Neocorporatism and Incomes Policy in Western Europe and North America

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Pathbreaking analyses of neocorporatism in western advanced industrial societies have, paradoxically enough, been accompanied by profound skepticism regarding the viability and generalizability of neocorporatist policymaking. Rather than stressing the stability of the phenomenon they analyze, as they have on occasion been accused of doing, the leading scholars of corporatism have generally emphasized the specific requisites on which neocorporatist bargains rest and the strength of the disintegrating forces they face.[1]

This is not, perhaps, surprising. Neocorporatist policymaking presupposes consensus rather than conflict among the major groupings in society. It is, essentially, an approach to problem-solving that demands cooperation between the state and functional interest groups, especially those representing capital and labor, in the formulation and implementation of public policies. Such cooperation, particularly with regard to the central issues of economic policy, is likely to rest on restrictive conditions regarding both the political interrelationships and representational structure of major groups and social classes. As a goal, strategy, or ideal of government, we are likely to find much evidence of neocorporatism; as an institutionalized practice, neocorporatism is a relatively unusual phenomenon.

In this vein, Gerhard Lehmbruch has noted that explicit corporatist arrangements are prone to "overload" and concludes his authoritative overview of liberal corporatism with the remark that, "since its capacity for consensus-building is limited, it would be unrealistic to consider corporatism as a realistic alternative to representative government and the party system."[2] In several articles, Leo Panitch has explored the underlying causes and implications of "the manifest instability of corporatist arrangements in liberal democracies by the late sixties and early 1970s," while Philippe Schmitter has noted the difficulties involved in change towards neocorporatist interest group/state relations and has stressed that "established, societally ccorporatist systems are also facing new tensions which they, too, seem incapable of resolving."[3]

The problems of institutionalization and continuity are especially severe in the core field of neocorporatist policymaking, consensual incomes policy, consisting of the negotiated cooperation of government, unions, and employers to coordinate and constrain wage increases (and, in some cases, prices and profits) in the context of a comprehensive macroeconomic program. In the first place, this form of policymaking must surmount varying degrees of class animosity directed against any form of institutionalized wage restraint, whether bargained or not. Industrial relations combine divisive issues of authority, economic reward, and the distribution of these with entrenched actors who, in every industrialized society, have a history of overt and sometimes bitter conflict. Second, the extent to which workers and employers can effectively voice their interests at the national level and act on any bargains that are struck there is more the outcome of deep-seated historical development than of presently perceived need. Unions in most advanced industrial societies have been remarkably stable in their organizational configuration despite radical changes in function.

This paper is concerned with the experience of incomes policy, in particular consensual incomes policy, in the major industrialized societies of the West. When and how frequently have incomes policies been adopted? What forms have incomes policies taken? And what are the major requisites of consensual incomes policy, and to what extent are they met in western democracies?

In taking stock of the postwar experience of neocorporatism in the sphere of economic policy, it becomes clear that we lack even the most primitive conceptual tools to distinguish different forms of incomes policy. The literature on neocorporatism has developed rich and varied typologies of interest group structure, policymaking networks, and modes of interest intermediation, but it has been less adept at conceptualizing variations in the practice of policy.[4] In the case of incomes policy, the need for such conceptualization is vital. Although all incomes policies may be minimally defined as modes of systematic state intervention in wage regulation, they vary in several other respects that are crucial to neocorporatism. The following dimensions are designed to capture the most important sources of this variation.

Policy Formulation State intervention may take place in the context of a bargaining process, or it may be imposed unilaterally on trade unions and/or employers.

Policy Scope The incomes policy may comprise a broad-based program, covering such factors as employment and wage differentials, or it may be confined narrowly to a form of centralized wage restraint.

Policy Implementation The implementation of the incomes policy may be extended to unions and/or employers' associations as a quasi-public responsibility, or it may be monopolized by the state.

Although one can find historical examples of diverse combinations of incomes policy formulation, scope, and implementation, I would suggest that the polarities within these dimensions "hang together" in two logically consistent ideal types: *consensual incomes policy*, bargained incomes policy of wide policy scope enforced by the participating organizations themselves; and *compulsory incomes policy*, imposed incomes policy of narrow policy scope enforced unilaterally by the state.

A typology along these lines appears to be sufficiently concrete to be useful in analyzing the experience of incomes policy in individual countries, yet sufficiently abstract to travel among all western industrialized societies. Instances of compulsory incomes policy would include the 1972 statutory wages freeze in Britain, recent legislative wage measures in Denmark, and the 1971 wages and prices freeze in the United States.[5] Examples of consensual incomes policy that closely approximate the pure type are found in the Norwegian experience since 1962, culminating in the comprehensive incomes policy negotiated in 1976 (*kombiniert oppgjör*, literally combined settlement). As Don Schwerin has observed of the 1976 agreement, "The *kombiniert oppgjör* enlarged the familiar centralized wage agreement to cover not only industrial wages, but also taxes, salaries, pensions, food prices, child support payments, farm support prices, and so on. . . . All organizations in a position to nullify the deal had access. The principals were committed to the agreement since the bargaining mode of arriving at the package deal implied a unanimity decision rule: parties had to agree before any agreement could be struck."[6] Implementation of the agreement was largely the responsibility of each highly centralized interest group, including most prominently the national federation of trade unions (the LO) and the national association of employers (the NAF). Austrian incomes policy, embedded in the consociational arrangements of "social partnership" between Socialist and Catholic groupings, and the system of incomes policy in the Netherlands from 1950 to 1959 are also unambiguous examples of consensual incomes policy.[7]

However, before we leave the question of conceptualizing incomes policy, we should note that not all cases of incomes policy can be so clearly analyzed in terms of the polar types set out above. This is not simply because distinctions in the middle ground become blurred, but also because some variations escape the typology together.

The first of these variations concerns the degree to which state intervention in incomes policy formulation is explicit or implicit. The importance of this is revealed in the Swedish experience with incomes policy. Swedish industrial relations in much of the post-World War II period are similar to those of Norway in many respects, involving wage bargaining at the national level between highly organized and highly centralized interest groups which exert broad influence on government policy through neocorporatist arrangements. These facets of policymaking have placed the Swedish case in the forefront of analyses of neocorporatism.[8] However, from 1952 until the mid 1970s, governments in Sweden played no institutionalized role in wage negotiations between the LO and the national employers association, the SAF. If one were to interpret literally the definition of incomes policy as "systematic government intervention in wage regulation," it would be possible to claim, as some observers do, that for most of the post-World War II period Swedish governments had no incomes policy at all. However, definitions should provide tools for understanding, not police conceptual boundaries. The underlying situation in Sweden has been characterized by an implicit set of political understandings or "bargains" between successive governments and the major interest groups which have effectively provided the context for national wage agreements.[9]

A similar informality is present in the operation of the "social contract" between British unions and the Labour Party in 1974–75. As observers pointed out, this agreement is more accurately described as a "social compact," for it involved a mutual understanding rather than an explicit contract.[10]

The case of the "social contract" suggests the importance of a second source of variation not dealt with in the typology set out above, namely the possibility that employers may be excluded or their acquiescence taken for granted in incomes policies that in other respects approximate the consensual type. The possibility of bilateral negotiations between unions and the state, in which employers' associations appear as bystanders, derives from the recognition that labor is called upon to make the most immediate and visible sacrifices and must be recompensed accordingly.

On the basis of the types of consensual and compulsory incomes policy, Appendix 1 provides an overview of incomes policy in fifteen western industrialized societies from 1950 to 1980.[11]

Explaining Consensual Incomes Policy

The study of consensual incomes policy may draw on a rich literature concerned with neocorporatist arrangements in general. Four key characteristics of neocorporatist policymaking, distilled from this literature, will serve as a guide in analyzing the conditions of consensual incomes policy: *participation* of relevant interest groups in the formulation and implementation of public policy; *responsibility* of relevant interest groups for public policy; *inclusiveness* of groups participating in public policy formulation; and *centralization* of public policy formulations. Each of these poses a corresponding question for the pursuit of neocorporatist policymaking.

Participation Why should governments share their decisional authority with interest groups, with the sacrifice of freedom of action that this involves?

Responsibility Why should interest groups agree to take on the burden of responsibility for the performance of public policy, with the consequent risk of membership dissatisfaction?

Inclusiveness Under what conditions will the number of organized bargaining agents in the relevant sphere of policy be of manageable proportions? Conversely, under what conditions will governments find organized groups of sufficient scope and singularity to make negotiation worthwhile?

Centralization How can the relevant interest groups effectively implement bargains that are struck at the national level when they lack rational/legal authority? How, in other words, can quasi-private government work?

In meeting the conditions suggested in these questions, two factors have received frequent, if rather unsystematic, attention: socialist participation in government and centralized union structure. Analysis of the role of these variables does not promise to provide a general theory explaining why consensual incomes policy arises—this would demand a far more extensive format than that provided here, if it could in principle be achieved. A more exhaustive analysis of the conditions of consensual incomes policy would have to include several other variables, including most notably economic vulnerability, type of electoral and party system, and country size.[12] What is claimed here, however, is that socialist participation in government and centralized union structure are vital conditions for stable consensual incomes policy. Let us analyze them in turn.

