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Crepaz, M.M.L.

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## Domestic and External Constraints on Austrian Corporatism: Challenges and Opportunities

Markus M.L. Crepaz

University of Georgia

### Abstract

The toughest challenges to Austrian corporatism originate in the domestic sphere as a result of an increasing chasm between societal values and the political institutions that were designed to represent these values. The modernization process moves society ever further away from the cultural and sociological pillars on which corporatism was built, leading to a situation in which the corporatist apparatus is perceived to be increasingly out of touch with the demands of the public. In addition, political changes, such as the rise of post-material parties, and the inclusion of hitherto anti-corporatist parties into a coalition government will further reduce the influence of corporatism on policy-making. However, with Austria's accession to the European Union, and globalization pressures in general, the institutional structure of corporatism and the expertise of corporatists may well become a major asset in assisting Austria as it faces pressures towards convergence.

### 1 Introduction

When Pope Paul VI declared Austria the 'island of the blessed', Austria distinguished itself by a remarkable degree of social harmony among its ideological camps, by social peace and by a virtual absence of industrial disputes. The era of the 1950s, 1960s, and mid-1970s was characterized by cooperation and concertation between the elites of the socialist and conservative parties and their corporatist complements. These were the heydays of Austrian corporatism creating a very predictable and stable politics, not only domestically but also with Austria's neighbours.

However, since the early 1980s, dramatic changes have been taking place. One of these changes is the relentless push for modernization. Austria's economy has morphed from an industrial to a post-industrial, service-oriented economy with attendant changes in its society; a referendum in 1978 rejected the operation of Austria's first and last nuclear power plant; in 1984 young Austrians chained themselves to trees to prevent the construction of a hydroelectric dam in order to save rare frogs and proved victorious against the

entrenched power of the strategic actors capital and labour; social values are changing towards more individualism, competitiveness, creativity, innovativeness and self-reliance – all of which are in contradiction to the paternalistic and hierarchical character of Austrian corporatism.

But there are also institutional challenges: in the 1980s and 1990s two new parties, the Greens and the Liberal Forum gained representation in the assembly, both of which are highly critical of the corporatist system. Since February 2, 2000, the FPÖ (Freedom Party of Austria), a political party outspokenly hostile to the Austrian social partnership, shares executive power with the Austrian People's Party (ÖVP) disturbing the all-important balance between 'red' and 'black' within the system of political parties as well as corporatist representation. Finally, accession of Austria to the European Union in 1995 has meant less room for manoeuvring in the all-important making of industrial and economic policies.

This contribution focuses on a related element of consociationalism in Austria: the relationship between the organized interest groups in Austrian society that is termed *Sozialpartnerschaft*, or social partnership, and which is generally referred to as corporatism in anglo-phone countries. There are clear differences between consociationalism and corporatism in terms of the 'formality' of the institutions, who the actors are, and the policy fields: consociationalism operates mostly in the world of clearly proscribed constitutional features such as proportional representation (and, as a consequence, enables and facilitates the formation of grand coalitions)<sup>1</sup>, veto powers, and in the provision of segmental autonomy, such as, for instance, federalism (Lijphart 1977: 42). Second, consociational elites are, in most cases, elected leaders of parties who are well known and who represent respective segments of society. Third, the 'policy field' of consociationalism is mostly concerned with religious, regional, linguistic, ethnic and racial issues.

The arena of corporatism, on the other hand, is much more informal; certainly, none of the Austrian corporatist institutional features are mentioned in the Austrian constitution. Second, corporatist elites do not emerge as a result of general elections, and thus enjoy much less legitimacy than the leaders of political parties. Elections in the chambers and the unions do not play a central role when it is being decided who will become high-ranking representatives of capital and labour in Austria, as these elections are usually foregone conclusions. Lastly, the policy field of corporatism deals almost exclusively with 'material' issues such as economic growth, unemployment, inflation, productivity, investments etc.

