

# Western European Corporatism(s): Models for Eastern Europe?<sup>1</sup>

## Abstract

Welfare states in Western Europe are constrained: populations are graying, economies are becoming more service-oriented, and citizens are demanding the same level of state welfare while the relative level of employed people is decreasing. Corporatism is a mode of interest intermediation that has been successful in negotiating social and economic policy reforms in some welfare states under conditions of ‘permanent austerity’, and in other extreme circumstances as well; such as rapid economic growth in Ireland in the 1990s. Recently, countries in Central and Eastern Europe (CEE) are undergoing rapid transformations as well, as they transition from autocracies and state-run economies to democratic pluralism and market economies. This paper is about the role that corporatist structures play in negotiating those reforms in CEE countries. First, I examine, using historical institutionalist tools, two countries with temporally-contrasting corporatist models: Germany and Ireland. Germany’s corporatism reflects high path-dependency and lock-in effects, while Ireland has generated entirely new corporatist institutions in the last two decades. I then evaluate Hungary as an example of an average CEE country for corporatist arrangements. The conclusion is that Hungary represents a mixed temporal model of corporatism that has been influenced by both historical and novel forces. However, due to the influence decades of Soviet-style socialism had on the valuation of trade unions, the corporatist structures represent “peaks” of non-existent encompassing interest organizations. While officials of the tripartite may act the part of corporatist actors, the negotiation over policy is emulationist, and due to the weakness of labor, usually neo-liberal business interests are represented.

## Introduction

In Central and Eastern Europe (CEE), states’ economies are in a transition of decentralization from state socialism to capitalism. Concomitantly, political systems in CEE states are evolving into liberal democracies. A window of opportunity has opened, although temporary, for observation and research to see how actors and institutions emerge and evolve to negotiate social and economic policy, and what influences are strongest in that evolution. Experiences in Western Europe have shown that “negotiated governance”, of which corporatism is a type, plays an important role in major processes of social reform. Countries such as Ireland developed new corporatist models that were crucial for successful reformation in times of severe economic and political change, while established welfare states, such as Sweden, rely on institutionalized processes to successfully pass major social and economic reforms while trying not to cause major political unrest.

Corporatism, a concept for theorizing political economy, has been described as the following:

[Corporatism]’s central claim [is] that behavior – economic, social or political – cannot be understood exclusively in terms of either the choices and preferences of private individuals or the habits and impositions of public agencies. Somewhere between markets and states [exist] a large number of ‘self-organized’ and ‘semi-public’ collectivities that individuals and firms [rely] upon more-or-less regularly to structure their expectations about each others’ behavior and to provide ready-made solutions for their recurrent conflicts (Schmitter and Grote 1997: 1)

Corporatism, as defined above, takes different forms in Western Europe. “Old” Western European welfare states, exemplified by Germany, developed incrementally through decades of

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decision-making in social-democratic political conflicts over issues of social welfare and the welfare state. The institutionalization of the mechanisms used to find solutions to these conflicts and existence of these “semi-public collectivities” evolved into a model that is now known as “classical corporatism”. Other Western European states have established themselves as “new” welfare states – for example, Ireland – by developing the institutional framework for corporatist decision-making as a specific functionalist response to drastic changes in their economies and in their political environments. The emergence of and functional style of corporatist institutions in this fashion have come to be known under different names, for example, ‘competitive corporatism’ in the Netherlands, or ‘inclusive corporatism’ in Ireland.

The development of CEE states’ institutions to negotiate social policy may be functional like “new” Western European welfare states, due to the institutions developing in a increasingly competitive and globalized political economy and under supranational conditions specified by the European Union (EU). However, these structures may also develop incrementally – with the influence of actors and institutions carried over from state socialism – as they have over decades in older Western European welfare states such as Sweden and Germany. A most likely outcome is a “mixed-model” in which the evolution of welfare state policies and corporatist institutions and actors in CEE contain a combination of novel institutions and path dependencies.

By evaluating empirical information gathered about the negotiation of social and economic policy in a CEE country, I plan to evaluate how actors and institutions in the state, in organized business and in labor change, and which factors are most influential in this transformation. Exposure to global capitalism, and the previously existing institutional framework are all major factors to be considered in determining whether or not corporatist structures develop in CEE countries, to what degree of strength corporatist models develop.

Both older and newer welfare states have shown that in times of high economic growth and/or macroeconomic structural change, negotiated governance is crucial for successful reform. It is therefore both urgent and necessary to determine whether or not CEE countries can rely on models of negotiated governance, such as corporatism, during the current time of rapid economic change, or whether the countries will suffer from effects of excessive and unchecked neo-liberal economic reforms without institutionalized corporatist actors to intermediate interests in the public policy-making process. Ultimately, I hope to determine how a model identified in a CEE country is comparable to models identified in Western European countries, and how their evolution transpired – taking into account the existing institutional structure, power relationships, and constellation of organized interests. Finally, I will carry out a normative analysis of these models of negotiated governance, including what institutional models produce successful outcomes.

A contrast and comparison of corporatism(s) in Western Europe and the evaluation of an identified model in Eastern Europe will provide the grounds for analysis of one of the most pertinent dilemmas in European politics today: how to create and maintain economic growth while delivering on political promises for social welfare. A case study of emerging structures in a new CEE accession state to the European Union will help bring to light a theory of how vibrant, free-market democracies can also hold to the principles of social democracy. The

importance of researching the evolution of corporatism, or negotiated governance models, in the “enlarged Europe” is underscored by the priority given to negotiated governance by the EU at the supranational level and the drive towards coordination of social laws being advanced by the EU (Falkner 1998, Leibfried and Pierson 1995 as quoted in Ebbinghaus and Visser 2000: 9). Thus, this study is likely to be a contribution to an area of research that will be focused on in the new Europe for years to come.

### **Theory, Methodology, and Model for Empirical Research**

The birth of new institutionalism has been likened to a “successful counter-reformation” that returned political science to an adequate focus on institutions in political analysis and corrected the overly rationalist – behaviorist or structuralist interpretations prevalent in the discipline (Peters 1999: 1; Bulmer 1998: 369; Thelen and Steimo 1994: 4). Within “new institutionalism”, which is importantly pointed out as an “umbrella term” for the many variants of the theory which exist, institutions are defined more widely as formal or informal structural features of society that have a degree of stability over time and that affect individual behavior (Bulmer 1998: 369; Peters 1998: 18). New institutionalism also restores a theoretical focus on the role of values and norms embedded in institutions more than in the institutionalism of old (Bulmer 1998: 369).