Consensual Incomes Policy and Socialist Participation in Government

The effects of socialist participation in government may be viewed from two perspectives, from that of the state and its willingness to grant interest groups, particularly unions, participation in a key sphere of policy formulation, and from that of the union and its willingness to take the risks of responsibility for wage restraint.

The influence of socialist participation in government lies mainly in the close links that are, in many cases, present between unions and left-wing parties. As Gerhard Lehmbruch has pointed out:

> Generally speaking, liberal corporatism is most important in those countries where the working class movement had obtained participation in political power by the channel of the party system and where, in consequence, the trade unions had gained privileged access to governmental and administrative centers of decision.[13]

Governments in which socialist or social democratic parties participate are more likely to be responsive both to procedural demands on the part of unions for a pivotal role in the determination of incomes policy and to substantive demands concerning the scope of the policy, particularly the inclusion of measures that offset the sacrifice of wage restraint, such as income redistribution, high or full employment, worker participation, and extensions of unions' legal rights.

The need for such a broad approach to incomes policy if it is to gain the support of unions is made clear by Andrew Shonfield in his seminal comparative study of economic policies in advanced capitalist societies.

> What a fully fledged "incomes policy" really implies is the equivalent of a new Social Contract: it presupposes a society in which the different interest groups have marked out a sufficient area of agreement about the present distribution of wealth to deny themselves the right to try, in the future, to obtain certain advantages at each other's expense. Without this, one or another will surely find sooner or later a tactical opportunity for redistributing some of the existing wealth and exploit it—even if that results in inflation. The common interset in avoiding the erosion of money values will not, by itself, be an overriding argument against making such an attempt. All this is another way of saying that a practical approach to a more rational wages policy must be deliberately and extensively political.[14]

It has been argued that such "social contracts" are a means by which social democratic governments may manipulate traditional fraternity within the working class to create industrial "peace" and suppress substantive union demands.[15] There is little doubt that consensual incomes policy is associated with relatively low strike levels. But, as David Cameron, Francis Castles, Walter Korpi, and other public policy analysts have shown, stable left-wing party control of government has consistently paid off for unions in terms of low levels of unemployment, extensive welfare systems, and, arguably, greater equality of incomes.[16] This suggests that we do not need to focus entirely on the historic links between working-class parties and trade unions to hypothesize a causal relationship between socialist participation in government and consensual incomes policy: a logic of exchange model appears equally relevant. This is, indeed, the approach taken by theorists who have focused on the conditions of union consent to incomes policy. From this standpoint, Peter Lange has argued that the state may play the roles of "guarantor," assuring that employers reinvest excess profits, and "compensator," providing the union with various side payments such as those listed above.[17]

In creating favorable conditions for such an exchange, the mere presence of a social democratic party in government may be insufficient if it lacks the ability to control investment or if its tenure appears short-lived. For an exchange to take place, unions must be convinced that the promised future benefits which are conditional on their present wage restraint will in fact materialize, and this is likely to depend on the efficacy of state influence in the economy and on the stability of the government, in addition to its goodwill.[18]

While some attention has been given to the benefits of consensual incomes policy for unions, it is less clear what governments stand to gain. The obvious answer, wage restraint leading to reduced cost push and hence lower rates of inflation, is problematic. First, consensual incomes policies have come up against acute problems of wage drift, increases in hourly or piece payments in excess of rates agreed upon at the national level. Eric Schiff's study of wage drift in Sweden and John Inman's analysis of the phenomenon in Norway reveal that, on average, wage drift accounts for around 50 percent of total wage increases in these countries.[19] It is quite possible that wage drift is an inherent limitation of centralized economic control in a market-oriented society or, in Don Schwerin's words, "a testament to the limits of economic management."[20]

A second effect of consensual incomes policy that is consistent with a high rate of inflation is the state's role as compensator for the costs incurred by unions and employers. Instead of moderating competitive pressures for a greater share of the national product, unions and employers may be able to create a producers' cartel at the expense of less organized and less powerful groupings, with the state paying the bill through such means as tax and welfare policies targeted at union and employer constituencies. In this scenario, consensual incomes policy may actually institutionalize inflationary pressures rather than moderate them.

The evidence is not yet in, but no straightforward long-term relationship between consensual incomes policy and rates of inflation is observable at the aggregate level for the period from 1960 to 1980.[21] This is a finding that is supported by several longitudinal econometric studies of incomes policy in individual countries.[22]

What is clear, however, is that societies in which consensual incomes policy has been most consistently employed have been able to maintain relatively low levels of unemployment and strike activity.[23] This is congruent with the body of research that has uncovered a strong negative relationship between socialist participation in government and both unemployment and strike volume in comparisons at the national level.[24] Thus governments willing and able to pursue consensual incomes policy as a stable feature of economic policy are able to maintain relatively high levels of industrial peace and employment, both of which presumably have electoral payoffs.

However, the evidence on this should be interpreted cautiously, for it is highly aggregate and static. To make stronger causal claims based on quantitative evidence in this field, we would need to compare the experience of incomes policy in a particular society with the predictions of a counterfactual model based on what would have happened, other things being equal, if no incomes policy operated. Such a strategy of explanation would require far greater knowledge of macrosocial causal processes than we presently possess. The methodological challenge of such a strategy is compounded because, as Appendix 1 shows, we lack sufficient "policy-off" periods for Sweden, Norway, Austria, and Belgium—the societies in which consensual incomes policy has been the most durable instrument of economic policy—and sufficient "policy-on" periods for most remaining countries.

An interpretation of the role of consensual incomes policy which appears theoretically promising, yet does not attempt to overstretch our interpretation of the available evidence, is that the relationship between socialist participation in government and consensual incomes policy may be understood as part of a larger syndrome tying together important features of industrial relations, public policy, party-political relations, and working-class power. An interpretation along these lines—which I have elsewhere analyzed in terms of "state/economy linkages"—suggests that the relevant patterns of causality may be complex and multi-, rather than uni-, directional.[25] Thus, the causality linking durable consensual incomes policy to social democratic participation in government may run in both directions. Economically, consensual incomes policy has apparently contributed to outcomes, such as lower unemployment, which minimize disparities within the social democratic constituency and which have electoral payoffs. Politically, consensual incomes policy has served as a means by which the working class can bring its collective industrial weight into the political arena to press for broad-based social welfare policies while at the same time shifting emphasis away from wage competition and strike activity.[26]

The influence of socialist participation in government on the incidence of consensual incomes policy is revealed both in aggregate comparisons among countries for the whole 1950 to 1980 period and in the timing of the introduction of individual cases of consensual incomes policy.

At the aggregate level, as Appendix 1 reveals, there are wide disparities in the use of incomes policy among the societies surveyed. Austria, Norway, Sweden, and Belgium have experienced consensual incomes policy for most of the 1950 to 1980 period. They are followed by Finland and the Netherlands, which have had consensual incomes policy for about a third of the period. Beyond the Nordic countries, the Low Countries and Austria, consensual incomes policy is a relatively unusual and unstable phenomenon. The Federal Republic of Germany (1967–1977), the United Kingdom (1964–1966, 1974–1977), Ireland (1977–1980), and Denmark (1971–1972) have had periods of weakly or moderately consensual incomes policy, while in Canada, France, Italy, the United States, and Switzerland the few cases of incomes policy have been mixed or more frequently compulsory in orientation.

This aggregate pattern of consensual incomes policy reflects the experience of many of these societies with socialist participation in government. Those societies where consensual incomes policy has been a highly institutionalized facet of economic strategy are those in which socialist parties have enjoyed long periods of hegemonic governmental control, as in Norway and Sweden, or where socialist parties have participated as entrenched coalition partners, usually in some form of consociational arrangement, as in Austria, Belgium, and the Netherlands. In Finland, where the extent of socialist control has been somewhat more confined in time, the turn to consensual incomes policy dates from the victory of the Social Democrats at the 1966 general election.[27]