Having laid out some of the differences between consociationalism and corporatism, there are also some major similarities: one of them is that they both share a 'culture of compromise'. Elites in both systems understand that cooperation rather than conflict can lead to a positive sum game, that it creates

synergistic effects in which the whole is more than the sum of its parts. Scholars have indicated a conceptual affinity between consociationalism and corporatism. For instance, Lehmruch (1979: 59) speaks of "the structural isomorphy of the consociational and liberal corporatist pattern." And McRae (1979: 520) argues that corporatism and consociationalism both require a "disposition among elites towards collaborative or cooperative, rather than authoritative or majoritarian modes of decision-making." In fact, Arend Lijphart (1984), who later modified the term consociationalism to consensus democracy, and myself, have argued that empirically, corporatism and consensus democracy tend to occur together (Lijphart & Crepez 1991; Crepez & Lijphart 1995). In the period 1966 to 1983, when Austria was governed by a single party, the politics of consensus and compromise did not cease to exist – it just moved from the party arena into the arena of interest groups.

The purpose of this contribution is to assess the impact that the momentous changes, as mentioned at the beginning of this chapter, are having on Austrian corporatism. Clearly, the winds of change are blowing at gale force, sometimes revealing opportunities and at other times creating seemingly insurmountable obstacles to one of the 'crown jewels' of Austrian institutions. This contribution will proceed in three steps: first, the cultural and institutional elements of corporatism are briefly introduced; second, we will examine the extent to which structural, institutional, political and societal transformations are eroding and corroding the foundations of corporatism, including an assessment of the impact of the historic election on October 3, 1999, which made the 'anti-corporatist' Freedom Party (FPÖ) the second largest party in Austria and part of a governing coalition. Finally, Austria's accession to the European Union and the ensuing effects on the viability of the social partnership are examined.

## 2 The 'culture of compromise'

The purpose of corporatism is to provide economic stability and social harmony. For these two desirable outcomes to occur two conditions have to be present: first, the *willingness* of the elites to cooperate and to avoid pursuing their self-interest at all costs; and, second, the *capacity* of these actors to engage in cooperative behaviour. The first aspect, the willingness to cooperate is a function of the political culture of Austria, while the second aspect, the capacity to cooperate, refers to the unique institutional set-up of Austrian corporatism.

Corporatism in Austria is not just a system of interest representation but also an attitude steeped deeply in Austrian political culture symbolized by the quip: to a foreigner you can't explain the concept of social partnership, to an

Austrian, you don't need to. This 'culture of compromise' is as crucial for understanding the effectiveness of Austrian corporatism as its equally important institutional structure.

The corporatist ethos, as it developed after the Second World War to about the early 1980s could be defined as the trust and voluntary subordination of the populace under an elitist body, which guides society on the basis of scientific and technocratic principles in order to accommodate and equilibrate the antagonistic interests between capital and labour with the ultimate goal of achieving social harmony. Thus, the intent is to move the class struggle from the street to the bargaining table. The late chancellor Bruno Kreisky saw it as the "sublimation of the class struggle through social partnership" (*Sublimierung des Klassenkampfes durch die Sozialpartnerschaft*).

Three elements made Austria particularly susceptible to the development and adoption of a corporatist philosophy: Austria, being overwhelmingly Catholic, proved to be fertile ground for corporatist ideas to flourish. Corporatism drew heavily on the Catholic philosophy of moral behaviour (*Katholische Soziallehre*), which argued that liberalism and capitalism had broken down social bonds and turned society into a mass of atomistic, self-seeking individuals devoid of any higher moral purpose. Second, since Austria has never experienced a complete bourgeois revolution, its liberal traditions are also rather weak. As a result of late industrialization, capital was weak and consisted mostly of small scale producers and manufacturers. Agrarian structures were widespread and as a result of the absence of large urban centres, agriculture remained very strong. Third, a direct consequence of the weak liberal tradition in Austria is the relative weakness of its parliament. The notion of Emperor Franz Joseph, "everything for the people and nothing by the people" is characteristic of the corporatist creed. Parliament's lack of strength became especially pronounced during the Austro-fascist period from 1934 to 1938. With the 'Anschluss', Austria ceased to exist, only to emerge again, in 1945, crushed, disillusioned, and with serious doubts about its identity.