In the 1980s authors March and Olsen published several seminal articles that made a persuasive case for a new theory of institutionalism. Of central importance to the concept of corporatism, they argued that collective action should be moved back into the center of political analysis (Peters 1999: 17). But new institutionalists also expanded the school of thought to include a “micro-institutional” level that would provide an explanation for organizational and individual behavior (Bulmer 1998: 375; Peters 1999: 1). Second, March and Olsen popularized the idea of a “logic of appropriateness” that brought institutions, organizations, and individuals together in a normative dimension, thus highlighting the role of values, norms, and ideas within institutions and their power in shaping individuals behavior (Bulmer 1998: 375-6; Peters 1999: 19). However, while the “umbrella term” of new institutionalism denotes certain characteristics, such as the two discussed above that stretch across the entire theoretical school – and the universal assertion that institutions more than “just matter” – the term “new institutionalism” also signifies competing approaches within the school, and, subsequently, a rich debate over what the theories of new institutionalism could or should be.

Thus, the transformation from old institutionalism to new institutionalism resulted in the development of several approaches or variants within new institutionalist theory. In their classic work in 1996, Hall and Taylor widely popularized the delineation of three approaches, which they named historical institutionalism, rational choice institutionalism, and sociological institutionalism (see Hall and Taylor 1996). Although some scholars dispute Hall and Taylor’s typology (Hay and Wincott 1998, Gorges 2001a/2001b), for the purposes of this paper the more substantive critiques within Hall and Taylor’s variants of new institutionalism are more important to elaborate upon than the conflict over these labels. Theories of corporatism are closely related to historical institutionalism, and thus this paper will focus on this variant of new

institutionalism, and following will add relevant contributions from the other two schools that benefit an analysis of corporatism (Hall and Taylor 1996: 938).

### **Historical Institutionalism**

Historical institutionalism is invaluable as a theory which can defuse the animosity between the “usual sharp dichotomy between rational choice and non-rational choice work”, instead emphasizing the significance of the effects of time in both traditions (Pierson 1998a: 34). Historical institutionalism emphasizes that the temporal aspect of politics is pivotal to understanding political development; indeed, political development can only be understood in light of these temporal processes. Furthermore, these processes are often only comprehensible as “embedded in institutions – whether [the processes are] formal rules, policy structures, or social norms” (p. 29). The emphasis on time also highlights inter alia the issues of path-dependency, “lock-in”, and critical junctures. These ideas, which are accentuated in historical institutionalism, make the theory a particularly useful one for analyzing the development of corporatist institutions in Eastern Europe, and therefore, following, they are outlined in detail.

Path dependence is the idea that the actors that make initial choices about institutions or policies then commit their creations to a journey down a particular path based on those initial conditions, unless a “sufficiently strong political force deflects them from it” (Peters 1999: 19). In addition, path-dependence challenges the assumption that the current configuration of an institution is actually an embodiment of the intentions of the actors responsible for the original institutional design and thus is closely related to the concept of unanticipated or unintended consequences. Following, the idea that there is “an efficient historical process” leading towards an ultimately desirable solution or equilibrium in spite of its own historical context is seen as an overly rationalist or functionalist interpretation (Pierson 1998a: 34; March and Olsen 1989: 5-6). Put another way, historical institutionalists tend to reject the assumption that the idea of path dependence postulates that the “same operative forces will generate the same results everywhere”, and rather, analysts in this school of thought take the view that forces will be mediated by the context of the situation in which they are at work – and that the contextual features are “often inherited from the past” (Hall and Taylor 1996: 938).

The argument of “lock-in” is less obvious than that of path-dependency because the issue is essentially one of the “absence of conflict”, wherein political decision-makers are led into making “non-decisions” (Pierson 1998a: 47). Lock-in plays out in political processes when by “accelerating the momentum behind one path ... previously viable alternatives [are rendered] unviable” (ibid.). Therefore it is empirically practically impossible to test – one would have to investigate how adaptations to institutional constraints essentially changes the future context for decision-making (ibid.). These theoretical idiosyncrasies are particularly important in CEE countries given the rather rushed transformation governments had to make from state socialism to free market democracy. Although institutions or policies may be renamed in countries in CEE, the initial choices political actors made were under the guise of state socialism and mediated by the historical context of the regime change in 1989. Furthermore, the history of state socialism most probably ruled out certain policy possibilities in the minds of politicians in CEE countries.

The idea of “critical junctures” is one mechanism employed to explain change within historical institutionalism. The ability of the theory of historical institutionalism to predict change is problematic for some due to its seemingly *ex post* explanatory character that is to some, nearly tautological (Peters 1999: 69). Change often occurs in “rapid bursts” between “long periods of stasis” (Krasner as quoted in Peters 1999: 69). Hall and Taylor describe the same phenomenon as the division of the flow of historical events into “periods of continuity punctuated by ‘critical junctures’” (1996: 942). Critical junctures are either “moments when substantial institutional change takes place”, creating a point from which development moves onto a new path, or “conjecture[s] of a variety of internal political forces” that occur simultaneously, allowing for significant change that could not occur as a result of the individual forces occurring separately (Hall and Taylor 1996: 942; Peters 1999: 69). Therefore, regardless of the criticisms of historical institutionalism’s ability to predict change, the idea of critical junctures is quintessential for explaining changes before, during, and after the regime change in CEE countries. These events could not have occurred without a confluence of events happening among diverse sets of actors and circumstances that probably could not have been wholly predicted by any theory in political science. However, the application of historical institutionalist theory to these events in CEE countries can provide important lessons about how the junctures, as the historical context of the path of institutions in CEE countries, might affect their future development.

A thorough analysis of historical institutionalism in relation to corporatism and the application of a new institutionalist approach to corporatism in Europe imply a paradox. First, as I will discuss in the Part Two of this thesis, a diversity of corporatist models exist in Western Europe – indeed, even within the simplified typology of “classical corporatism”, and other types of corporatism – such as “inclusive corporatism” – different sub-varieties of corporatism(s) exist. Second, as I discussed in the first chapter, institutionalist theories explaining or describing how and why these varieties of corporatism exist with different variables. I will use a paradigm that includes the issues of path-dependency, lock-in, critical junctures, and contributions from rational-choice and sociological institutionalism to analyze corporatism in Eastern Europe. I propose a model for empirical research on corporatist institutions in CEE that examines two major influences.

The first influence of the two on corporatism in CEE is what could be called “historical incrementalism”, such as that most prominent in welfare states that have developed slowly over decades through careful political compromises. The aspects of path-dependency, lock-in, and critical junctures are the most beneficial in examining this first influence. The second phenomenon to be assessed in my empirical model is that of the existence of genuinely new corporatist institutions and why they have emerged or are emerging. Whether due to learning, emulation, or coercion, the emphasis on functionalism as an impetus for institutional creation is useful in assessing this influence. Put simply, corporatism that is influenced by a mixture of factors – path dependency, critical junctures, and other external factors – points to a paradox within institutional theory. Utilizing the contributions of the different schools of thought within new institutionalism will help unravel this paradox, and also help develop a clear hypothesis and

methodology for identifying and assessing a “mixed-model” of corporatism in empirical research of political economies in CEE countries.