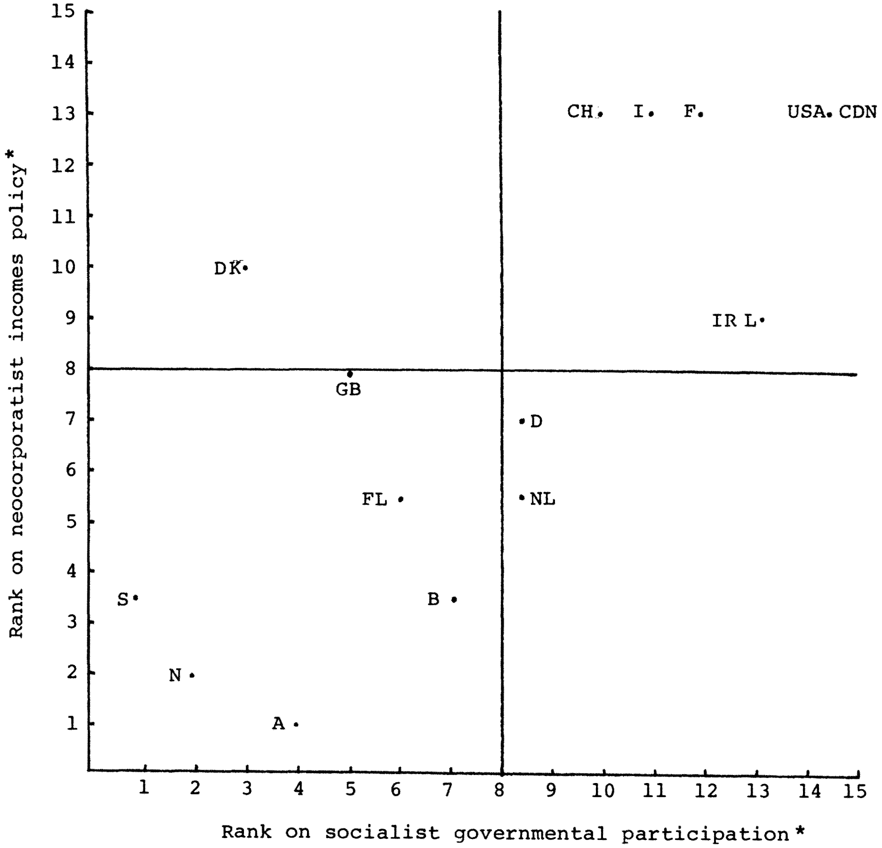
While there is a strong aggregate association between consensual incomes policy and socialist participation in government, we cannot argue that a high level of socialist participation in government has inevitably led to consensual incomes policy. As Figure 1 indicates, Denmark is an obvious exception. The Danish Social Democratic Party has frequently participated in government, but consensual incomes policy has been virtually absent. One reason for this appears to be the difficulty the Social Democratic Party has had in gaining legislative support for incomes policy bargains. It has neither been able to exercise durable control over the executive through legislative majorities of the Left (as in other Scandinavian countries), nor been part of cooperative consociational arrangements with Christian Democratic parties (as in Austria and the Low Countries). In addition, unions in Denmark have carried into the present a complex and decentralized organizational structure, much like that of unions in Britain and the United States, inimical to the creation and implementation of national bargains.[28]

The influence of socialist participation in government is clearest at a more disaggregated level of analysis, particularly in countries in which the use of incomes policy has been discontinuous. In West Germany, "concerted action," which has provided a forum for high level discussions between governmental bodies and functional interest groups, dates from the first post-World War II participation of the Social Democratic Party in government, in the Grand Coalition with the Christian Democrats formed in 1966.[29]

The convoluted experience with consensual incomes policy in Britain has closely followed the fortunes of the Labour Party. The first post-World War II incomes policy was pursued by the Attlee Labour government in 1948. Since that time, all three of the post-Attlee Labour governments succeeded at some point, usually the beginning of their term of office, in involving the Trades Union Congress in bargained wage restraint.

In Finland, as mentioned above, the adoption of consensual incomes policy was

Figure 1 Relation between Rank on Neocorporatist Incomes Policy and Socialist Governmental Participation



rho = 0.76 (0.001)

Key: (A) Austria; (B) Belgium; (CDN) Canada; (DK) Denmark (F) France; (D) W. Germany; (IRL) Republic of Ireland; (I) Italy; (NL) Netherlands; (N) Norway; (S) Sweden; (CH) Switzerland; (GB) Great Britain; (USA) United States.

* See Appendix II

closely linked to the move of the Social Democratic Party into government. As Voitto Helander has pointed out:

> [T]he increasingly close cooperation between the internally integrating organizations of employees and employers was not in itself enough to lead to the establishment of the

> incomes policy system in 1968. The most important political factors behind the establishment of "total solution" for incomes policy were to be found at the parliamentary level. In the 1966 general election the Social Democrats, who had been out of office in the early 1960s, gained a remarkable victory.[30]

The same relationship may be seen in the less successful attempts to gain union consent for incomes policies in France and Italy. Soon after coming to power in May 1981, the Socialist government in France tried to gain a lasting and broad-based agreement with unions in the major federations which would have included wage restraint, a course of events that was predicted by Lehmbruch in 1979.[31] In Italy, the first attempts to institutionalize consensual incomes policy were made in the early 1960s, when the Socialists participated in government. More recent, though still tentative, moves in the same direction have been assisted, as Marino Regini has noted, by the Italian Communist Party's move into the government arena in 1977–78.[32]

The influence of socialist participation in government has also been evident in the reverse direction—in instances where a governing socialist party leaves office and previously institutionalized consensual incomes policy breaks down. This was clearly the case in the Netherlands after 1959, when decisive changes in the formulation of incomes policy guidelines and increasing union dissent followed the exclusion of the Labour Party from the governing coalition.[33] The only time that consensual incomes policy has appeared since then was under the coalition government formed with the Labour Party in 1973. A similar pattern of social democratic electoral defeat and the breakdown of consensual incomes policy can be seen in Sweden after 1976, when a bourgeois coalition took power after almost four decades of Social Democratic rule, and in Finland in 1977, when the replacement of a coalition that had included the Social Democratic Party threatened to disrupt the existing system of consensual incomes policy.[34]

While the proposition that consensual incomes policy requires socialist participation in government is supported by an impressive body of evidence, we should note some exceptions. In Ireland in the late 1970s and in Belgium for most of the period up to the early 1960s, consensual incomes policies were pursued by governments in which social democratic parties did not participate. In Ireland, the governing party, Fianna Fail, is a centrist party which has consistently gained more working-class votes than the Labour Party. Consensual incomes policy in Belgium during the period of socialist exclusion from government was formulated largely outside the legislature and codified by the National Labor Council. In both countries the resulting incomes policy was weakly consensual. In Ireland, the National Pay Agreements were intended to be advisory rather than binding and were backed up by the threat of statutory intervention on the part of the government.[35] In Belgium during the 1950s and early 1960s, the role of the state was relatively small; incomes policy agreements did not encompass broader issues of social policy or taxation as they did in the 1970s under coalition governments that included the Socialist Party.[36]

In Norway and Austria, highly consensual incomes policies have survived the victory of bourgeois parties in general elections in 1965 and 1966, respectively. To explain these exceptions we must turn to the relative autonomy of interest group politics from party politics and the parliamentary game in these societies. In both Norway and Austria, consensual incomes policy is part of a broader set of interest group relations resulting from a balance of political forces relatively independent of party politics.[37] In these countries the historical experience of intense conflicts between entrenched and mutually exclusive groups was a vital factor in the establishment of a lasting compromise at the corporate level. As Stein Rokkan observed in his classic discussion of corporate pluralism in Norway:

> The crucial decisions on economic policy are rarely taken in the parties or in Parliament: the central arena is the bargaining table where the government authorities meet directly with the trade union leaders, the representatives of the farmers, the smallholders, and the fishermen, and the delegates of the Employers' Association. These yearly rounds of negotiation have in fact come to mean more in the lives of rank-and-file citizens than the formal elections. In these processes of intensive interaction, the parliamentary notions of one member, one vote and majority rule make little sense. Decisions are not made through the counting of heads but through complex considerations of short-term or long-term advantages in alternative lines of compromise.[38]

In Norway and Austria consensual incomes policy is so deeply embedded in class and group relations and practices that it is relatively independent of changes at the party level. These societies, as one might expect, have ranked at the top in use of consensual incomes policy.

In contrast to consensual incomes policy, the compulsory variant has not featured as a durable part of economic policy in western democracies since World War II. Compulsory incomes policies have been primarily a response by bourgeois governments to specific economic crises or problems of economic adjustment and have lasted, on average, just two to three years. Such policies have usually taken the form of discrete "stages" or "phases," each for a specified duration, beginning with an abrupt and mandatory wage freeze. With one exception (the Macmillan government, 1961–1962), the instances of compulsory incomes policy listed in Appendix 1 occurred in the late 1960s and 1970s, years of sharply accelerating inflation and unemployment. Whereas consensual incomes policy is rooted in an encompassing set of political conditions conducive to an exchange between unions and the state, the origins of which go back to the decades around the second world war, compulsory incomes policy is a more unstable phenomenon, arising more specifically as a short-term economic strategy.

From the mid 1970s, influential groupings on the political Right, particularly in the United States and Britain, questioned the wisdom and efficacy of compulsory incomes policy. Statutory enforcement was seen to be a blunt instrument for suppressing inflationary group pressures in the labor market, both because wage demands tended to explode once legal enforcement was eased and because there was always the threat that the policy would transform wage disputes into deeper conflicts involving the political legitimacy of the government itself. This, of course, is precisely what happened during the 1973–74 coal miners' strike in Britain which precipitated the general election of February 1974, fought by the Heath government on the issue of "Who Governs Britain: the Unions or the Government?". The present determination of governments of the Right in Britain and the United States to avoid an explicit incomes policy, and instead rely on neo-laissez-faire and monetarist policies, has been deeply influenced by the experience of compulsory incomes policy in these countries.[39]

Consensual Incomes Policy and Trade Union Structure

Consensual incomes policy is typified by a particular mode of implementation as well as formulation and as such rests on conditions which are just as narrow as those discussed above. As a number of scholars have argued, incomes policy can be viewed as a means of achieving various collective goods, chief among which is a more favorable trade-off between unemployment and inflation.[40] Implementation of the policy must, therefore, face the problems associated with "free-riders," individuals or groups who gain the economic benefits of the policy without contributing the restraint necessary to sustain it. We may distinguish three types of incentive that may induce potential "free-riders" to abide by an incomes policy: (1) statutory incentives, enforced by the courts and dependent on the legitimacy of the authoritative enforcement of labor market outcomes; (2) organizational incentives, enforced by trade unions and employer organizations and dependent upon the influence of the peak organizations of labor and capital over their constituencies; and (3) solidary incentives, self-imposed and dependent upon the efficacy of normative appeals to shared values.

