, further efforts were taken to obtain consensus on wage and price controls which were to take effect from 1975-1978. Once again, however, the unions refused to participate in this program. Since both the Canadian Labour Congress (CLC) and the Confederation of National Trade Unions (CNTU) declared an outright rejection of the proposals in this program, the government finally decided to unilaterally impose a three year anti-inflation program to maintain reasonable price, wage, and profit levels. In addition, the CLC formally severed the institutional links it previously possessed with the government, and it also relinquished its membership on the Economic Council of Canada.³⁸ Despite considerable protest on the part of labour, the anti-inflation program succeeded in its stated goals.³⁹ But ironically the Anti-Inflation Act was instrumental in the launching of the CLC's Labour's Manifesto for Canada in 1976, which proposed the creation of a tripartite structure where all parties would have authority

³⁷Stagflation is an economic phenomenon which first appeared in most industrialized countries during the 1970s. In contrast to the typical recessionary period in which unemployment increases as a corollary of economic decline, a period of stagflation results in economic decline and simultaneous increases in unemployment, as well as inflation. Hence, many countries adopted a wage and price control policy to counteract the effects of stagflation.

³⁸K. G. Waldie, "The Evolution of Labour-Government Consultation on Economic Policy," in Labour-Management Cooperation in Canada, ed. W. Craig Riddell (Toronto: University of Toronto Press, 1986).

³⁹Fournier, "Consensus Building in Canada," 297. Also see Panitch, "Corporatism in Canada?," 64.

over policy.

The CLC's manifesto was rejected not only by the government, but also by the rank and file of the CLC. The factors accounting for its failure included the fear of being coopted, and concerns that this would lead to increased concentration of power in the hands of the executive of the CLC. Instead, the government proposed the creation of a multipartite forum, in which the participants would play an advisory role rather than being directly involved in the decision-making process. In effect, the decision to employ outside interests in a purely advisory capacity signalled the preponderance of the government and its reaffirmation of the primacy of Parliament in the policy-making process.⁴⁰

By 1978, a more elaborate consultative mechanism was in the works. The negotiations were based upon the recommendations of 23 task forces, and the outcome resulted in what is known as the Tier I and Tier II discussions. The findings of the task forces provided the government with sufficient information regarding the state of the Canadian industrial sector, but it provided no details on an appropriate course of action to remedy persistent economic problems.⁴¹ Although this process was intended to act as a permanent consultative apparatus representing a shift towards

⁴⁰Fournier, "Consensus Building in Canada," 299. Also see, Pross, Group Politics and Public Policy, 218.

⁴¹Pross, Group Politics and Public Policy, 218-219.

corporatist mediation, the overall impact of these initiatives was relatively inconsequential.⁴² In fact, these negotiations did not progress beyond the consultative process itself.

The Canadian Labour Market and Productivity Centre came into existence in 1984 with a mandate to conduct research and analysis related to economic adjustment.⁴³ It was the result of six years of intense lobbying on the part of business and labour, and included some of the recommendations forwarded from the Tier II consultations. In effect, this program operated through bipartite negotiations between business and labour (specifically the BCNI and the CLC) with the objectives of playing an advisory role in the operation and management of the labour force, and to promote productivity in order to make Canadian firms more competitive both domestically and internationally.⁴⁴ Representation on this board consisted of twelve members from the BCNI and twelve members from labour (three from the CFL and nine from the CLC); however, in 1986, it was apparent that the outcome of this arrangement would not produce a consensus, and consequently the board was converted from a research institute to a forum for general policy discussions.⁴⁵ Since the demise of the Canadian Labour Market and Productivity Centre in 1986, there have been no

⁴²Ibid., 219.

⁴³Tuohy, Policy and Politics in Canada, 183.

⁴⁴Fournier, "Consensus Building in Canada," 302.

⁴⁵Tuohy, Policy and Politics in Canada, 183.

significant attempts to implement tripartite or bipartite programs at the federal level. Most of the previous efforts at the federal level were not hailed as successful ventures as the Anti-Inflation Act and Tier I and Tier II consultations illustrate. Alternatively, business and labour interests have continued to collaborate at the provincial and sectoral levels in recent years, but these collaborations have been only limited in scope.