### **Methodology – Identifying Corporatism**

Corporatism becomes useful as a theory for assessing different political economies when it is liberated from any particular political ideology or preconceived opinion that stigmatizes the concept *a priori* (Schmitter 1974: 87). Over the last century, a wide range of different parties on the political spectrum have tried to put a claim on corporatist practice (ibid.). Schmitter was a pioneer in the identification of corporatism as “praxis” or an “ideal-typical institutional arrangement for linking the associationally organized interests of civil society with the decisional structures of the state” (p. 86). By revealing what aspects are required in a political economy for it to be corporatist, the theory becomes useful in a comparative study of the different practices of interest intermediation in several states. The three most evident aspects of a corporatist system are *the concentration of interest groups in a political economy, the link of those groups to the decision-making processes of the state, and their functional nature.*

Cawson identifies the single most important independent variable for identifying corporatism in a political economy as the “degree of concentration in the structure of interest groups” (1986: 32-37). However, this variable exists *inter alia* with other variables such as the role of the state, and the nature of the role of the interest groups (ibid.). First, just as successful producers acquire monopolistic or oligopolistic power in market economies, powerful interest groups gain a high concentration of power in places where corporatism is present (p. 32-33). In this sense, corporatism challenges the pluralist paradigm of the existence of an indefinite number of interest organizations (p. 35). The limited number of interest groups that are a requirement of a corporatist system also trigger state interventionism, as do monopolistic or oligopolistic firms in a market economy. Thus, the recognition bestowed upon powerful corporatist interest groups by the state is jealously guarded by the interest group, but also creates a cycle where the state needs the interest group to fuel the capitalist political economy. As Schmitter wrote in 1974:

“the more the modern state comes to serve as the indispensable and authoritative guarantor of capitalism by expanding its regulative and integrative tasks, the more it find that it needs the professional expertise, specialized information, prior aggregation of opinion, contractual capability and deferred participatory legitimacy which only singular, hierarchically ordered, consensually led representative monopolies can provide” (p. 111).

This cycle that Schmitter writes of is at work in advanced capitalist economies. The interest groups that are involved in this cycle are representative of class associations – and as detailed below – function as such.

According to Cawson, in the “ideal-typical corporatism” corporate groups cannot be “preference groups” which exist in a competitive political environment (1986: 37). The basis for corporate groups is not their representation of a “shared value position” but their function as “self-regulating agents of policy implementation” (ibid.). Corporate groups can also represent a process of class collaboration in a tripartite bargaining setting with the state (ibid.). Moreover, if corporate groups do not represent class interests – as in trade unions for labour and in business

associations for owners – they can, and more frequently, represent “social closure” around skills (in addition to ownership). This is exemplified most importantly in the professions which “distinguish themselves by erecting monopolistic barriers to entry to their ranks, and developing effective procedures for self-regulation” (p.38).

The most important characteristics of corporatist organizations, then, are intricately interlinked. Their most notable aspect is the organizations’ monopoly status (or the lack of competition in the interest representation process). This concentration of power inevitably brings more intervention – and more recognition – from the state, which is the “arena in which the process of corporatist politics takes place” (Cawson 1986: 36). The monopoly status also brings about the capability for self-regulation through the “disciplined co-operation of members” (p. 38). The major structural differentiation between corporatist groups, with a focus on production within the sphere of political economy, is class (p. 37). In conclusion, there may be corporatism without labour, or without organizations representing the ownership class, but there cannot be corporatism without interaction between one of these organizations and the state.

### **Types of Corporatism – State versus Societal Corporatism**

Although there has been a plethora of varieties of corporatism over the last centuries, Schmitter’s “societal corporatism” and “state corporatism” subtypes are the most useful for a study of corporatism in CEE countries due to the similarities between regimes under Soviet rule and corporatist practices under what Schmitter has labeled “state” or “authoritarian” corporatism subtypes. Schmitter strove for “middle-range hypotheses which [were] explicitly qualified as to cultural, historical and even geographical space” (p. 102). He hypothesized in 1974 about what corporatism existed within the Soviet Union:

“the Soviet experience suggests the existence of a ‘monist’ model which could be defined as ... a system of interest representation in which the constituent units are organized into a fixed number of singular, ideologically selective, noncompetitive, functionally differentiated and hierarchically ordered categories, created, subsidized and licensed by a single party and granted a representational role within that party and vis-à-vis the state in exchange for observing certain controls on their selection of leaders, articulation of demands and mobilization of support” (p. 97).

Following, the author used the autonomy of corporatist organizations in relation to the state as the key distinction between subtypes of corporatism. Appropriate for a study of corporatism in Central and Eastern Europe, Schmitter uses the work of a Romanian scholar, Mihail Manoilescu, as his *raison d’être* for this “radical distinction” for corporatism with autonomous organizations and corporatism with dependent organizations (p. 103). Simply defined, organized interests in societal corporatism are “autonomous and penetrative” while organizations under state corporatism are “dependent and penetrated” (*ibid.*). Thus, the question becomes how a corporatist model of interest intermediation transitions from a state corporatist type to a societal corporatist type, and, what elements of a state corporatist model are “locked-in” to a new societal corporatist model when a country, like the countries in Central and Eastern Europe, transition from state socialism to free market democracy. Are there elements from a previous state corporatist model that are evident in the corporatist arrangements that exist after the regime change in 1989 in CEE countries? If so, this would indicate a path-dependent evolution of institutionalized welfare state arrangements. However, it is possible, as in the case of other

European countries like Ireland, that entirely novel institutions are created to serve the purpose of guiding the country through important economic and political reforms during times of severe upheaval – whether in the economy, the political structure, or the composition of the social contract with citizenry (or all three) – are created instead. But given what Pierson calls the “institutional stickiness” of welfare state arrangements, which I will elaborate on later, the initial composition of the corporatist structures in CEE countries is likely to have a heavy impact on the evolution of the models themselves.

### **Identifying Corporatist Arrangements: Germany, Ireland, and Hungary**

I will compare two contrasting cases using the two major influences I outlined earlier – historical incrementalism, and the impetus for genuinely new institutions. First I will analyze Germany, one country with heavy evidence of path-dependency, lock-in effects, and critical junctures, and then Ireland, a country which has notably created new corporatist institutions for negotiating welfare state reforms. My empirical model by which to identify corporatism in a CEE country is by three factors. First, I will identify which level of maturity the corporatist model has reached, or whether the structures are the emerged or emerging, and second, the country-specific situation, including the existing patterns of negotiated governance, the degree of concentration among interest groups, and specific institutions for negotiation. Finally, I will carry out a normative analysis citing examples of success and the frequency of use of the structures. I will apply the paradigm built from the aforementioned analysis to do an in depth case study on Hungary as a CEE country, providing an idiographic account of the evolution of corporatist arrangements in the first years after the regime change, in the early 1990s.