There is a clear connection between these incentives and the types of consensual and compulsory incomes policy outlined in the first part of this paper. Statutory incentives, designed to give teeth to wage guidelines, are an essential ingredient in compulsory incomes policies; organizational incentives, exercised through the participating organizations' purse strings (particularly strike funds), control of career advancement in the organization, access to membership, and channels of legitimate representation, are vital to consensual incomes policy. Solidary incentives have not featured so prominently in sustained incomes policies, except perhaps under the extraordinary conditions at the onset of the first and second world wars when incomes policies were effectively buttressed by exhortations for wage restraint in the national interest. However, it should be stressed that, although the pure types may be analyzed discretely, in practice they are almost never found in isolation. Incomes policies implemented by unions and employers are very often spiced with direct or indirect statutory measures, and appeals by governments for wage restraint "in the good of the community," however ineffective, almost always accompany more instrumental efforts in the same direction.

The importance of union centralization in implementing consensual incomes policy through organizational incentives has been emphasized by Bruce Heady in his survey of unions and wage policies in the 1950s and 1960s.

> In practice governments seeking to have their views on wage movements adopted are obliged to work through central union confederations (TUC, AFL-CIO, etc.). Going over the heads of the confederations and attempting to persuade individual union leaders to pitch their wage demands below a given level would arouse immediate opposition. Hence governments try to obtain confederation agreement, in principle, to a wages policy, and then rely on the central organizations to obtain their members' cooperation. For this cooperation to be forthcoming, it seems plausible to hypothesize that considerable powers would need to be centralized at the confederation level. In particular, power to intervene in wage negotiations and strikes would be needed.[41]

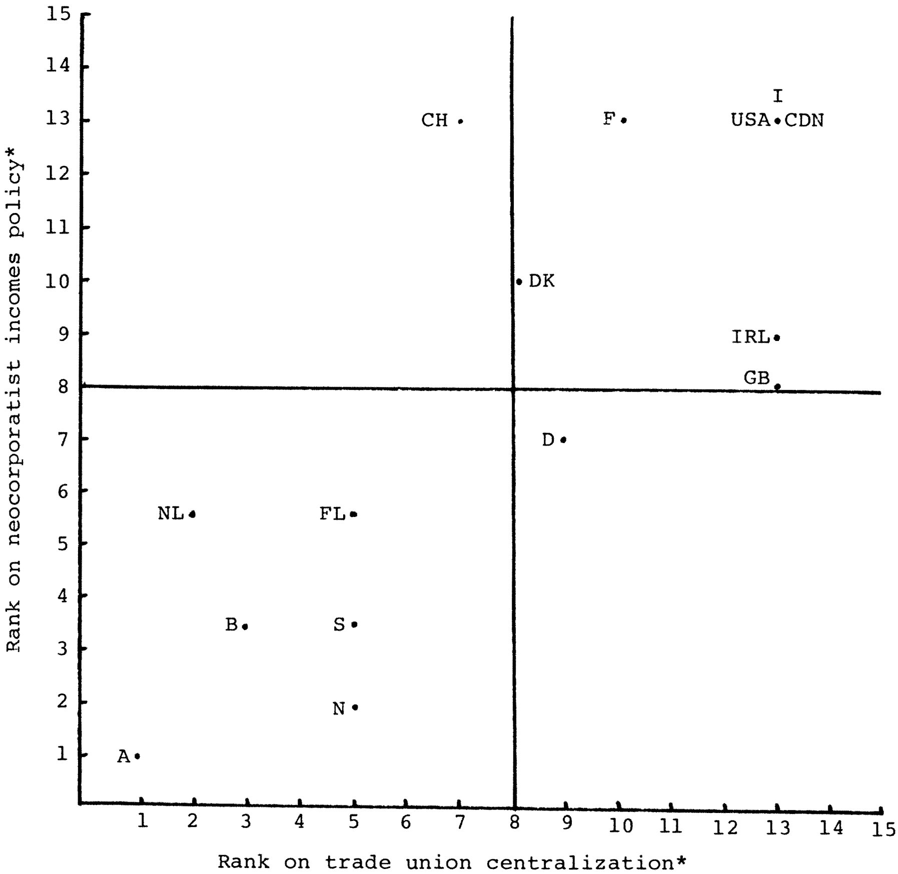
As Figure 2 illustrates, this hypothesis is confirmed when we compare rankings of countries on union centralization with rankings on the incidence of consensual incomes policy, derived from the survey of fifteen countries over the 1950 to 1980 period presented in Appendix I. The relationship is especially clear for societies that have frequently employed consensual incomes policy: six countries—Austria, Norway, Belgium, Sweden, Finland, and the Netherlands—rank highest on both variables.

Causality here may run in both directions. In the Netherlands, for example, the pursuit of consensual incomes policy after the second world war encouraged centralization within the three major union federations.[42] Similarly, a trend towards the extension of the responsibilities and influence of the Trades Union Congress has accompanied incomes policy in Britain, although the overall degree of centralization remains very low.[43] But in most countries the power of union federations vis-à-vis their constituent unions has been relatively stable in the postwar period, and, at least in the short or medium term, the association depicted in Figure 2 is to be explained mainly in terms of the influence of union centralization on the incidence of consensual incomes policy.

A centralized union movement is not only more proficient in implementing a consensual incomes policy, but may be more likely to enter into such an agreement in the first place. As Peter Lange has argued in his analysis of worker consent to incomes policy, those who belong to a relatively centralized union movement may be more willing to accept the short-term costs of the policy because they have greater confidence that the longer-term benefits of compliance will not be eroded by free-riding.[44] This follows from the argument concerning the ability of centralized unions to exercise organizational incentives. But such confidence in the future behavior of the participants in an incomes policy may also be sustained by solidarity among workers, by the establishment of loyalties that transcend a particular work group or union. A centralized union movement both expresses and engenders such solidarity, especially when it provides workers with the collective opportunity to vote on an incomes policy. Thus, in terms of the types of incentives set out above, a centralized union movement also provides a setting for solidary incentives, and these reduce the uncertainties of embarking on a consensual incomes policy.

An analysis along these lines alerts us to the dynamic character of worker consent to incomes policy, for, as Lange has emphasized, we must take account of the way in which the behavior of workers is shaped by their ongoing experience of

Figure 2 Relation between Rank on Neocorporatist Incomes Policy and Union Confederal Centralization



rho = 0.78 (0.001)

Key: (A) Austria; (B) Belgium; (CDN) Canada; (DK) Denmark; (F) France; (D) W. Germany; (IRL) Republic of Ireland; (I) Italy; (NL) Netherlands; (N) Norway; (S) Sweden; (CH) Switzerland; (GB) Great Britain; (USA) United States.

* See Appendix II

the policy and in particular by whether they learn to trust (or mistrust) the commitment of their fellow participants not to free-ride.[45] In other words, the process of decision-making about whether to participate or not should be regarded as continuous for the duration of the policy.

The incidence of free-riding also depends on the proportion of the workforce that is organized and thus party to the incomes policy bargain. Unionized workers will naturally regard any agreement to restrain their own wages as one-sided unless it applies to the work force as a whole. Conversely, the more broadly based the organizations representing labor (and capital), the more they can internalize the collective benefits of a policy they pay for. This point has been stressed by Mancur Olson in his study of the conditions of economic growth.

> The incentives facing an encompassing special-interest organization are dramatically different from those facing an organization that represents only a narrow segment of society. If an organization represents, say, a third of the income-producing capacity of a country, its members will, on average, obtain about a third of the benefit from any effort of making the society more productive. The organization will therefore have an incentive to make sacrifices up to a point for policies and activities that are sufficiently rewarding for the society as a whole.[46]

The level of unionization is also an important determinant of union market power and as such influences the need on the part of the state to come to an understanding with unions. Where the level of unionization is lowest—in the United States, France, and Switzerland—public policy is characterized by an emphasis on laissez-faire or direct linkages between the state and business interests in which unions are junior partners or are excluded altogether.[47]

The role of union centralization in creating the conditions for consensual incomes policy brings up the interesting question of how centralized union movements cope with the inevitable strains that arise among diverse groupings of workers when wages are negotiated at the national level. In practice, as Klaus Armingeon has noted, the relatively centralized union movements which have participated in consensual incomes policy have tried to diffuse potential conflicts by tolerating some combination of wage drift and decentralized bargaining, while not ruling out the option of "free collective bargaining" at some future date.[48] Even the most centralized union federations have tried to strike some balance between national coordination, on the one hand, and union and shopfloor autonomy, on the other.