CORPORATISM AT THE SECTORAL LEVELS

One of the most striking differences between the Canadian and Northern European corporatist models is that interest groups in the former are much more likely to participate in the policy process at the sectoral rather than at the macro level.⁴⁶ In highly corporatist structures like Austria, various interests are more concretely integrated into the decision-making process than in Canada. Moreover, membership in the various unions is compulsory; these unions belong to peak associations and are able to deal with comprehensive economic policy rather than sector specific issues.⁴⁷ One significant difference between European corporatism and Canadian corporatism is that the former model is more in accord to Schmitter's notion of corporatism as a political

⁴⁶William D. Coleman, Business and Politics: A Study of Collective Action (Kingston: Queen's University Press, 1988), 46.

⁴⁷Ibid., 64.

form, while Canadian corporatism has similarities to Cawson's conception of interest mediation at the meso or sectoral level. Therefore, the Canadian case is characterized by the interaction between interest groups and the state in particular sectors of the economy rather than in general economic policy.

There are certain conditions that must be satisfied if meso corporatism is to provide a viable policy option. First, the dominant issue in a particular sector must not only be viable in the long-term, but also it must be consolidated into the broad economic outlook. It is also required that the government employ sector specific measures in addition to macroeconomic policies.⁴⁸ Corporatism at the sectoral level generally produces higher levels of conflict and discontent; however, like the traditional macro model, much of the burden for the implementation of these policies ultimately rests with the producer groups. Therefore, the need for consensus is equally important at the meso level. In Canada, corporatist structures have emerged in numerous sectors such as mining, construction, and pharmaceuticals, but the most common example is the agricultural industry.

Corporatism in the agricultural sector has a long history dating back to the 1930s. As recently as the early 1980s, this associational system was the most comprehensive and

⁴⁸Atkinson and Coleman, "Corporatism and Industrial Policy," 27.

highly integrated of its kind in Canada. In fact, it has been argued that agricultural associations participate more frequently in corporatist arrangements than any of their counterparts.⁴⁹ One of the most striking features of the agricultural sector in Canada is its unique industry structure. As opposed to other sectors of the economy, agriculture has been less affected by technological innovations. The primary "economic unit" is still the single family farm. The agricultural industry has had difficulty with other economic groups which has enhanced the degree of solidarity, cooperation, and collective action undertaken by farmers. Over the years, the agricultural industry in Canada formed an associational system that had effectively integrated most of the producer groups. This centralized, hierarchical organization is perhaps the nearest illustration of the characteristic properties of corporatism, although several critical elements are lacking.⁵⁰ The primary criticism of its associational structure is that it is not sufficiently comprehensive so as to merge all groups under the direction of a single peak organization. Like labour and business organizations in Canada, the chief protagonist in the agricultural industry, the Canadian Federation of Agriculture (CFA), cannot effectively speak on behalf of all agricultural interests. Moreover, the lack of a representational monopoly

⁴⁹Coleman, Business and Politics, 100.

⁵⁰Ibid., 100-1.

limits the ability of the CFA to impose disciplinary measures on its member associations.⁵¹

Corporatism also exists in various sub-sectors of the agricultural industry such as the dairy, poultry, and grains industries. The extent to which corporatist policy networks have developed in each one of these sub-sectors differs significantly. For example, corporatist policy networks in the grains sector is quite limited, while on the other hand, the associational structure in the dairy industry is one of the most advanced in the entire Canadian economy.⁵² The primary unit of organization within the dairy industry is the provincial marketing board in which membership is compulsory; and these boards exist in every province with the exception of Newfoundland. In turn, each provincial association belongs to the national peak organization, the Dairy Farmers of Canada (DFC).⁵³ Although the Canadian dairy industry has both a national and provincial organizational structure, it parallels corporatist theory with its representational monopoly, and compulsory membership.⁵⁴

CORPORATISM AT THE PROVINCIAL LEVEL

Because regionalism and cultural diversity are so

⁵¹Ibid., 101.