Austria's corporatism rose from these painful experiences after World War II when the leaders of the conservative and socialist parties, and the representatives of capital and labour vowed to put common interests above individual, separate interests. The collective memories of this cataclysmic shock is what led to the conviction that, despite all the differences between capital and labour, Austria became an *Astgemeinschaft*, a term coined by the first president of the Austrian Federation of Trade Unions, Johann Böhm. This term means that all parties are sitting on the same branch: if any one party sawed off the branch, all would fall. Since this is not in the interest of any of the parties involved, all they can do is sit tight and try to get along with each other.

The most important symbol of this re-orientation of the corporatist ethos was the grand coalition between the People's Party and the Socialist Party which lasted for more than 20 years (1945-1966). In the realm of the interest groups, there was another, perhaps even more important, 'grand coalition' going on: for more than three decades, the president of the Austrian Federation of Trade Unions (*Österreichischer Gewerkschaftsbund*, ÖGB) Anton Benya, and the president of the Federal Chamber of Commerce (*Österreichischer Wirtschaftsbund*, ÖWB), Rudolf Sallinger, together made social and economic decisions of utmost importance. These two personalities literally 'embodied' the Austrian social partnership during its heyday in the 1960s and 1970s. This 'old guard', whose conviction for cooperation originated in the collective memories of Austria's darkest hours, has since faded from the political scene (Benya retired in 1987 and Sallinger in 1990), and has been replaced with younger functionaries who lack such memories. These are probably less likely to be prepared to 'muddle through'.

Lack of a bourgeois revolution, late industrialization and weak parliamentary institutions led to an underdevelopment of political liberalism in Austria. Consequently, older generations of Austrians used to accept political decisions made 'above' quite easily; they saw themselves more as objects rather than subjects of rule. This mind-set led to a somewhat underdeveloped democratic political culture, more concerned with providing immediate material benefits for oneself by flashing the right party book (*Parteibuchwirtschaft*) and thereby hoping that the local party representative might just help you to get the nice apartment you always wanted, or help you get a job. These vertical ties between the masses and the elites are more characteristic of paternalistic patron-client relationships than the more horizontal relationships between masses and elites that are typical in competitive, pluralist societies. In such a paternalistic climate, patronage and cronyism flourished as manifested in the large number of political scandals that occurred in Austria. Jörg Haider's meteoric rise is partly a function of his populist appeal to the voters, that the 'old parties' were corrupt, that cronyism and extensive bureaucracy had made the political process inefficient, that an 'old boys network' was carving up positions based on paternalistic dependencies, that the famous 'proporz' had created institutions in which patronage was more important than ability, and that it was time to 'clean up' this mess.

However, the deference by which Austrians accepted the paternalistic character of Austrian corporatism after World War II is waning. Paradoxical it may be, but it is precisely the authoritarian style of the social partnership on the one hand and the rather passive acceptance of its policies on the other, which made Austria so successful. As the pillars of, for example, education and communication come apart and political awareness increases, as anti-

corporatist parties in parliament stir the anti-social partnership drum, as post-materialism and post-industrialism make their effects felt on Austria, and as a popular culture develops which emphasizes individualism, self-determination, personality, identity and self-actualization, it is an uphill battle for the social partnership to find acceptance for its policies made by elites in smoke-filled rooms. Corporatism is becoming a victim of its own success. Rising incomes and rising levels of education have modernized Austria and equipped its younger generation with an ability to critically examine the social partnership. And most of them find it wanting in openness, flexibility, adaptability, accessibility, degree of democracy, and an ability to address concerns other than material ones.