Tensions arising from national bargains have been dealt with in a variety of ways. In Norway, wage bargaining has occasionally been shifted down to individual unions, as in 1961 and 1974, while in Sweden the major union federation (LO) has avoided formal contracts at the national level, preferring instead to present national bargains to individual unions in the form of recommendations.[49] In both countries, wage drift outside the negotiated norms has served to mollify better paid blue-collar workers opposed to the narrowing of wage differentials. In Austria, where the union federation (OeGB) was established after the second world war as a unitary organization with industrial affiliates, the consequences of extreme organizational centralization have been moderated by a relatively decentralized system of industrial bargaining, vetted (but not conducted) at the national level.[50]

Where union movements are extremely decentralized, participation in consensual incomes policy has exposed them to severe internal conflicts, both within and among their constituent unions. Decentralized union movements not only lack organizational incentives to dissuade free-riding, but also tend to be characterized by relatively weak class solidarity and more intense wage competition among their members.

Perhaps the outstanding example of such a situation is Britain, which has had the problematic combination of an extremely decentralized union federation and three periods of social democratic government since the second world war. Decentralized union movements tend, understandably, to be wary of entering into bargains which they are ill-equipped to implement, but in Britain the Labour Party has overcome such resistance by offering unions the prospect of favorable social and economic policies and advantageous legislation and by appealing for unity in the labor movement to meet acute economic crisis. The eventual collapse of the consensual incomes policies that were pursued from 1964 to 1966 and from 1975 to 1977 was, in each case, influenced by the dashing of the original hopes that lay behind them and the inability of the TUC and individual unions to relieve internal stresses caused by much publicized free-riders. The underlying logic of decentralized and uncoordinated wage bargaining pursued by a large number of autonomous groups has been described by Samuel Beer.

> A wage gain for any such group is not likely in itself to have a significant effect upon the overall level of wages and any consequent price rise. Yet such a gain is pure benefit for the group. Hence, even if the group does recognize the need for overall wage-price stability, it will be greatly tempted to refuse the immediate burden and try for the immediate gain. If it does not do this and forgoes the immediate gain, it confronts the probability of a double loss from not only its self-denial, but also the general price rise brought about as other unions yield to the very rational temptation to do what it has not done.[51]

The British experience testifies to the complexities and time-lags involved in political learning. The lessons of the failures of consensual incomes policy only slowly permeated the strategies of unions and the Labour Party, to the point where, as of the time of writing, the dominant majority of both wings of the labor movement sharply oppose the return to formal incomes policy. Of the major British political parties, only the Social Democrats and Liberals now emphasize incomes policy as part of their economic program.

Where union structure is highly decentralized, the symbolic significance of incomes policy agreements expressing political harmony may be as important as their role in economic policy. The "social contract," worked out between trade union leaders and the Labour Party in the last two years of the Heath government, was studiously vague on the issue of how wage restraint should actively be accomplished. In the United States, where union structure is as decentralized as in Britain, a major plank of President Carter's 1980 reelection platform was a "National Accord," an incomes policy agreement signed between AFL-CIO leaders and the administration envisioning "American labor's involvement and cooperation with the Administration on important national issues."[52]

In terms of union structure, Denmark is nearer to Britain than to its Scandinavian neighbours, with the result that it proves an exception to the Nordic/Low Country syndrome of centralized union structure, socialist participation in government, and consensual incomes policy.[53] In both Britain and Denmark, governments have been prone to use statutory incentives in addition to, or in place of, organizational incentives exercised by unions. When we combine the ranking on socialist participation in government with that for union centralization, Britain and Denmark finish, as we would expect, nearer to their rank on consensual incomes policy. Mainly for this reason, a combined ranking along these lines is very strongly associated with that for consensual incomes policy (rho = 0.91).[54]

Conclusion

The requisites of consensual incomes policy that have been discussed here, socialist participation in government and centralized trade union structure, coincide only in the Nordic countries, the Low Countries, and Austria. Many of the remaining societies pursued some form of incomes policy in the post-1950 period, but in most cases the policy lasted only a short time. Without stable social democratic governance, consensual incomes policy is unlikely to be attempted, and without centralized trade unions, it is unlikely to be a viable policy in the medium term. To the extent that incomes policy has been pursued in such countries, it has tended to be more compulsory in orientation, either because the government could not gain the cooperation of union confederations or because union confederations could not gain the compliance of individual trade unions and their members.

These observations suggest that consensual incomes policy is unlikely to arise outside its present geographical boundaries in any lasting form. However, this is a conditional finding, an extrapolation of existing tendencies in union structure and party-political competition.

In addition, there are signs that the organizational bases of consensual incomes policy may be weakening. First, there has been a well-documented populist movement in several western industrialized societies for greater individual participation and "self-actualization." In the sphere of industrial relations this movement has been manifested in demands for greater decentralization of decision-making within unions and in the wave of spontaneous strikes at the end of the 1960s and beginning of the 1970s, especially marked in Italy, France, West Germany, and Sweden. Even where such demands are resisted, the existence of a dissatisfied minority of potential activists places an obvious constraint on the willingness of union leaders to commit themselves to centralized wage restraint.[55]

Consensual incomes policies are threatened not only within, by demands from the shop floor, but from without, by the mobilization of new groups. Here, a major challenge has been the growth of unions composed of white-collar/professional employees which have often pursued policies at odds with union federations dominated by blue-collar workers. Competition between these groups may be intense as white-collar/professional workers strive to protect their pay differentials and occupational privileges against blue-collar inroads. The potentially destabilizing consequences of this for consensual incomes policy were revealed particularly clearly in the militant strike of Swedish professional employees (SACO) in 1971, which was precipitated by efforts of the major union federation (LO) to equalize pay among different groups of workers. More recently, wage competition between public and private sector unions in Sweden greatly complicated attempts to avoid the breakdown of negotiations that led to the general lockout of 1980.[56]

Paradoxically, the organization of professional workers into separate confederations is, in large part, a result of the industrial principle of union organization that characterizes the most centralized union movements. As Klaus von Beyme has noted, the industrial principle of union organization excludes white-collar workers who wish to form separate unions from the main body of unionists.[57] Thus the major confederations of Norway and Sweden encompass a smaller share of total union membership than do those in the United States or Britain.

Whether these developments will fundamentally alter the organizational foundations of consensual incomes policy remains to be seen. But they do indicate that we cannot extrapolate the experience of the three decades dealt with in this paper into the future and that the attempt to promote centralized bargains in the sphere of industrial relations is becoming more complex as qualitatively new demands are raised and new groups crowd into the policy arena.

Appendix 1 Overview of Incomes Policies in Fifteen Countries, 1950–1980

Austria

1950–1957 *Moderately consensual* Intermittent collaboration in the context of the "Social Partnership."

1957–1966 *Highly consensual* Highly institutionalized system of bargained wage and price regulation implemented through the essentially tripartite Joint Commission for Prices and Wages.

1966–1980 *Highly consensual* Generally the same as above, except that government representatives sat on the Joint Commission on Wages and Prices as advisers only and the state role in wage regulation became more informal.

Belgium

1950–1960 *Weakly consensual* Although no formal incomes policy, agreements between unions and employers with indirect state influence in the context of consociational institutions with tripartite representation.

1960–1970 *Weakly consensual* Centralized "social programming" agreements between unions and employers. However, increasing decentralization in collective bargaining and dissensus at the national level.

1970–1975 *Moderately consensual* Return to greater emphasis on national bilateral "social programming" agreements with indirect state involvement.

1976 *Weakly compulsory* State-initiated wage restraint with statutory implementation, mainly through selective taxation of wage increases in the private sector.

1977–1980 *Weakly consensual* Same as 1970–1975, except that negotiations took place under threat of statutory policy if no agreement forthcoming.

Canada

1969–1970 *Mixed* Bilateral agreement between government and employers on guidelines for price (and wage) increases to be implemented by business.

1975–1978 *Moderately compulsory* Comprehensive and unilateral state program of wage and price controls enforced statutorily in the face of union opposition.

Denmark

1963–1967 *Mixed* Unilateral state intervention and legislation of a "general solution" regulating wages, prices, and profits, with the support of the unions.

1971–1972 *Weakly consensual* Centralized, tripartite agreement, with government price controls and threat of statutory intervention if no compromise reached.

1976–1980 *Weakly compulsory* Unilateral wage and price controls, statutorily enforced with employer support and union acquiescence.

Federal Republic of Germany

1967–1969 *Moderately consensual* Institutionalized multipartite forum for consensual discussion in the context of government-supplied orientation data (concerted action), with no formal bargaining and no formal state role in wage negotiations.

1969–1977 *Weakly consensual* Same as above, except that concerted action was restricted more to a symbolic role as consensus declined and unions opposed state attempts to utilize the forum as a means of wage restraint.

Finland

1968–1973 *Highly consensual* Centralized, tripartite, comprehensive agreement (including broad economic and social policy measures alongside wages) implemented by unions and employers with extensive statutory back-up provisions.

1974–1977 *Moderately consensual* Same as above, except that the agreements were somewhat less comprehensive in scope.

1978 *Weakly consensual* Union and employer backed statutory policy in context of comprehensive agreement.