⁵²Ibid., 115.

⁵³Ibid., 117.

⁵⁴Ibid., 119.

prominent in Canada, efforts to implement tripartite structures at the provincial level have proven to be important, particularly in certain sectors of the economy. During the initial period when tripartite consultation first sparked interest in Canada, the Catholic Church was the strongest proponent of corporatism; and nowhere was the church more influential than in Quebec. In papal encyclicals, the idea of labour unions was approved not so much for the accumulation of earthly goods and benefits, but instead for the spiritual advantage of its Catholic members. The church was particularly favourable to Catholic unions which were to be promoted in all Catholic regions. However, the church acknowledged that "mixed" associations composed of both Catholics and non-Catholics should be tolerated to the extent that they do not undermine the integrity of the Catholic faith.⁵⁵ Consequently, the views put forth by the church gave rise to what could be described as Vatican corporatism, and was influential to some degree in Quebec.

Corporatism in Quebec was stimulated by the development of trade unions, which were closely affiliated not only with the unions of English Canada, but with American unions as well. Although the church endorsed the idea of trade unions, the organizational structure of Catholic labour unions had

⁵⁵The Catholic Church, The Papal Encyclicals, 1903-1938 (Wilmington N. C.: McGrath Publishing Company, 1981), 136-37.

barely existed before the war.⁵⁶ In 1921, the Confederation de travailleurs catholiques du Canada (CTCC) was founded with the mandate of "defending the interests of the workers within the framework of the Church's social teachings."⁵⁷ The main function of the CTCC was to protect its members from the "secularizing influence of the international (American) unions," instead of securing financial benefits or strengthening its bargaining position.⁵⁸ Initially, this union was composed of a few scattered unions, but soon after it grew rapidly, and eventually its membership consisted of approximately 40,000 workers from 89 different unions.⁵⁹

By the 1930s there were a number of proposals for corporatist representation, especially with the country mired in a deep depression, and a similar strategy adopted by the Americans which was evident in the New Deal. It should be noted that corporatism in Quebec received the official support of the Pope.⁶⁰ But it has been argued that the sudden

⁵⁶Bernard L. Vigod, Quebec Before Duplessis: The Political Career of Louis-Alexandre Taschereau (Kingston and Montreal: McGill-Queen's University Press, 1986), 91.

⁵⁷Arnold Bennett, The History of the Labour Movement in Quebec (Montreal: Black Rose Books, 1987), 90.

⁵⁸Herbert F. Quinn, The Union Nationale: A Study in Quebec Nationalism (Toronto: University of Toronto Press, 1963), 40-41.

⁵⁹Panitch, "Corporatism in Canada," 56.

⁶⁰Paul Andre Linteau, et al., Quebec Since 1930, Trans. Robert Chodos and Ellen Garmaise (Toronto: James Lorimer and Company, 1991), 79.

emergence of unions to some degree posed a direct threat to the Catholic Church's ideological domination of the French Canadian population. Catholic unions, on the other hand would not pose such a threat to the church's position.

The notion of corporatism had not been fully integrated into Quebec's political structure until the election of the *Union Nationale* (UN) led by Maurice Duplessis in 1935. It has been argued that both the Vatican and Fascist models of corporatism influenced the origins of the Duplessis version of corporatism.⁶¹ In his encyclical of 1931, *Quadragesimo Anno*, Pope Pius XI advocated the establishment of a corporatist structure that was similar to the one developed by Mussolini in Italy, but this arrangement would be implemented primarily for the purpose of combatting the effects of the Great Depression. While the influence of Vatican corporatism can be traced easily enough in Quebec, it was the nationalist element of the *Union Nationale* that led many observers to argue that the Fascist model was an underlying influence on Duplessis.