### 3 The institutional structure of Austrian corporatism

That 'institutions matter' is a rather recent re-discovery in political science. Institutions are indeed crucial insofar as they channel the flow of power in society, i.e., they represent the transmission belt, which translates private desires into public outcomes. Institutions here means corporatism, which differs from pluralism by three important elements: first, the number of actors in pluralism is many, while in corporatism they are few; second, the many actors in pluralism engage each other in a competitive fashion while the few actors in corporatism engage each other in an accommodative fashion; and third, pluralism is process oriented, while corporatism is goal oriented. This last element means that in interest group pluralism, policies are the outcomes of 'vector sum of political forces', while corporatist policy-making is goal oriented, i.e., first a policy goal is mutually agreed upon, and then the strategic actors cooperate in finding the most efficient and effective ways of achieving this goal. Given the encompassing character of corporatist institutions, they might be termed 'efficient' institutions (those that promote the interests of all, or almost all the actors) as opposed to 'redistributive' ones (those that promote the interests of one coalition against another) (Tsebelis 1990: 13).

Five institutional elements require special examination. First, the corporatist system is a closed, almost secret, informal, highly centralized, extremely hierarchical, extra-constitutional and compulsory institution which guarantees encompassing representation of capital and labour. In Austria, the Federal Chamber of Commerce and the president's conference of the Chambers of Agriculture represent capital, and labour is represented by the Austrian Federation of Trade Unions<sup>2</sup> and the Chambers of Labour. The success of the Austrian social partnership used to be due to its intimate character: a rather small number of people represented a comparatively large number of interests, which favours cooperation rather than defection.

When a small number of executives hold extensive membership in a wide range of committees, occupying multiple offices, holding executive positions in a variety of central bodies of the parties and the corporatist structure, this is often referred to as *Personalunion* – a characteristic element of the inter-penetration of the realm of the parties and the realm of the corporatist associations. It is precisely *Personalunion* that used to be responsible for the smooth functioning of the Austrian social partnership.

A second crucial institutional feature of the social partnership is the public law status of the interest organizations. The public law status gives the Austrian interest groups a right that other interest groups in pluralist systems could only dream of: the right to be consulted on legislative proposals as far as the interests of their members are concerned. The term 'right to be consulted' sounds rather passive: in reality, the associations often actually initiate legislative proposals, rather than simply comment on them. The advisory procedure (*Begutachtungsverfahren*) is the actual vehicle by which massive influence is wielded. Many proposals have already been discussed, amended, and tacitly agreed to, before they reach parliament in the so-called 'pre-parliamentary arena'. The members of parliament are simply told that, "*das is alles schon akkordiert*" (everything has already been agreed upon).

A third institutional element of the social partnership is compulsory membership in the Chamber of Labour, Chamber of Commerce, and the Chambers of Agriculture. Every employed or self-employed member of society must be a member of either capital or labour. Compulsory dues are deducted from each person's income every month just like a tax. It would be difficult to maintain the social partnership without compulsory membership for two reasons: the compulsory dues provide the organizations with a sizeable and predictable stream of revenue which is used to finance the impressive facilities the organizations, particularly of the Chamber of Labour and Chamber of Commerce, have as well as the manpower employed. Secondly, and most importantly, without compulsory membership, Austrian corporatism would most likely decay into some form of pluralism with the typical features of narrow, special interest groups, which would lobby deputies to the national assembly to further their specific individual goals.

Fourth, the principle of consensus is an unwritten decision rule, not only between the two camps, but also within them. Given the representation of interests through peak associations, it is necessary first to equilibrate interests within each layer before concertation with the other side can begin. The principle of consensus means that no single interest, no matter how powerful, can dominate the agenda, since each group has veto power. The consequences of the rule of unanimity are that externalities are minimized but that decision costs are maximized. The veto protects the least efficient and innovative of the

members of the corporatist system, and retards the more dynamic and competitive groups in the name of solidarity.

Lastly, in order to achieve the redistributive effects Olson (1982) and Tsebelis (1990) are hypothesizing, it is necessary to set up an institution that represents as many interests as possible with as few organizations as possible, i.e., to create hierarchically stratified peak associations. These encompassing associations have the capacity to internalize the externalities of collective action, i.e., to create policies that promote the interests of almost all members of society (Tsebelis 1990). As long as society is pillarized into capital and labour, representing interests in two peak associations may be adequate, but what happens if post-industrial change creates a society for which the crude dichotomy between capital and labour is no longer a viable reflection of society? Moreover, how has EU membership since 1995 affected Austria's capacity to steer the economy? How is globalization affecting corporatism?