### **Varieties of Corporatism in Western Europe**

The constraining of social expenditure by states in the 1980s and 1990s marked a shift from expansionary welfare state policies to austerity (Kittel and Obinger 2003: 20). There are a wide variety of theoretical explanations of the “role of politics as a driving force behind the variation in the dynamics of social expenditure” (p.21). First, does globalization cause a “race to the bottom”, weaken the state and therefore change the politics behind welfare state reform? Or can affluent democracies, such as those in Western Europe, adequately resist the pressures of globalization? If so, theoretically, the same “old logic of politics” would exist under welfare state constraint as during the “golden age” of welfare state expansion (p.22). Second, is there an inherent change in politics when a welfare state shifts from expansion to constraint?

Pierson’s argument, which is outlined in detail below, is that a very different political constellation is at work under welfare state retrenchment (Kittel and Obinger 2003: 22). Can we therefore assume a “new logic of politics” based more or less on “blame avoidance” as elected officials enact policies of retrenchment but evade electoral punishment? A combination of some parts of these theories leads to Flora’s “growth to limits” scenario in which big spending welfare states are forced to constrain, and thus rely on the new logic of politics, while “welfare state laggards may still have some leeway” to expand and thus rely on the old logic of politics, but that all welfare states driven to converge at an upper limit (Kittel and Obinger 2003: 22, also see Flora 1986). The Flora model is similar also to what Pierson and Scharpf call “divergent

convergence, in which all welfare states are pushed to a limit, but that “countries respond differently to these challenges contingent upon their institutional settings” (Kittel and Obinger 2003: 22). Kittel and Obinger’s robust quantitative analysis of twenty-one affluent democracies provides support for Flora’s thesis, which the authors call the “catch-up” model, and Pierson’s “new logic of politics” argument. Indeed, politics still matter, but they matter in “more subtle ways” (p. 40). The logic of politics has changed in the time of austerity, but the biggest influences on welfare state reform are institutional effects: policy legacies and institutional settings (p. 39-40).

It is an economic fact that countries’ welfare state arrangements exist in an environment that is akin to “permanent austerity”, but there is disagreement as to the major causes of this austerity (Pierson 1998b: 539). Pierson writes of the welfare state as an “immovable object” because of two major reasons (p. 552). First, in some countries, state-provided welfare has become legitimized due to it being construed in social consciousness as a “right of citizenship” (ibid.). Second, there are large, powerful, and funded coalitions that align to fight against any unwanted reforms of the welfare state, and these constituencies have not only the incentive but also the means to fight rollbacks of state-provided benefits (ibid.). On the other hand, elected officials have short time horizons which give them the incentive to pass policies that may not be presently fiscally appropriate, but please the current populace (ibid.).

More important from a historical institutionalist point of view is what I mentioned earlier as Pierson’s idea of the welfare state’s “institutional ‘stickiness’”, which is comprised of phenomena that reinforce the aforementioned electoral incentives that give strength to the welfare state (ibid.). There are two features that Pierson combines into “institutional stickiness” – “veto points” within the formal political institutions that create and reform welfare state policies, and “path dependent processes [which] ... tend to lock existing policy arrangements into place” (ibid.). Pierson writes that recent research on path dependence has demonstrated that:

... certain courses of policy development, once initiated, are hard to reverse. In adapting to complex policy arrangements, change (even to some alternative that might have been more efficient if adopted initially) far higher than the costs of continuity. Existing commitments lock in policy-makers (p. 553).

All of these factors make the welfare state an “immovable object” among “irresistible forces” that surmount to cause a condition of “permanent austerity” (p. 539). However, while many attribute the current and seemingly unending environment of austerity to the trials and tribulations of globalization, Pierson emphasizes that there is an incorrect causal relationship between globalization and a “weakening nation-state” that is due to a coincidental correlation in timing of the effects of globalization and the pressures of post-industrialization (1998b: 540). The author points out several endogenous characteristics of a country’s own political economy that have led to a condition of permanent austerity, namely, what he calls “post-industrial pressures” (p. 540). The three biggest pressures have been the effects of the growth of the service sector, the maturation of commitments made by the government regarding welfare, and population ageing (ibid.).

### **Classical Corporatism: Path-Dependent Institutions**

The most frequently used examples of “classically corporatist” countries are Sweden and Germany. Groups working on behalf of the tripartite cooperate to “manipulate market signals, especially labor-market signals ... to negotiate broad agreements on nationwide wage levels” (House and McGrath 2004: 34). The classical corporatist-style tripartite bargaining resulted from the need to lower uncertainty and tension resulting from the economic tradeoff between high inflation and high unemployment – or “Okun’s misery index” (Teague 1995: 256). The goal of the model was to balance the trade-off between inflation, full employment, and social justice without formal state intervention. Therefore the approach of the model was aimed towards bargaining and self-regulation.

The actors involved in classical corporatism are the tripartite: labor organizations, employer or business organizations, and the government. The role of the state is at best to mediate, sometimes to intervene, and at worst to push its own agenda. Characteristics of the model included centralized wage bargaining, a wage strategy that is agreeable to both parties, and an active labour market policy (House and McGrath 2004: 34). The issues addressed included wage levels, social security, working hours, and health and safety issues. The mechanisms used in the model are deficit-financed public spending and income redistribution from the rich to the poor (ibid.).

### **Classical Corporatism and Path-Dependency in Germany**

In order to understand the historical evolution of interest intermediation groups in Germany it is important to understand the influences that were at work within Europe itself. Ebbinghaus and Visser name major “cleavages” useful for understanding social structures in their research in countries across Europe. These cleavages are important, when taking a historical approach, to “understand both the variety in the types of organization and the reasons for their existence” (Flanders in Ebbinghaus and Visser 2000: 40). These cleavages, or “enduring societal conflicts”, operate by dividing the social structure into “various collectivities”, some of which may represent a “variety of interests” (Ebbinghaus and Visser 2000: 40-41). The authors identify three cleavages that are important influences in the evolution of interest organizations in Europe: first, the labor and capital cleavage, second, the Church and State cleavage, and third, the revolution and reform cleavage (p. 42). The labor-capital cleavage was the foundation for the formation of a socialist union movement in Europe that had links to social democratic political parties (ibid.). The second cleavage, the Church-State cleavage, was the impetus behind the creation of Christian labor movements (ibid.). Finally, the revolution-reform cleavage was related to the emergence of anarcho-syndicalist and communist union movements (ibid.).