The election platform of the UN included proposals for the creation of employee and employer associations or corporations, each one representing a particular industrial sector. These associations would be delegated the power to influence wage and price levels, as well as general industrial policy. Moreover, the UN called for the abolition of the Legislative Council (Quebec's upper house), to be replaced by

⁶¹Panitch, "Corporatism in Canada?," 57.

an advisory council consisting of all corporations cooperatively functioning to formulate general economic policy. Essentially, the nation would be a corporation of corporations and would be represented by various economic councils who would function independent of any form of partisanship.⁶² Despite these proposals, no steps were ever taken towards establishing corporative councils. In fact, the Duplessis government proved to be one of the most corrupt, anti-trade union governments in Canadian history, and its anti-corporatist orientation emerged almost immediately after its initial electoral victory.⁶³ Thus, Quebec corporatism had been all but annihilated until the manifestation of a new social movement during the 1960s, which became known as the Quiet Revolution.


The 1960 election of the Liberal government headed by Jean Lesage signalled the discontinuation of previous church-state relations, but it sparked a renewed interest in corporatism which had not been seriously discussed since the UN's election campaign in 1935. The Quiet Revolution also emphasized increased cooperation between the state and business interests.⁶⁴

The corporatist setting during the Quiet Revolution was

⁶²Linéau, et al., Quebec Since 1930, 79.

⁶³Panitch, "Corporatism in Canada?," 57-59.

⁶⁴Kenneth McRoberts, Quebec: Social Change and Political Crisis (Toronto: McClelland and Stewart, 1988), 164.



a radical shift from the corporatist ideology that prevailed during the period of church dominance in social theory. The new corporatism in Quebec emphasized the integration of different social groups and public decision-making rather than a system in which the government functions unilaterally. Moreover, there was a conscious attempt to promote social harmony in order to unite all Quebecers in the pursuit of common objectives.⁶⁵ By 1969, the political environment in Quebec reflected a distinct liberal corporatist flavour. For example, in the construction industry, trade unions and employer associations reached an agreement that would extend to non-members of employer associations. The issues at stake not only covered monetary items, but also issues such as grievances. Secondly, collective bargaining within the construction industry was altered to cover the entire industry, that is, all trades would be covered by a single agreement.⁶⁶ But by 1980 new restrictions were placed upon workers associations in the construction industry and most of these initiatives had disappeared.⁶⁷

In 1976, the *Parti Quebecois* (PQ) captured enough seats

⁶⁵Clinton Archibald, "Corporatist Tendencies in Quebec," in Quebec: State and Society, ed. Alain Gagnon (Toronto: Meuthen, 1984), 353.

⁶⁶William D. Coleman, "State Corporatism as a Sectoral Phenomenon: The Case of the Quebec Construction Industry," in Organized Interests and the State: Studies in Meso-Corporatism, ed. Alan Cawson (London: Sage Publications, 1985), 110-11.

⁶⁷Ibid., 115.

to form the government of Quebec. The first priority of the PQ was to develop a new economic strategy to counteract the deteriorating economic situation through cooperative relations between business and labour. The PQ essentially proposed a liberal corporatist strategy; it was the government's belief that business and labour interaction in the formulation of policy would produce a favourable outcome.⁶⁸ During the PQ's tenure in government, various tripartite consultative bodies had been established to promote industrial peace and prosperity. Despite the fact that the PQ's agenda was more explicitly corporatist than any other government in Canada⁶⁹, the outcome of these consultative processes has had only a minimal impact in practice.

English Canada, on the other hand, was much more reluctant to embrace the idea of corporatism. In fact, the only regions where tripartism was even considered were those located on the periphery. For example, the western farmers considered corporatist arrangements as a means to protect themselves from exploitation of both the central government and international bodies. But the notion of corporatism had never really been adopted by central Canadians until the 1970s.

In more recent years, corporatist structures have been

⁶⁸A. Brian Tanguay, "Concerted Action in Quebec, 1976-1983: Dialogue of the Deaf," in Quebec: State and Society, ed. Alain Gagnon (Toronto: Meuthen, 1984), 365-66.

⁶⁹Tuohy, Policy and Politics in Canada, 183.

implemented in various provinces, and since some provincial economies are dominated by certain industries, these developments involve specific sectors of the economy. For example, industries such as agriculture, construction, mining, and more specialized sectors such as pharmaceuticals which are organized through corporatist policy networks (the extent to which these networks are described as corporatist differs) interact with the provincial governments in addition to the federal government.