The ideological camps in Austria are breaking down fast, injecting new competitive elements into the political process. Gone are the days of stability, certainty and predictability of governments and their policies. On October 3, 1999, Austria experienced a historic election, when Jörg Haider's FPÖ (Freedom Party of Austria) became the second largest party. The party landscape is changing: currently, of the four parties in parliament, two are outspokenly hostile to the social partnership (the Greens and the FPÖ), and even the established parties tend to emancipate themselves from their corporatist complements. How will these changes affect the social partners' ability to continue to deliver the goods?

#### 4 A changing environment – corporatism in the post-industrial age

Austria, despite its electoral system of proportional representation, was characterized by one of the highest degrees of party concentration in the world (Pelinka & Plasser 1989). This anomaly is explained by a peculiar feature of political culture called *Lagermentalität* (camp mentality, or pillarization) which marked Austria's post-World War I political structure and which encouraged Adam Wandruszka (1954: 290) to speak of "...the natural or god-given three-part division" of Austria's social structure. The three part division Wandruszka had in mind was the Christian-Conservative camp, the Socialist Camp and the Nationalist camp, making Austria a prime example of a segmented society in which consociational political institutions are necessary if social fragmentation is to be avoided and political stability achieved. Stein Rokkan (1977) also described Austria as having "one of the highest levels of *verzuiling*".

Times are changing, however. Structural change from an industrial to a post-industrial society is breaking down the clearly demarcated segments of society. In 1999, 64.9 per cent of GDP was produced by the service sector, as opposed to 36 per cent in 1953. The secondary sector is in a secular decline. In 1953, almost 44 per cent of GDP was produced by the secondary sector; in 1999 it was only about 32.9 per cent. The primary sector, agriculture, contributed almost 20 per cent to the GDP in 1953 while by 1999 this had shrunk to just 2.2 per cent (all data: OECD various editions).

What is most remarkable is that the party system has been much more successful at adapting to these changes than the corporatist system. The parties have to follow a 'competitive logic'; they need to win elections. In the words of Max Weber (1946: 102), "parties have to woo and organize the masses..." The need to win elections forces the parties to adapt to a changing society and to respond to the demands of new groups. The corporatist system, on the other hand, is based on a 'protective logic': here, the point is precisely to keep daily politics and popular demands at bay with the consequence that the corporatist system appears increasingly sclerotic, out of touch, and unable to represent anything other than material interests, no matter how pressing they are. The fundamental institutional features of corporatism such as compulsory membership to the chambers (Chamber of Labour and Chamber of Commerce), the decision rule of unanimity, and centralization, i.e., representing as many interests with as few organizations possible, are precisely the reasons why it is very difficult for the social partnership to adjust and adapt to changing circumstances. This has two dysfunctional effects: first, it shields the social partnership from the functional need to react to changing environments; and second, those very rules paralyse the organizations in their ability to effectively respond to the demands of the citizens (Crepez 1996).

In the 1950s through the 1980s, these protective and competitive logics were not contradictory; in fact, they complemented each other as long as Austrian society remained pillarized. While the competitive party system allowed for political change in governments, the corporatist system ensured stability and accountability despite changes in government. However, with the pillars breaking apart, the social partnership looks more and more like an organization in pursuit of an interested membership. Without compulsory membership to the chambers in Austria, the social partnership would be even more reduced in its advisory and policy-making role, as the large staff of bureaucrats, advisors and social scientists could not be maintained in the chambers and the ÖGB.