Ebbinghaus and Visser write in the spirit of path-dependent model in Germany, that after World War II, the “newly founded unions and union confederations in ... Germany ... [were] built upon the foundations and experiences of unions that had been suppressed and forcefully dissolved a generation earlier” (2000: 34). The origins of the German welfare state can be traced back to the beginning of the unification of Germany under Bismarck. In the late 1880s, to try to prevent reactionary radicalization due to Bismarck’s anti-socialist laws, the first social

insurance policies were introduced by the Emperor in case of sickness, accidents, or old age (Ebbinghaus et al. 2000: 281). Because these benefits were financed by employers and workers, both groups were “granted roles in self-administration”, creating truly bipartite “para-state institutions” for the first time (ibid.). Thus, the early influence of authoritarianism in a country which integrated into a nation-state rather late, during a time of rapid industrialization, created the foundation (and the initial conditions for path-dependency) of a benevolent welfare state with corporatist structures in Germany which is still evident today (p. 280-281). The legacy of political suppression and weak democratic rights also meant that the organization of the working class was difficult, but in 1875, the General German Workers Association (ADAV) and the Social Democratic Workers Party (SDAP) merged to form the Social Democratic Party (SPD), which grew to be the largest political party in Germany (p.282).

The Church-State cleavage is the most powerful influence on the organization of interest groups when examining the history of these groups in Germany. Opposition developed towards the “national-conservative Empire and Protestant-aristocratic Prussian state” yielding Catholic and socialist organizations when interest groups first started forming in the unified empire under Bismarck (Ebbinghaus et al. 2000: 280-281). Bismarck’s policy of curtailing Catholic influence on culture (*Kulturkampf*) led to the organization of the Catholic party Zentrum that reached across social classes; however, a Protestant party was never formed (p. 282). The “Weimar experience of a democratic republic and corporatist system of labor relations” also had an important historical influence, mostly due to the system’s inability to find solutions to political and social conflicts, which led to increased state intervention and ultimately the failure of the prevention of the rise of fascism (p.280). However, a “milestone in German labour relations” occurred during the Weimar Republic, when a revolutionary bipartite agreement (*Zentralarbeitsgemeinschaft*) between employers and labour was signed that not only recognized unions, but collective bargaining, labor exchanges, worker representation within the workplace, bipartite voluntary mediation boards, and a limit on the workday of eight hours (p. 284). The works councils that still function in Germany (and that have been attempted at the European level) stem from this time, but also have roots in the Bismarckian model of corporatist state traditions (ibid.).

The Weimar Republic soon ceased to exist, after many political difficulties – such as a coup d’état and the hyperinflation of 1923 – and Hitler usurped power in 1933. Under the Nazi regime, all political parties, unions, and democratic institutions were abolished, which constitutes a critical juncture in historical institutionalist analysis (p. 283). After the end of World War II and with the division of Germany into the western-oriented Federal Republic of Germany (FRG) and the Communist German Democratic Republic (GDR), the first decades of West German politics were dominated by the Christian Democratic Party (CDU) (ibid.). The CDU party reached beyond the boundaries of Zentrum and also had a strong workers’ wing, the CDA (ibid.). At this point, “Christian teaching” had some influence on the corporatist “social partnership and on co-determination practices” advanced by the dominant Centre governments.

In 1966, the CDU and the SPD formed a “grand coalition” and instituted policies of “concerted action” (*konzertierte Aktion*) to coordinate income policies between the bargaining partners and the State (Ebbinghaus 2000: 283). Following, reforms were completed by the dominant SPD

and Liberal party (FDP) in industrial relations and social and employment policy when they ruled, until a Conservative takeover in 1982 (ibid.). However, given the strong institutionalization of the CDA in the CDU and the strong social partnership, a radical policy shift towards neo-liberalism, as had happened in Britain during this period, for example, was prevented (ibid.). From this point forward, the German welfare state encountered the conditions of the aforementioned “permanent austerity”. It was not until 1996, when the Kohl government attempted a unilateral reform of the social insurance system, that social concertation failed.

On the business side of organized interests in Germany is one of few national “employers’ peak associations” left in Europe: the *Bundesvereinigung der Deutschen Arbeitgeberverbände* (BDA) (Ebbinghaus and Visser 2000: 38). Business and trade associations go back to the German Reich, when the Central Organization of German Industrialists (CDI) was founded for the protectionist coal and steel industry. A rival free-trade oriented industrial peak association was founded as well, the *Bund der Industriellen* (BI) in 1895, but the organizations merged due to a domestic truce to form the *Richsverband der deutschen Industrie* in 1919 (Ebbinghaus et al. 2000: 285). Different opinions about free-trade also divided the peak employers’ organizations formed at the beginning of the 1900s: Hauptstelle for protectionist heavy industry, and the *Verein Deutscher Arbeitgeberverbände* (VDA) for industries that were the target of strikes (ibid.). Finally, the regional chambers of commerce and industry in Germany formed an umbrella organization (DIHT) in 1918, leaving three “functionally differentiated business associations” representing industry, employers, and regional business interests until the end of the war (ibid.). However, these organizations were largely delegitimized due to their complicity with the Nazi regime, and were broken up into organizations that then had no national coordination (ibid.). Then, again following the three pillar model, three peak associations were established: the peak trade association BDI, the peak association for regionally differentiated chambers of commerce DIHT, and the peak employers’ association BDA (p.286).

Free collective bargaining (*Tarifautonomie*) was established in 1949, due to previous bad experiences with state intervention, along with a peak trade union – the German Trade Union Confederation (DGB) (Ebbinghaus et al. 2000: 290). Both were historic achievements, but “unity” within the union movement, or *Einheitsgewerkschaft*, was imperative in light of the “failure of trade union to face the rising fascist and anti-democratic threat” in the Weimar Republic, and the “suppression of trade unions and democratic parties during the Nazi regime” (ibid.). The non-partisan, all encompassing DGB was created to overcome politico-religious splits, status or class differences, and a lack of coordination among trade unions in Germany with industrial unionism (p. 279, 290). Although the DGB represents over eighty percent of all trade unions, it does not carry out collective bargaining on behalf of its affiliates (of which there are currently eight) (ICTUR 2005: 128). However, the central role that this national organization plays in setting the agenda of negotiations, and in ensuring that the agreements reached are “broadly acceptable to membership as a whole” should not be underplayed (ibid.). Also, all German trade unions act as a “social partner” in negotiating social and economic policy, but the DGB has an important (corporatist-style) role in providing information to its affiliate unions (p.129). On the other hand, due to Germany’s “dual system” of the legal separation of collective bargaining and works councils, the collective bargaining agreements that are made can be undermined by uncooperative works councils (p.128, 130). Works councils

and trade unions worked together, for the most part, until the unification of the FRG and the DRG and the difficult economic times that followed (p.128-130). Unions have enjoyed a prominent status in the former West Germany, at least, due to their contribution in the rebuilding of the country after World War II (ICTUR 2005: 129). Therefore, the anti-union sentiment prominent in many countries in the 1980s was not prominent in Germany (ibid.).