In contrast to Quebec, corporatism in Ontario has a relatively short and insignificant history; however, recent corporatist experiments have been launched in an attempt to promote economic growth and prosperity. For example, in 1977, the provincial government established the Ontario Labour Management Study Group, which was composed of a total of ten representatives from business and labour, each with equal representation. The objective of this tripartite assembly was to promote efficiency and productivity while simultaneously improving the quality of the working environment.⁷⁰ In the period immediately following its inception, this group initiated numerous projects, and by 1983, its mandate had been broadened to encompass more general economic issues.⁷¹

Another project emerged with the election of the Liberal government under the leadership of David Peterson in 1985. The

⁷⁰Fournier, "Consensus Building in Canada," 303-4.

⁷¹Ibid., 304.

experiment was a multipartite program referred to as the BILD process was implemented. Participants included business representatives, academics, high ranking union officials, and experts in science and technology. This program was expected to provide a major step in consensus building in Ontario. However, as is generally the case in Canada, most of the criteria required for executing cooperative negotiating processes were not fulfilled.⁷² In most corporatist countries in Europe, determination of policy is based strongly on the recommendations made by all participants. By contrast, the influence wielded by the Ontario government over the policy outcome is significantly greater than its European counterparts. But, the development of a consensus building apparatus was not intended solely as an instrument for economic planning, but also as a means to solidify power, particularly among working class voters through the inclusion of organized labour into the multipartite arrangement.⁷³ Although this strategy appeared to work in its initial stages, it did not prevent the NDP from forming a majority government in 1990, therefore, the overall impact of this program was minimal.

Like their predecessors, the NDP emphasized tripartite

⁷²Henry J. Jacek, "Interest Groups and Public Policy in Ontario: A Political Economy Analysis," in The Government and Politics of Ontario, fourth ed., ed. Graham White (Scarborough, Nelson, 1990), 263-64.

⁷³Ibid., 264.

consultations in industrial policy, but to an even greater extent. The argument behind this initiative was that business-labour cooperation would help strengthen the sluggish Ontario economy both domestically and in the global market. Unlike corporatist arrangements in Europe which are concerned with both wage restraint and economic prosperity, the primary purpose of Ontario's program was to increase productivity, not to impose restrictions on wages.⁷⁴ Although cooperation between business and labour was viewed as a viable alternative to typical economic strategies, it was met with caution on the part of all participants.

In addition to the Quebec and Ontario experiments with corporatism, there have been a number of experiments in other provinces such as the New Brunswick Industrial Relations Board, and the Economic Advisory Council in Manitoba. These programs have operated with varying degrees of success.⁷⁵

Although interest mediation in Canada has produced some tangible results, it ought not to be labelled a corporatist country *per se*. There are several requirements that must be satisfied before classifying a country as corporatist. The first requirement is the presence of a strong, militant labour movement, which is cohesive and highly centralized. Secondly,

⁷⁴Martin Mittlesteadt, "NDP Industrial Policy Unveiled," Globe and Mail (July 29, 1992), A5.

⁷⁵Fournier, "Consensus Building in Canada," 306-8.

corporatism tends to flourish in countries where socialist parties have obtained high levels of electoral success. It is important to note that these parties often develop symbiotic links with labour unions, which in turn provide them with electoral support. Finally, the degree to which the state emphasizes national policies of wage restraint determines the country's commitment to corporatism.⁷⁶ Wage restraint policies were often undertaken in a joint partnership with business and labour; however, labour cooperation is far from guaranteed as the wage restraint program of 1975 illustrates.

In Canada, none of the above criteria have ever been satisfied. For example, both business and labour organizations are fragmented, and as a result, there is no national organization that can legitimately speak on behalf of either business or labour as a whole.⁷⁷ Rather, there are several associations, each representing either particular sectors of the economy, which constitutes only a proportion of the individuals belonging to a business or labour organization.