As the old cleavages are beginning to 'thaw', so too is the traditional two-and-a-half party system. Voters are becoming increasingly unfaithful to their camps. This represents a problem for the continued effectiveness of corporatism for the following reason: corporatism is about the representation

of material interests in a society that is divided into the traditional class structure of labour and capital and where social-democratic and conservative political parties compete against each other for political control. If society changes from a materialist to a post-materialist, and/or from an industrial to a post-industrial society, and, as a result of such a change, new parties emerge, this already indicates a weakening of the effectiveness of the social partnership in terms of implementing its policy proposals for the following reasons: despite the influence of the corporatist system in originating, influencing and initiating bills in the pre-parliamentary arena, it needs parliament as a formal, legal vehicle to convert its suggestions into legitimate, binding law. The greater the influence of non-corporatist parties in parliament, the more difficult it becomes to use parliament as this legitimacy-providing institution (Crepaz 1995).

In addition, there is strong evidence that parliament as an institution is getting stronger vis-à-vis the corporatist system as measured by the decrease of accepted, unamended government bills, the increase of initiatives, and the increase of requests (*Anfragen*) and urgent requests (*dringliche Anfragen*). All of these developments indicate a weakening of the social partners and a strengthening of parliament (Crepaz 1994).

Another reason why the social partnership will find it increasingly difficult to shape legislation is the decline in *Personalunion*, the personal and functional dovetailing between party representatives (members of parliament) and representatives of the corporatist system. While *Personalunion* may have had a decisive impact on the smoothness of Austrian politics, it came at a high price in the form of corruption and scandals. As *Personalunion* means that the same individuals are members of parliament, functionaries in unions and in the chambers, often playing multiple roles, sometimes being the supervisor and sometimes the supervisee, sometimes being the guard of the guardians, and often in situations with obvious conflicts of interest, it therefore makes a mockery of the concept of separation of powers. The consequences were a tremendous accumulation of power by individuals, with great temptation to abuse this power and even greater opportunities for the embezzlement of funds, which culminated in a sad list of attention getting scandals.

Both the Chamber of Commerce as well as the Chamber of Labour have suffered a great legitimacy crisis as a result of these scandals. Voter turnout to the election of the Chamber of Labour has shown a drastic decline from 82 per cent in 1949 to 30 per cent in 1994, having hovered around 63 per cent between 1969 and 1984. The remarkably low turnout in the 1994 election prompted a re-evaluation of the compulsory membership system, much to the chagrin of the social partners. Abolition of compulsory membership would change the essence of Austrian corporatism, as it would create many small, atomistic, narrow interest groups all of whom would be approaching the state

and seeking favourable legislation for their parochial interests, and thus changing the character of Austrian politics completely. Obviously, the chambers themselves do not want to abolish compulsory membership since they would stand to lose an exorbitant and predictable stream of resources.

Thus, in 1996, members of the Chamber of Labour were polled in each state on whether membership of the chamber should remain obligatory. Clever timing of the polls, starting with states in which compulsory membership was least challenged, and clever wording of the question itself, led to the result that in each state a majority of members voted to maintain compulsory membership, thereby removing this issue – at least temporarily – from the political agenda (Schaller 1997). For the time being, the issue of compulsory membership to the Chamber of Labour has been resolved. The fate of the other major corporatist chamber, the Chamber of Commerce, is quite similar to its social democratic brethren. Here again, there has been a precipitous fall in voter turnout. While in 1970 around 77 per cent of members went to the polls, in 1995 it was only 55 per cent, on average.

No one in Austrian politics personifies the fierce criticism of the social partnership and the chambers better than Jörg Haider, whose party, the FPÖ, became the second largest party in Austria on October 3, 1999 and later became part of a governing coalition with the Austrian People's Party (ÖVP) on February 3, 2000. A tremendous amount of emphasis was placed in the international media on Haider's politics of xenophobia, his anti-semitism, his flippant remarks about former SS officers being 'decent guys', or calling the 'employment policies' of the Third Reich 'proper'. While these comments leave grave doubts about Haider's understanding and acceptance of democracy, what drove his electoral success to a great extent is the relentless attack on the social partnership, a much less discussed and understood element of Haider's rise to power. Haider relished in uncovering scandal after scandal and in pointing out, in front of television cameras, how much money some 'multifunctionaries' were earning from their, often incompatible, jobs. This gave him the appearance of someone who would clean up Austria's *Filzokratie*: a bureaucratic thicket, overgrown with cronyism, patronage, bribery, kickbacks and mutual back-scratching. While this was pure populism, as a political strategy it was extraordinarily successful.