1979–1980 *Moderately consensual* Same as 1974–1977.

France

1963–1964 Failure of the multipartite "Conference on Incomes" to provide a basis for the integration of incomes policy into economic planning. Thereafter, focus on various price controls and intermittent attempts to use moral suasion to restrain wage claims.

Ireland

1957–1959 After discussions with government, a nonbinding "Joint Agreement of Guiding Principles," focusing mainly on wage restraint, negotiated bilaterally between unions and employers.

1963–1965 Under threat of unilateral statutory intervention, bipartite wage agreement between unions and employers.

1970–1976 *Mixed* Bipartite union/employer "National Pay Agreements" with ad hoc government intervention and legislation to help enforce them.

1977–1980 *Weakly consensual* National union/employer agreement involving indirect state intervention through tax concessions, job creation, and improved welfare benefits in return for income restraint.

Italy

1961–1964 Tentative moves towards bargained incomes policy in the context of a broad economic program with the establishment of the tripartite National Committee for Economic Planning. After 1964 the body was not reconvened.

The Netherlands

1950–1959 *Highly consensual* Highly institutionalized, tripartite system of wage regulation in the context of a comprehensive program including emphasis on price controls and employment and administered by the participating organizations, although backed up by statutory powers.

1959–1963 *Consensual breakdown* Movement towards more diversified, industry-specific criteria for wage regulation in the context of more decentralized and conflictual negotiation.

1963–1967 *Mixed* Attempts by the state to reconstitute the previous centralized system of wage regulation in the face of union recalcitrance.

1969–1970 *Moderately compulsory* Unilateral state policy in face of union opposition to unacceptable wage agreements.

1973–1974 *Weakly consensual* Tripartite coordination of wage claims and government economic policy, reinforced by statutory provisions.

1975–1977 *Weakly compulsory* After failure of the "social contract" between the coalition government and the unions in 1973–74, unilateral state policy of relatively wide scope (not confined to wages, but extending to incomes generally), statutorily enforced.

1979–1980 *Moderately compulsory* Unilateral government policy of severe wage restraint, statutorily enforced.

Norway

1950–1951 *Mixed* Comprehensive price and wage controls administered by the state through binding awards, with union and employer support.

1952–1961 *Weakly consensual* Indirect government influence over centralized bargaining between unions and employers.

1962–1965 *Moderately consensual* With formation of the multipartite Contact Committee, including most prominently state, union, and employer representatives, more government influence over consensual, centralized wage bargaining.

1966 *Weakly compulsory* Binding arbitration after union members voted against a proposed national settlement.

1967–1972 *Moderately consensual* Same as 1962–1965.

1972–1973 *Highly consensual* Tripartite and highly institutionalized system of wage regulation involving broad-ranging taxation and government subsidy policies, with back-up compulsory arbitration of wage claims.

1974 *Weakly consensual* Decentralized bargaining at the industry and branch levels, with central wage guidelines.

1975–1976 *Highly consensual* Same as 1972–1973.

1976–1978 *Highly consensual* Same as above, except that participation of peak organizations and the state at the national level further institutionalized in "combined settlements" (*kombinierte oppgjör*).

1978–1979 *Weakly compulsory* Compulsory arbitration after unions and employers failed to come to an agreement. This was followed by a general prices and incomes policy implemented statutorily but supported by the union federation (LO).

1980 *Highly consensual* Return to a "combined settlement" implemented by unions and employers themselves.

Sweden

1949–1952 Attempts by the government to induce unions to accept voluntary wage restraint. Rejected by the Trade Union Federation (LO) in 1952.

1956–1975 *Moderately consensual* Centralized agreements between unions and employers in the context of detailed consideration of the wider consequences of their joint actions and state economic and social policy programs. At times the role of the state was explicit, as in 1969 with the personal intervention of the minister of finance in public employee negotiations and in 1971 with extraordinary government legislation to suspend public employee strike.

1975–1976 *Highly consensual* Centralized, tripartite, and comprehensive agreement (involving reduction of direct taxation and increase in employers' contributions alongside wage settlement) implemented by the participating organizations.

1977–1980 *Moderately consensual* Increased government role in national wage bargaining that took place in more conflictual atmosphere, culminating in breakdown of neocorporatist negotiations in 1980.

1980 Direct government intervention to induce employers to accept a mediation offer (to which the unions had already consented) following a general strike.

Switzerland

1972–1975 Occasional moral suasion exerted through institutionalized surveillance of prices, wages, and profits.

United Kingdom

1961–1962 *Moderately compulsory* A wages freeze, unilaterally imposed by the state in the public sector after the failure of negotiations with the TUC.

1962–1964 Unilateral wage guidelines pursued mainly through moral suasion.

1964–1966 *Weakly consensual* Tripartite agreement of narrow policy scope (with focus on wage restraint) to be enforced by trade unions.

1966–1970 *Moderately compulsory* Unilateral government policy of wages freeze followed by restraint, acquiesced in by the TUC and enforced with statutory measures.

1972–1974 *Highly compulsory* Unilateral statutory wages freeze, followed by elaborate system of restraint, in the face of union hostility.

1974 *Weakly consensual* The "social contract" based on mutual understandings between the trade unions and Labour Party, of wide policy scope (including extensive price controls) with the promise on the part of unions to exercise wage restraint.

1975–1977 *Moderately consensual* Explicit agreement of moderately wide scope bargained between the government, the TUC, and the CBI, and implemented by unions and employers.

1977–1978 *Weakly compulsory* Unilateral policy of narrow policy scope acquiesced in by the TUC and administered by the state.

United States

1971–1973 *Highly compulsory* Unilateral wages and prices freeze followed by restraint and enforced statutorily.

1973–1974 Moral suasion buttressed by partial system of compulsory notification of price increases.

1978 *Weakly compulsory* Narrow policy of wage guidelines enforced through state pressure on employers and abortive attempt to legislate tax incentives for compliant employees.

Appendix 2

The rank order for consensual incomes policy is derived from numerical scores based on addition of years in each policy period weighted by mixed (0.5), weak (1.0), moderate (1.5), and strong (2.0), as evaluated for each period in Appendix 1, with differences of 0.5 counting as ties.

The rank order for socialist governmental participation is derived from data on social democratic/labor cabinet participation, 1946–1976, presented in Korpi and Shalev, "Strikes, Industrial Relations and Class Conflict," pp. 178–179 (see note 24).

The rank order for trade union centralization is that presented in Schmitter, "Interest Intermediation and Regime Governability," p. 294 (see note 1).

The results derived from the statistical method used here were compared to results computed in two alternative ways.

(1) Pearson correlations between sets of cardinal data that provided the basis for certain rank orders, both reported here and several not reported (e.g., percent unionization, 1946–1976; left votes, 1946–1976; exports as percent of GDP for various years; postwar cabinet participation, 1946–1976; inflation, 1960–1980; average standardized unemployment, 1964–1980). Pearson correlations derived from this data were very close to Spearman rho coefficients calculated from rank orders on the same data base, with absolute differences generally less than 0.10. Pearson correlations between sets of cardinal data and rank orders treated as cardinal data were all greater than 0.9 and generally greater than 0.95.

(2) Correlations were calculated between consensual incomes policy in four ordinal categories and other cardinal and ordinal variables. The categories for incomes policy were as follows: consistent consensual incomes policy (4): Austria, Norway, Belgium, Sweden; frequent consensual incomes policy (3): Finland, the Netherlands; occasional use of consensual incomes policy (2): West Germany, United Kingdom, Ireland, Denmark; negligible use of consensual incomes policy: Canada, France, Italy, the United States, Switzerland. Using this categorization, simple correlations were almost identical with Spearman coefficients derived from the rank orders.

NOTES

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1. See especially Peter Lange, "Unions, Parties, the State, and Liberal Corporatism," in Bogdan Denitch, ed., *Democratic Socialism* (Totowa: Allanheld Osmun, 1981), pp. 96–97; Gerhard Lehmbruch, "Consociational Democracy, Class Conflict and the New Corporatism," in Philippe C. Schmitter and Gerhard Lehmbruch, eds., *Trends towards Corporatist Intermediation* (London: Sage, 1979), p. 60; Leo Panitch, "The Development of Corporatism in Liberal Democracies," in Schmitter and Lehmbruch eds., *Trends towards Corporatist Intermediation;* Charles F. Sabel, "The Internal Politics of Trade Unions," in Suzanne Berger, ed., *Organizing Interests in Western Europe* (Cambridge: Cambridge University Press, 1981); Philippe C. Schmitter, "Still the Century of Corporatism?," in Schmitter and Lehmbruch, eds., *Trends towards Corporatist Intermediation,* pp. 40–2; Philippe C. Schmitter, "Interest Intermediation and Regime Governability in Contemporary Western Europe and North America," in Berger, ed., *Organizing Interests in Western Europe,* pp. 318–24; Philippe C. Schmitter, "Reflections on Where the Theory of Neo-Corporatism Has Gone and Where the Praxis of Neo-corporatism May Be Going," in Gerhard Lehmbruch and Philippe C. Schmitter, eds., *Patterns of Corporatist Policy-Making* (London: Sage, 1982).
2. Gerhard Lehmbruch, "Liberal Corporatism and Party Government," in Schmitter and Lehmbruch, eds., *Trends towards Corporatist Intermediation,* p. 181.
3. Panitch, "The Development of Corporatism," p. 142; Schmitter, "Still the Century of Corporatism?," p. 41.
4. A notable exception with respect to incomes policy is Klaus Armingeon, *Neokorporatistische Einkommenspolitik* (Frankfurt a.M.: Haag und Herschen, 1983).