It is evident that historical forces have shaped how Germany conducts welfare state reform. This is in deep contrast to the next country analyzed – Ireland – which created its institutions in the last twenty years, seemingly in spite of the historical context of industrial relations, which had followed very closely the British, or Anglo-Saxon, model.

### **Celtic Corporatism: Genuinely New Institutions**

Ireland is the “case-in-point” for a new type of corporatism that developed in the 1990s (Schmitter and Grote 1998: 7). Ireland developed a tradition of centralized wage bargaining between 1987 and 1993, after years of negotiating with pluralist interest organizations, and not on a national, or macro-level (ibid.). The reasons for the creation of Irish corporatist structures were many. First, the oil crises of 1970s, an export-dependent economy, and high governmental spending led to fiscal, economic, and political crises in 1980s (House and McGrath 2004: 43). In addition, European integration was a heavy external influence in the creation of Ireland’s corporatist structures. Corporatism in Ireland, sometimes called “Celtic corporatism” or “inclusive corporatism” began in late 1980s and 1990s, and continues to the present (p.34). The goal of the social partnership in Ireland is to achieve what classical corporatist arrangements had, but without the negative side effects of deficit spending or high social disparities. The approach of the model is one of integration, put simply; Irish social partnership tries to be inclusive of all social partners without making decisions that are simply the easiest for everyone but instead the most sound for the country’s economy and society (p.48).

The negotiation process in Celtic corporatism is “deliberative, flexible, open-ended, problem-solving, and pragmatic” (House and McGrath 2004: 49). Groups do not “debate their ultimate social visions” (ibid.). Ireland’s new interest intermediation organization, the National Economic and Social Council (NESC), has an integrated approach toward “social inclusion, employment, and competitiveness” with the appreciation of a “self-sustaining balance amongst income-creating activities, service provision, income distribution and redistribution” (NESC as quoted in House and McGrath 2004: 48). Rather than having a “shared understanding” being the pre-condition for the social partnership process, “provisional consensus to proceed with practical action” is the outcome (p.49). The changing nature of the consensus is important because “problem-solving begets more problem-solving” and results in a self-correcting process or “virtuous cycle” (ibid.).

One key difference of the Irish model of social partnership has been the inclusion of more actors in the process of negotiation. The Irish model includes the classical actors and, in addition, non-governmental representatives of civil society in the decision-making process. Another difference is the shared culture behind the social partnership. Negotiators share a “moral compulsion” to come to some consensus (House and McGrath 2004: 51). Actors in corporatist

arrangements in Ireland include the Government – the *Taoiseach* (Prime Minister) – and representatives of business, unions, farmers, and community organizations (p.45). Another important difference in the Irish social partnership model is that agreements were never issued as a right-wing decree – like they are in many other Western European countries – so an uproar from the citizenry never happened in Ireland (at least due to welfare state reform) (House and McGrath 2004: 46). Again, this model aims to be more “inclusive” and “strategic”, and has increased institutionalization, thus embedding consensus in the social partnership “culture” (p.29, 31). Due to its success, the model has since been used consistently through several different administrations.

The role of the state in Irish corporatism is to coordinate, administer, supervise, and legitimize the agreements made by the social partners, so its role is integrationist rather than interventionist. The issues covered are highly dependent on current situation, but the agenda always has social aspects underpinned by maintenance of economic growth. The mechanisms used to implement policy are NESC reports followed by Social Partnership Agreements. For example, the NESC issued the Strategy for Development 1986-1990 Report in 1986 and subsequent reports in 1990, 1993, 1996, 1999, and 2003 (House and McGrath 2004: 45, 47). In 1987 the social partners issued the National Agreement Programme for National Recovery, which was negotiated between the tripartite in 1987 and included wage restraints as trade-offs for tax reduction and social benefits. This agreement did not have negative distribution effects due to “modifying influence of consensus”, and produced stable labor relations climate and virtuous cycle of negotiations (p.49). The Programme for National Recovery “aimed [to create] a fiscal and monetary environment conducive to the promotion of higher rates of economic growth”, and included, in addition to tax and wage restraints, measures for the reduction of inequalities, and policies for the low-paid (Schmitter and Grote 1998: 8). The Social Partnership Agreements in 1987, 1990, 1993, 1996, 2000, and 2003 included policies for education and training, social security, and health in addition to solutions to economic problems (House and McGrath 2000: 47). Most recently, the agreements have included policies on housing, cost of insurance, child poverty, and care of people with disabilities (ibid.). The 1990s saw a focus on social problems in the agreement, such as social exclusion, income inequality, and regional disparities, but was underscored by maintaining a healthy economy (ibid.).

Since Ireland joined the European Union in 1973, the country’s economy has evolved from a “backward rural economy” into the second wealthiest country in the EU in terms of per capita GDP (ICTUR 2005: 162). Ireland was experiencing major economic difficulties in the 1980s, including high deficits, high unemployment, and low productivity. Starting in 1987, the series of Social Partnership Agreements provided detailed collective bargaining and this style of negotiation became institutionalized in Irish political and mainstream culture – over ninety percent of the Irish public thought that union participation in the social partnership was “successful” (ibid.). The Irish Confederation of Trade Unions, a non-politically aligned organization, has become the peak association for labor, and it has grown more powerful with Ireland’s new institutionalized social partnership (p. 162-163). The peak association for employers and industry, the Irish Business and Employers’ Confederation (IBEC) was formed by a merger in 1993 of the Federation of Irish Employers and the Confederation of Irish Industries (Roche et al. 2000: 342). These two peak associations, along with the government

other civil society representatives, have participated in five rounds of social concertation that has led to an institutionalization of corporatist intermediation, clearly diverging from the Irish trend of following British industrial relations in the past (p. 343).

Thus Ireland and Germany represent two contrasting models of evolved corporatist-style industrial relations and welfare state reform. The influences on the German model can be traced back to the initial federation of the German state, in the late nineteenth century. The predominant culture of the Irish model developed as the institutionalization of corporatist-style negotiations that took place in the last twenty years. These two cases provide a framework for analyzing the evolution of interest intermediation structures in a CEE country after the regime change in 1989. Hungary, as an “average” CEE country that was neither the most capitalistic country under authoritarian Soviet-style socialism, nor the least, provides an excellent case study that could serve as the basis for further research into corporatism in CEE countries in the future.