While social democratic parties (the NDP and prior to 1961 the CCF) have achieved some measure of electoral success at the provincial level (Saskatchewan, Manitoba, British

⁷⁶James A. McAllister, "Do Parties Make a Difference?," in Canadian Parties in Transition: Discourse, Organization, and Representation, eds. Alain G. Gagnon and A. Brian Tanguay (Scarborough: Nelson, 1989), 489.

⁷⁷H. J. Jacek, "Pluralist and Corporatist Intermediation, Activities of Business Interest Associations, and Corporate Profits: Some Evidence from Canada," Comparative Politics 18: (1986), 434.

Columbia, and Ontario), no such party has ever formed a government at the federal level in Canada.⁷⁸ In fact, there has never been a socialist party acting as the official opposition in parliament.

Finally, the government in Canada has not integrated wage and price controls into its policy agenda to the extent that governments in corporatist countries have. While the Trudeau government embarked on a policy of wage control during the 1970s, it did not obtain consensus; labour unions refused to participate, forcing the government to proceed unilaterally.

Despite attempts at implementing policies through corporatist arrangements in recent years, limited success has been realized at both levels of government. The primary reason for the failure of corporatism in Canada can be attributed to the conspicuous absence of the three criteria previously discussed. The Canadian political system is characterized by numerous conflicting interests, many of which are not legitimated by the state, thereby exacerbating conflict between interests rather than promoting cooperation. In cases where corporatist practices have emerged in Canada, they have been implemented on a pragmatic basis rather than on the basis of a corporatist ideology.⁷⁹ However, the effects of corporatist negotiations in Canada since the 1970s have generally been ineffective in terms of lowering inflation,

⁷⁸McAllister, "Do Parties Make a Difference?," 490.

⁷⁹Jacek, "Pluralist and Corporatist Intermediation," 434.

increasing employment, and promoting economic growth.

In addition to the three characteristics discussed previously, state-society relations and the Canadian political culture have also contributed to the failure of corporatism in Canada. While the key participants in the traditional tripartite arrangement are generally opposed to the principle of corporatism because the adoption of a corporatist structure would implicitly reduce their autonomy, the population at large also appears to oppose the devolution of parliamentary powers to intermediary bodies. This is part of the Canadian political culture; overriding parliamentary supremacy in favour of a corporatist structure is viewed as undemocratic.⁸⁰ According to Panitch corporatist structures are partial; they cannot replace the functions of Parliament, but there is a perception that these structures could, in fact, override Parliament in some cases. Opposition to corporatist structures also parallels Offe's notion of the legitimation of majority rule and the threat that a system based on interest intermediation could replace traditional political actors such as Parliament, political parties and the bureaucracy. Moreover, in an adversarial political system such as the Canadian model, "conventional pressure group politics becomes the normal mode of state-society relations."⁸¹ That is, both

⁸⁰Fournier, "Consensus Building in Canada," 324.

⁸¹Coleman and Skogstad, "Policy Communities and Policy Networks," 19.

the state and society are multiple; various segments of society are involved with particular state actors, and they compete against other state actors.

Traditionally, the notion of corporatism was used as a mechanism to achieve social harmony and as a means of moderating class divisions inherent in capitalist societies, not as an instrument to promote economic growth. But, while a corporatist structure may promote social harmony, its implementation is contingent upon state intervention, and its success depends heavily on the degree to which society as a whole will tolerate government intervention.⁸² Corporatism, then, runs counter to the Canadian political culture. In addition to being influenced by a political system based on a parliamentary government, Canada is strongly individualistic and, consequently, interest group politics is viewed as being undemocratic. Canadian citizens are not only opposed to high levels of government intervention, which is a significant factor in corporatist arrangements, but also any intermediary body that disrupts the direct state-society relationship.⁸³

Since so much opposition exists to policies formulated through minority decisions; because corporatism runs counter to the Canadian political culture; and because the organizational structure is fragmented, the future prospects for corporatism in Canada remain unfavourable.

⁸²Banting, "The State and Economic Interests," 13.

⁸³Fournier, "Consensus Building in Canada," 315-17.