5. See Samuel Brittan and Peter Lilley, *The Delusions of Incomes Policy* (London: Temple Smith, 1977), pp. 136–51; Colin Crouch, *Class Conflict and the Industrial Relations Crisis* (London: Heinemann, 1977); Gerald Dorfman, *Government versus Trades Unionism in British Politics since 1968* (Stanford: Hoover Institution Press, 1979); Leo Panitch, *Social Democracy and Industrial Militancy: The Labour Party, the Trade Unions, and Incomes Policy, 1945–1974* (Cambridge: Cambridge University Press, 1976); Donald Schwerin, "Norwegian and Danish Incomes Policy and European Monetary Integration," *West European Politics,* 3 (1980), 388–405.

6. Donald Schwerin, "The Limits of Organization as a Response to Wage-Price Problems," in Richard Rose, ed., *Challenge to Governance* (London: Sage, 1980), pp. 73–4. See also Nils Elvander, "Collective Bargaining and Incomes Policy in the Nordic Countries: A Comparative Analysis," *British Journal of Industrial Relations,* 15 (1975), 417–37; John Inman, "Wages Policy in Norway," *British Journal of Industrial Relations,* 17 (1979), 347–61.

7. See Lehmbruch, "Liberal Corporatism and Party Government," pp. 158–60; Peter Katzenstein, *Corporatism and Change* (Ithaca: Cornell University Press, 1984), chap. 2; Karl Ucakar, "Die Entwicklung der Interessenorganisationen," in Hans Fischer, ed., *Das Politische System Oesterreichs* (Vienna: Europa Verlag, 1974), pp. 418–20; John Windmuller, *Labor Relations in the Netherlands* (Ithaca: Cornell University Press, 1969).

8. See Lehmbruch, "Liberal Corporatism and Party Government," pp. 164–5; John P. Stephens, "The Ideological Development of the Swedish Social Democrats," in Denitch ed., *Democratic Socialism,* pp. 145–7.

9. Both Francis Castles and Walter Korpi use the term "incomes policy" to describe arrangements in Sweden. Francis Castles, *The Social Democratic Image of Society* (London: Routledge & Kegan Paul, 1978), p. 34; Walter Korpi, *The Working Class in Welfare Capitalism* (London: Routledge & Kegan Paul, 1978), p. 88.

10. See Denis Barnes and Eileen Reid, *Governments and Trade Unions: The British Experience, 1964–79* (London: Heinemann, 1980), p. 195; Panitch, *Social Democracy and Industrial Militancy,* p. 232.

11. Appendix 1 is based on the following sources in addition to those cited elsewhere in this paper. General: Albert A. Blum, ed., *International Handbook of Industrial Relations* (Westport: Greenwood Press, 1981); Murray Edelman and Robben W. Fleming, *The Politics of Wage-Price Decisions* (Urbana: University of Illinois Press, 1965); John Gennard and M. Wright, "Incomes Policy," in Derek Torrington, ed., *Comparative Industrial Relations in Europe* (Westport: Greenwood Press, 1978); *OECD Economic Surveys* (Paris: OECD, 1960–81); Eric Shiff, *Incomes Policies Abroad,* Part II (Washington, D.C.: American Enterprise Institute, 1972). Country specific: H. Knapp, "Incomes Policy—Austria's Secret Weapon," in Ralf Dahrendorf, ed., *Europe's Economy in Crisis* (London: Weidenfeld & Nicholson, 1981); Reinhold Knoll and Anton Mayer, *Oesterreichische Konsensdemokratie in Theorie und Praxis* (Vienna: Hermann Bohlaus Nachf., 1980); Val R. Lorwin, "Labor Unions and Political Parties in Belgium," *Industrial and Labor Relations Review,* 28 (1975), 264–81; Marz-Henri Janne and Guy Spitaels, "Belgium: Collective Bargaining and Concertation Mold a New System," in Solomon Barkin, ed., *Worker Militancy and Its Consequences, 1965–75* (New York: Praeger, 1975); Robert Laxer, *Canada's Unions* (Toronto: James Lorimer, 1976); Finn Valentin, "Corporatism and the Danish Welfare State," *Acta Sociologica* (1978 Supplement), 73–95; Jean-Daniel Reynaud, "France: Elitist Society Inhibits Articulated Bargaining," in Barkin, ed., *Worker Militancy and Its Consequences*; M. H. Browne, "Industrial Labour and Incomes Policy in the Republic of Ireland," *British Journal of Industrial Relations,* 3 (1965), 46–66; Charles McCarthy, *The Decade of Upheaval: Irish Trade Unions in the Nineteen Sixties* (Dublin: Institute of Public Administration, 1973); Charles McCarthy, *Trade Unions in Ireland, 1894–1960* (Dublin: Institute of Public Administration, 1977); Bram Peper, "The Netherlands: A Permissive Response," in Anthony Cox, ed., *Politics, Policy and the European Recession* (London: St. Martin's Press, 1982); Mark W. Leiserson, *Wages and Economic Control in Norway, 1945–1957* (Cambridge, Mass.: Harvard University Press, 1959); Neil Elder, "Continuity and Innovation in Sweden in the 1970s," in Cox, ed., *Politics, Policy and the European Recession;* Juerg K. Siegenthaler, "Current Problems of Trade Union-Party Relations in Switzerland," *Industrial and Labor Relations Review,* 28 (1975), 243–63; Colin Crouch, *The Politics of Industrial Relations* (Glasgow: Fontana/Collins, 1979); Gerald Dorfman, *Wage Politics in Britain, 1945–1967* (London: Charles Knight, 1974); Michael R. Darby, "The Post-War Record: The U.S. Economic Stabilization Program of 1971–74," in David Laidler, ed., *The Illusion of Wage and Price Control* (Vancouver: The Fraser Institute, 1976).

12. See Charles S. Maier, "Preconditions for Corporatism," in John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Oxford University Press, 1984); Marino Regini, "The Conditions for Political Exchange: How Concertation Emerged and Collapsed in Italy and Great Britain," in Goldthorpe, ed., pp. 128–31; Peter Lange, "The Conjunctural Conditions for Consensual Wage Regulation: An Initial Examination of Some Hypotheses," paper prepared for the Annual Meeting of the American Political Science Association, New York, 1981; Robert Flanagan and Lloyd Ulman, *Wage Restraint: A Study of Incomes Policy in Western Europe* (Berkeley: University of California Press, 1971), p. 219; Adriano

Pappalardo, "The Conditions for Consociational Democracy: A Logical and Empirical Critique," *European Journal of Political Research,* 9 (1981), 375–9; Harold Wilensky, *The "New Corporatism," Centralization, and the Welfare State* (London: Sage, 1976), pp. 36–7.

13. Lehmbruch, "Liberal Corporatism and Party Government," pp. 168–9. See also Castles, *The Social Democratic Image of Society,* pp. 123–4; Panitch, "The Development of Corporatism," pp. 135–6.

14. Andrew Shonfield, *Modern Capitalism* (Oxford: Oxford University Press, 1980), p. 219.

15. This point of view is expressed by Felix Burdzhalov, *State Monopoly Incomes Policy: Conception and Practice* (Moscow: Progress Publishers, 1978), pp. 60–1; Rainer Deppe, Richard Herding, and Dietrich Hoss, "The Relationship between Trade Union Action and Political Parties," in Colin Crouch and Alessandro Pizzorno, eds., *The Resurgence of Class Conflict in Western Europe since 1968,* vol. 2 (London: Macmillan, 1978); Dominic Strinati, *Capitalism, the State, and Industrial Relations* (London: Croom Helm, 1982).

16. David R. Cameron, "Social Democracy, Corporatism, Labour Quiescence, and the Representation of Economic Interest in Advanced Capitalist Society," in Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism,* pp. 157–74; Francis Castles, ed., *The Impact of Parties* (London: Sage, 1982), pp. 71–5; Douglas Hibbs, "Political Parties and Macroeconomic Policy," *American Political Science Review,* 71 (1977), 1467–82; Walter Korpi, *The Democratic Class Struggle* (London: Routledge and Kegan Paul, 1983), chap. 9.

17. Lange, "The Conjunctural Conditions," pp. 20–1.

18. Peter Lange, "Unions, Workers, and Wage Regulation: The Rational Bases of Consent," in Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism,* pp. 109–110.

19. Eric Schiff, *Incomes Policies Abroad* (Washington, D.C.: American Enterprise Institute, 1971), p. 30; Inman, "Wages Policy in Norway," p. 352. See also Robert J. Flanagan, David W. Soskice, and Lloyd Ulman, *Unionism, Economic Stabilization and Incomes Policies: European Experience* (Washington D.C.: Brookings Institution, 1983), esp. chaps. 3, 4, and 6.