### **Corporatism in Hungary**

Hungary was the first country in Central and Eastern Europe to institute a system of tripartism, called the National Interest Reconciliation Council (NIRC), before the regime change in December 1998 (Ládo 1994: 41; Schmitter and Grote 1998: 22). However, despite this early lead in the region, the prevailing consensus on tripartite negotiations or social partnership in Hungary is that they are largely symbolic meetings, now held because they are required by legislation from the European Union.<sup>2</sup> One author goes as far as to say that the de facto function of the meetings is networking between trade union officials and their business association counterparts (Ost 2000: 511). But Hungary is not the only country in Central and Eastern Europe to experiment with macro-level corporatism while trying to change its economy and polity – virtually every single one did at some point in the 1990s (Schmitter and Grote 1998: 22). There was “an element of irony” involved in these developments in CEE countries, however – the creation of these structures looked “suspiciously like efforts at copying Western practices when these very same practices were no longer functioning as they used to” (ibid.). There could be positive outcomes to the creation of macro-level negotiation partners, but it was “highly unlikely” that this style of negotiation would produce the same effects as in Western European countries due to the legacy of state socialism (ibid.).

Nearly seventeen years after Hungary’s first experience with tripartism, in 2005, a realistic look at existing corporatist structures is not a heartening one. Corporatism in Central and Eastern Europe has been called both an illusion and “the weakest link” (see Ost 2000; Ghellab and Vaughan-Whitehead 2003). Those structures which Hungary instilled even before the fall of the Berlin Wall have been disassembled and reassembled by different governments for different (mostly political) purposes (see Figure 3 below for a timetable of governments elected in Hungary in the decade after 1989). However, it appears that in whatever shape they take, the corporatist structures serve to legitimize the acts of neo-liberal interest groups and have largely

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<sup>2</sup> Interview by author with Dimitrina Dimitrova, Expert on CEE Trade Unions, ILO Sub-Regional Office for Central and Eastern Europe; Budapest, Hungary; 14 June 2005.

ignored (if they do indeed exist and function as such) groups serving the interests of the working class.

**Figure 3: Hungarian Governments in the First Decade after the Regime Change**

Years in Power	Political Alignment	Prime Ministers and Political Parties
1988 – 1990	Communist	Miklós Németh <i>Hungarian Socialist Workers' Party</i>
1990 – 1994	Conservative	József Antall (1990 – 1993) Péter Boross (1993 – 1994) <i>Coalition of the Hungarian Democratic Forum (MDF), the Independent Smallholders' Party (FKGP), and the Christian Democratic People's Party (KNDP)</i>
1994 – 1998	Socialist-Liberal	Gyula Horn <i>Coalition of the Hungarian Socialist Party (MSzP), and the Alliance of Free Democrats (SzDSz)</i>
1998 –	Conservative	Viktor Orbán <i>Coalition of Young Democrats – Hungarian Civic Party (Fidesz – MPP), MDF, and FKGP</i>

Source: Héthy 1999: 27.

It is important to take note of the changeovers of government, as they contributed to the volatility of corporatist structures in Hungary. For example, with the election of Orbán government in the 1998 Coalition, the legacy of the NIRC was destroyed. However, before that, Hungary had a “considerable history” with national level tripartism and experimented with structures that helped to draft legislation on industrial relations and to distribute and redistribute assets from the National Council of Trade Unions (SZOT), the single trade union that existed during socialist times (Héthy 1995: 79, 81; Schmitter and Grote 1998: 22).

### Identifying Corporatism in Hungary

I am analyzing corporatist structures Hungary in the year before the political regime change, and the early years following the first democratically-elected governments. Therefore, the structures are emerging structures, in the process of “institutionalizing”. The precariousness of the emerging structures is evident in the frequent disassembly of the structures and their recreation under a new name, as well as in the changes in and fragmentation of the organization of labor and trade interest groups, all of which will be discussed below in detail. In Hungary’s “country-specific situation”, I will discuss the existing patterns of negotiated governance and specific

institutions for negotiation, as well as the degree of organization among interest groups for trade unions, industry, and entrepreneurs.

In Hungary, it was not feasible for any system of social partnership or tripartism to exist before 1988, therefore, there were no patterns of negotiated governance until the NIRC was created. The NIRC was created (mostly for the purposes of wage deregulation) by the last communist government – the Németh government – and subsequently renamed the Interest Reconciliation Council (IRC), by the first post-communist government – the Antall government – in 1990 (Héthy 1995: 79). The IRC was a strengthened version of the NIRC, with a wider range of functions and participants (only the SZOT was allowed to participate in the NIRC, even though unions independent of the socialist state were beginning to form at the time), as well as a stronger organizational structure (*ibid.*). The IRC was composed of plenary sessions and several specialized committees for economics, income policy, wages and labor, the labor market, social policy, information, ethics, health and safety, training, and privatization (Héthy 1995: 83). The committees were used mostly to prepare for plenary sessions and to offer an opportunity for debate (*ibid.*). Few committees, such as the Labor Market Committee and the National Training Council, actually had decision-making powers. In 1999, the Orbán government dissolved the IRC “arguing that it wished to end corporatism” and established the National Labour Affairs Council (OMT) in which the organizations belonging can offer recommendations but were usually disregarded by the government (ICTUR 2005: 149). The government also abolished the Ministry of Labour, which was the representative of the government in the IRC, and split the Ministry’s other responsibilities between the Economics Ministry and a newly created body – the Ministry of Social and Family Affairs (*ibid.*).

### **Degree of Organized Interest Groups – Trade Unions, Industry, Entrepreneurs**

As stated earlier, the only trade union allowed to participate in the NIRC, when established, was the SZOT. However, after the political regime change and the establishment of the IRC, many organizations on both the sides of workers and employers were allowed to participate (Ost 2000: 509). However, the six trade unions were largely seen as “organizational remnants of the past”, or as “‘traditional’ or ‘old reformed’” unions that had roots in the monolithic SZOT (Héthy 2000: 3; Ost 2000: 509). The SZOT split, in 1990, into two unions, the National Confederation of Hungarian Trade Unions (MSzOSz) and the Trade Union Cooperation Forum (SzEF) (Héthy 2000: 3). The MSzOSz inherited about two-thirds of the the SZOT’s assets, but almost immediately lost half of its membership, which has been shrinking ever since (ICTUR 2005: 150). In 1991 and 1992, with other unions still critical of the way MSzOSz had inherited most of the SZOT’s assets, an agreement was reached whereby the union kept forty percent of its assets (*ibid.*). The SzEF was founded in June 1990 as a union for public servants, due to the deteriorating working conditions in public services, with the Health Workers’ and Teachers’ Unions being its major pillars (*ibid.*). The Autonomous Trade Union Confederation (ASzSz), the Chemical Workers’ Union, also “essentially belonged” to the “old reformed” category of unions and is predominant in the public utilities sector (Héthy 2000: 4). The last three unions, the LIGA Democratic Confederation of Free Trade Unions, or “the League”, the National Associations of Workers’ Councils (MOSz), and the Confederation of Professionals’ Unions

(ÉSZT) are considered “new unions” (ibid.). LIGA represents workers in both the public and private sectors, MOSz emerged as the federation of workers’ councils sympathetic to Christian democratic values, and the ÉSZT represents professionals in higher education and research (ICTUR 2005: 150, Héthy 1999: 8). Thus, the union structure in Hungary is very fragmented, with unions often fighting over resources, and the corporatist structures where they were represented therefore had a pluralist nature (Héthy 2000: 3).