CHAPTER V
CONCLUSION

This study has examined the development of corporate bodies from medieval guilds to contemporary interest organizations representing the interests of their members. There have been several historical events which have influenced the direction of corporate bodies, but the French Revolution was the first and most significant event contributing to the abolition of corporate bodies. The ideological basis of the French Revolution was one that stressed individualism and direct citizen-state relations, and corporations were viewed as subversive and reactionary elements within society.

In the post-revolutionary period, the idea of intermediary bodies was espoused by several philosophers including Hegel, Gierke, and Gentile. Each philosopher put forth distinct corporative theories. Hegel's corporate doctrine emphasized intermediary bodies as an extension of the family, thereby forming a second family which had particular relevance for the business class. Gierke's corporate doctrine was hierarchical in nature, and he believed that these bodies possessed a real personality; they were not merely fictitious organizations.¹ Gentile adopted the Hegelian notion of the

¹Paul O. Hurst, The Pluralist Theory of the State: Selected Writings of G.D.H. Cole, J. N. Figgis, and H.J. Laski (New York: Routledge, 1989), 18.

corporation as an extended family, and became one of the leading spokesmen for the implementation of the Corporate State in Fascist Italy.

In addition to Italy, several European countries such as Germany, Spain, and Portugal implemented corporatist arrangements and, although these cases are all examples of authoritarian models, the idea of corporatism was observed with some interest by democratic countries during the Great Depression (examples include the 1935 New Deal developed by Roosevelt, and Quebec). But, with the defeat of Fascism at the conclusion of the Second World War, corporatism became a pejorative term. In the post-war period, the only existing examples of state corporatism were found in Spain and Portugal.

During the 1960s and 1970s, the idea of corporatism surfaced once again in many industrialized countries, but this time it emerged as a reaction to Keynesian economics and the increasing costs associated with the welfare state. The renewed interest in corporatism prompted many scholars to focus their attention on this field of study. It should be noted, however, that while these scholars showed considerable interest in this concept, they have not reached a consensus on the components of corporatism. While there are common themes found in most theoretical formulations, the studies put forth by Schmitter, Lehmbruch, Cawson, Offe, and Panitch demonstrate

different perceptions in neocorporatist theory; different theorists incorporate unique features in their formulations, and often with contrasting results.

The popularity of neocorporatism was significantly more widespread in Europe than in North America. By 1970, neocorporatist structures began to emerge in most European countries; and while the most comprehensive systems were implemented in Sweden and Austria, several other European countries have also been heavily dependent on tripartite structures. Yet, even those countries that have most extensively implemented neocorporatist structures, none parallels the ideal-types developed by contemporary corporatist theorists. That is, the actual cases do not necessarily correspond to the theories developed by modern scholars, and the primary factor accounting for this difference is because there is not much consensus between theorists as to what corporatism actually means and entails. Consequently, it would be difficult for political scientists to apply a corporatist theory to an actual case if there is no agreement on the theory itself.

In contrast to European corporatist models, Canada is generally characterized as an example of pluralism, although there have been attempts to implement tripartite programs. Most of these attempts at corporatist policy-making in Canada have been made at the sectoral or provincial levels, which has generally not been the case in the more advanced European

models. In addition, Canada lacks several essential ingredients necessary for corporatism to flourish such as a strong labour movement, a dominant socialist party, and policies of wage restraint. Also, there is a perception among the vast majority of Canadians that corporatist practices are less democratic than the parliamentary functions.

It appears that the popularity of neocorporatism may have peaked during the 1970s. In Europe, many countries such as Germany have begun to look for viable alternatives to corporatism, and even in the paradigm cases of Sweden and Austria, organizational decentralization has begun to take place, and this raises questions about the effectiveness of corporatism. It has been argued that corporatism generally works well in periods of economic prosperity, but not in periods of economic decline; it has been described as a fair-weather theory. In addition, the development of the European Economic Community has also mitigated against the further development of tripartite arrangements. On the other hand, while corporatism never really made a significant impact in Canada, there have been efforts to implement tripartite structures; but in more recent years, these efforts have become increasingly rare. Consequently, corporatist structures in Canada will continue to have a limited impact on policy formation in the future.

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