20. Schwerin, "The Limits of Organization," p. 88.

21. Rankings on consensual incomes policy (see Appendix 2) were compared to rankings on average level of inflation, 1960–1980, with rho = 0.09 for fifteen countries. Source: *OECD Historical Statistics, 1960–1980* (Paris: OECD, 1982).

22. See, for example, Karl Brunner and Allan H. Meltzer, eds., *The Economics of Price and Wage Controls,* vol. 2 (New York: North-Holland, 1976), and Michael Parkin and Michael T. Sumner, eds., *Incomes Policy and Inflation* (Manchester: Manchester University Press, 1972), esp. chap. 1.

23. The association (Spearman's rho) between rankings on consensual incomes policy and standardized average levels of unemployment for twelve countries, 1964–1980, is 0.74 (sig > 0.01). The standardized average level of unemployment and rankings (in brackets) are as follows: Austria 1.7 (1); Norway 1.8 (2=); West Germany 1.8 (2=); Sweden 1.9 (4); the Netherlands 2.4 (5); Finland 3.2 (6); France 3.3 (7); United Kingdom 4.1 (8); Belgium 4.2 (9); United States 5.3 (10); Canada 5.8 (11); Italy 6.0 (12). Source: *OECD Historical Statistics, 1964–1980*. The association (Spearman's rho) between rankings on consensual incomes policy and average strike volume for fifteen countries, 1946–1972, is 0.52 (sig > 0.05). Source: Michael Shalev, "Strikers and the State: A Comment," *British Journal of Industrial Relations,* 8 (1978), 490.

24. See particularly Cameron, "Social Democracy, Corporatism, Labour Quiescence, and the Representation of Economic Interest in Advanced Capitalist Society," pp. 159–63; Douglas Hibbs, "On the Political Economy of Long Run Trends in Strike Activity," *British Journal of Industrial Relations,* 8 (1978), 153–75; Walter Korpi and Michael Shalev, "Strikes, Industrial Relations and Class Conflict in Capitalist Societies," *British Journal of Sociology,* 30 (1979), 164–87; and Shalev, "Strikers and the State," pp. 482–92.

25. These ideas are further developed in Gary Marks, "State/Economy Linkages in Advanced Industrialized Societies," in Norman J. Vig and Steven E. Scheier, eds., *Political Economy in Western Democracies* (New York: Holmes and Meier, 1985).

26. Korpi, *The Democratic Class Struggle,* chap. 8.

27. See Voitto Helander, "A Liberal-Corporatist Sub-System in Action: The Incomes Policy System in Finland," in Lehmbruch and Schmitter, eds., *Patterns of Corporatist Policy-Making,* p. 169.

28. See Schwerin, "Norwegian and Danish Incomes Policy," p. 400; Armingeon, *Neokorporatistische Einkommenspolitik,* p. 112.

29. See Jack Barbash, *Trade Unions and National Economic Policy* (Baltimore: The Johns Hopkins University Press, 1972), pp. 82–3; Jon Clark, "Concerted Action in the Federal Republic of Germany," *British Journal of Industrial Relations,* 18 (1979), 243–4.

30. Helander, "Liberal-Corporatist Sub-System," p. 169.

31. Lehmbruch, "Liberal Corporatism and Party Government," p. 169.

32. Marino Regini, "Changing Relationships between Labour and the State in Italy: Towards a Neo-Corporatist System?," in Lehmbruch and Schmitter, eds., *Patterns of Corporatist Policy-Making,* p. 126.

33. See Barbash, *Trade Unions and National Economic Policy,* p. 70; Bram Peper, "The Netherlands," in Barkin, ed., *Worker Militancy and Its Consequences,* p. 131.

34. Peter Gourevitch et al., *Unions and Economic Crisis: Britain, West Germany and Sweden* (London: Allen and Unwin, 1984), pp. 297–310; Armingeon, *Neokorporatistische Einkommenspolitik*, p. 58; Helander, "Liberal-Corporatist Sub-System," p. 185.

35. See Brian Hillery, "Ireland," in Blum, ed., *International Handbook of Industrial Relations*, p. 296.

36. See Molitor, "Social Conflicts in Belgium," pp. 28–9; Armingeon, *Neokorporatistische Einkommenspolitik*, pp. 108–9.

37. See Robert Kvavik, *Interest Groups in Norwegian Politics* (Oslo: Universitetsforlaget, 1976); Stein Rokkan, "Norway: Numerical Democracy and Corporate Pluralism," in Robert A. Dahl, ed., *Political Opposition in Western Democracies* (New Haven: Yale University Press, 1966); Rodney P. Stiefbold, "Segmented Pluralism and Consociational Democracy in Austria: Problems of Political Stability and Change," in Martin O. Heisler, ed., *Politics in Europe* (New York: David McKay, 1974).

38. Rokkan, "Norway," p. 107.

39. This is elaborated in Gary Marks, "The Revival of Laissez-Faire," in James Ceaser and Richard Hodder-Williams, eds., *The United States and Great Britain: Similarities and Contrasts* (Durham: Duke University Press, 1985).

40. A particularly clear outline of the collective goods approach as applied to consensual incomes policy is presented in Schwerin, "The Limits of Organization," and refined in Lange, "Unions, Workers, and Wage Regulation."

41. Bruce Heady, "Trade Unions and National Wages Policies," *Journal of Politics*, 2 (1970), 411–2.

42. Windmuller, *Labor Relations in the Netherlands*, p. 164; John Windmuller, "The Authority of National Trade Union Confederations: A Comparative Analysis," in David B. Lipsky, ed., *Union Power and Public Policy* (Ithaca: Cornell University Press, 1975), pp. 100, 104.

43. See Ross Martin, *TUC: The Growth of a Pressure Group 1868–1978* (Oxford: Clarendon Press, 1980), pp. 344–5.

44. Lange, "Unions, Workers and Wage Regulation," pp. 107–8.

45. Ibid., p. 108.

46. Mancur Olson, *The Rise and Decline of Nations* (New Haven: Yale University Press, 1982), p. 48.

47. Wilensky, *The "New Corporatism,"* p. 190; Marks, "State/Economy Linkages in Advanced Industrialized Societies."

48. Armingeon, *Neokorporatistische Einkommenspolitik,"* chap. 4; Gerhard Lehmbruch, "Concertation and the Structure of Corporatist Networks," in Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism*, p. 69.

49. Gourevitch et al., *Unions and Economic Crisis*, pp. 211–3; Armingeon, *Neokorporatistische Einkommenspolitik*, chap. 4.

50. Bernd Marin, *Die Paritätische Kommission* (Vienna: Internationale Publikationen, 1982).

51. Samuel H. Beer, *Britain against Itself* (New York: Norton, 1982), p. 49; Peter Hall, "Politics of Economic Policy: An Organizational Approach," in S. Bernstein, ed., *The State in Capitalist Europe* (London: Allen and Unwin, 1984), pp. 36–8.

52. Quoted in Robert Flanagan, "The National Accord as a New Social Contract," *Industrial and Labor Relations Review*, 34 (1980), p. 49.

53. See Walter Galenson, "Scandinavia," in Walter Galenson, ed., *Comparative Labor Movements* (New York: Prentice-Hall, 1952), pp. 128–30; Schwerin, "Norwegian and Danish Incomes Policy," p. 400.

54. The combined rankings on socialist participation in government and confederal contralization are as follows: Austria (1); Sweden (2); Norway (3); Belgium (4); Netherlands (5); Denmark (6=); Finland (6=); West Germany (8); United Kingdom (9); Switzerland (10); France (11); Ireland (12); Italy (13=); United States (13=); Canada (15).

55. See especially Andrei Markovits, "The Legacy of Liberalism and Collectivism in the Labor Market: A Tense but Fruitful Compromise for Model Germany," in Andrei Markovits ed., *The Political Economy of West Germany* (New York: Praeger, 1982), pp. 175–6; Michael Molitor, "Social Conflicts in Belgium," in Crouch and Pizzorno, eds., *The Resurgence of Class Conflict*, vol. 1; Walther Mueller-Jentsch and Hans-Joachim Sperling, "Economic Development, Labour Conflicts and the Industrial Relations System in West Germany," in Crouch and Pizzorno, eds., *The Resurgence of Class Conflict*, vol. 2; Peper, "The Netherlands," pp. 141–3; Olof Ruin, "Participatory Democracy and Corporatism: The Case of Sweden," *Scandinavian Political Studies*, 9 (1974), 171–84; Wolfgang Streeck, "Qualitative Demands and the Neo-Corporatist Manageability of Industrial Relations," *British Journal of Industrial Relations*, 21 (1981), 149–69.

56. See Gourevitch et al., *Unions and Economic Crisis*, pp. 316–22; Flanagan, Soskice, and Ulman, *Unionism, Stabilization, and Incomes Policies*, pp. 336–42; Carsten van Otter, "Sweden: Labor Reformism Reshapes the System," in Barkin, ed., *Worker Militancy and Its Consequences*, pp. 205–7; Klaus von Beyme, *Challenge to Power* (London: Sage, 1980), p. 51.

57. Von Beyme, *Challenge to Power*, p. 46.