The employers’ organizations are even more fragmented, largely because virtually any organization could declare itself an employers’ organization, and there were nine organizations being represented in the IRC in 2000 (Héthy 2000: 4-5). Instead of listing these by name (see Appendix 1), I will state their acronyms and some of the differences between them: some have large industrial and commercial organizations as members (MMSz and MGYOSz), some unite mostly cooperatives (AFEOSz, OKISz and MOSz), and others are associations of craftsmen and retail trades (IPOSz and KISOSz) (ibid.). There are associations of manufacturers (MGYOSz) and organizations representing sectors (MMSz and STRATOSz) (p.5). Entrepreneurs have their own organization (VOSz) (p.6). Finally, some associations are limited to agriculture (MOSz) and cross-membership in organizations is frequent (p.5). As if this weren’t confusing enough, chambers of commerce were also established in Hungary in 1995, and these organizations also compete with the employers’ organizations for resources and membership (p.6). Following, one can see that the organizations representing employers’, trade, industry, and entrepreneurs in Hungary are also very pluralist, leading to a very fragmented structure.

### **Normative Analysis of Structure – Frequency of Use, Successful Outcomes**

The frequency of use of the tripartite councils in Hungary seems to be sporadic at best, given the many configurations the “Reconciliation Councils” have taken, and the performance of the system has “fluctuated considerably” in the context of change in the political atmosphere and the economy (Héthy 2000: 14). The IRC got off to a difficult start, due to trade union conflicts over resources leftover from the SZOT, and interest in and the power of the councils changed with each government since the regime change, making institutionalization of the processes very difficult. However, during certain administrations that were friendly to tripartism, there were a number of successful outcomes, beginning with the resolution of the taxi drivers’ strike in 1990 over the price of gasoline (ibid.). The IRC also helped to pass a series of income policy package agreements in 1991, 1992, 1993, 1994, and 1997, which covered wage growth in the public and private sectors, minimum wages, personal income tax, family allowances and other social benefits, and increases in regulated prices, such as utilities (Héthy 2000: 15). These agreements helped to legitimize some very unpopular measures in times of economic difficulty, thereby easing social tension (ibid.). After wage deregulation, of which the original NIRC was both “a means for and the immediate outcome of”, the establishment of a minimum wage was an important step in Hungary that the IRC helped accomplish (ibid.). The IRC also helped to establish much legislature on industrial relations, including the Labour Mediation and Arbitration Service, the Labour Inspection Act, which “aimed at reducing illegal unemployment and protecting trade union rights” (p. 17). Although there are these few examples of success, however, the Hungarian tripartite still lacks two extremely important aspects for successful corporatism: first, the institutionalization of the process and subsequent building of a culture of

consensus, and second, the high degree of “monopoly” of interest groups and the power that heeds, leading to interdependence with the state.

### **Hungary’s Model: the Three Influences**

As stated earlier, I will evaluate Hungary’s corporatist structures for two major influences: historical incrementalism, or path-dependency, as was evident in Germany’s classical corporatism, and the creation of genuinely new structures, as was evident in Ireland’s Celtic corporatism. Although Hungary’s tripartite structure was created as a “genuinely new institution” as in the case of Ireland, it did not break away from its previous traditions so much as Ireland broke away from the Anglo-Saxon model or from emulating the British. Perhaps because Hungary’s tripartite structure was created before the critical juncture of the regime change, it carried over with it a heavy influence of the previous state socialist regime, with organizations not being dissolved, but essentially being renamed, split up, and fought over. As Ost writes, quite scathingly:

Hungary may have had more than a decade’s experience with tripartism but it has certainly not produced the concertation, much less the economic growth and security that effective neocorporatism signifies in the West. Instead, the Hungarian experience is one of weak tripartites passing unenforceable agreements, treated instrumentally and imperiously by the government, impotent in defending workers’ interests, and serving as cover for the onset of a neoliberal economy. With few differences, this is the same pattern we see elsewhere in the region. (Ost 2000: 511).

Hungary’s interest groups are so fragmented that the actors that are supposed to represent interests at the macro-level are the “peaks” of non-existent mountains. Because of this problematic structure, the corporatist organizations that have existed in Hungary have largely been railroaded by neoliberal interests, especially when a conservative government is in power.

Thus, a mixed-model of corporatism does exist in Hungary, with both strong path-dependent influences and genuinely new institutions being components of the tripartite structure. A paradox in institutional theory does become evident: although the institutions are new, they largely reflect path dependencies. The attempts at corporatism in Hungary do not constitute enough of a breakaway from the historical context of state socialism – on institutions, on actors and their intentions and mindsets, and on the Hungarian society as a whole – to be as successful as the institutions in Ireland were in negotiating reforms in times of great change. It seems that until Hungary can use the influence of its history to its own advantage – as the heavy path-dependency in Germany has in mediating reforms to its welfare state during changeovers in governments – the influence of state socialism will continue to make tripartism in Hungary an illusion and worse yet, a cover for the excessive neo-liberal reforms taken by the government. So the answer to the question put in the title of this thesis – are ‘Western European corporatism(s) models for Eastern Europe?’ to me – is probably not, at least not yet.

## Appendix 1

Employers, Industry, and Trade Associations in Hungary (as of 1996)

Source: Héthy 2000: 5.

<b>Acronym</b>	<b>Organization</b>
AFEOSz	National Federation of General Consumer Cooperatives
IPOSz	National Association of Industrial Corporations
KISOSz	National Federation of Traders and Caterers
MGYOSz	Federation of Hungarian Manufacturers
OKISz	Hungarian Industrial Association
MMSz	Hungarian Employers' Association
MOSZ	National Federation of Agricultural Cooperatives and Producers
STRATOSz	National Association of Strategic and Public Utility Companies
VOSz	National Association of Entrepreneurs

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