In a speech after the October 3, 1999 election,<sup>3</sup> Haider argued that "Austria is experiencing a democratic rejuvenation since October 3, 1999 precisely because central elements within the institutional and democratic system of the chamber and interest-group state [*Kammern- und Verbändestaat*] have failed." He compared the election result with the fall of the Berlin Wall, claiming that the "walls of proporz came down". These walls, he argued, have divided Austrians into two groups: those who profited from it, and those who did not, and that proporz led to "group egotism" and a "self-enriching mentality" which

drove Austrian public finances into a most difficult situation. He indicted the “red-black proporz and turf-system” and claimed that the FPÖ would clean up the mess.

Now that the ‘anti-corporatist’ FPÖ is a member of the new coalition government together with the ÖVP, and the Socialists (SPÖ) and Greens are in opposition, how will this affect the social partnership in the future? While it is too early to tell, one central element necessary to the continued functioning of the social partnership has disappeared: balance. True, from 1966 to 1983 the Conservatives, and then the Socialists had an absolute majority. Yet, society was still pillarized and the powerful image that Austria is a small country and that ‘we all sit in the same small boat’ was a widely shared notion among the people, opinion leaders and decision makers. In those days, the culture of compromise was so prevalent that even governments with an absolute majority had to include the social partners in any decision-making process.

During the 1990s, parties, governments, and even parliament as an institution began to de-link themselves from their corporatist complements. At the time of writing, with a central corporatist party, the Social Democrats, in opposition, the effectiveness of the social partners to shape outcomes has suffered noticeably.

This can be seen clearly in the reform of the Executive Committee of the Social Security Administration (*Hauptverband der Sozialversicherungsträger*), which occurred in the summer of 2001. The leadership of this body used to be comprised of the social partners, i.e., representatives of labour and capital apportioned in proportion to the votes received in the elections to the chambers of labour and commerce. And, traditionally, the president of the committee was a Social Democrat representative.

In the spring of 2001, the new ‘black-blue’ coalition (Conservative Party and Freedom Party) set out to reform the Executive Committee. The social partners were asked to submit proposals for reform. While the social partners wanted to maintain their control of the Social Security Administration, the government was keen to remove the then president, Hans Sallmutter, and to provide representation for the Freedom Party, for the first time in history, on this traditionally corporatist body.

The new government accepted none of the reform proposals that had been submitted by the unions and the Chamber of Labour. Since the vote in the Austrian parliament on July 6, 2001, the ‘black-blue’ government has had an absolute majority in the Executive Committee vis-à-vis the Social Democrats. President Sallmutter was ‘de-throned’ using a passage from the new bill, which included an ‘incompatibility clause’ as a functionary in the unions as well as in the Chamber of Labour.

These events highlight a shift in the balance of power between the social partners and the conservative/liberal coalition. Three points should be noted.

First, compared to the 1960s and 1970s, when the social partners almost dictated to the government how to vote on bills, today the proposals of the social partners are often simply ignored. Second, the incompatibility clause which was applied to get rid of the controversial president, Sallmutter, further undermines the effectiveness of the social partnership. It may be undemocratic, but overlapping membership works like a lubricant in pushing proposals through various committees. Third, representation of the Freedom Party in the executive committee represents an end of an era. Before, only ‘red’ and ‘black’ forces wielded power in such typical social partnership organizations as the Social Security Administration. Many observers argue that with the entry of representatives of the Freedom Party into the Executive Committee, the Austrian social partnership, as we knew it, is over. The fact that the government could ignore election results in the chambers, and reorganize the Executive Committee by wresting power from the social partners and installing Freedom Party members in such a typically corporatist body, spells the end of Austrian corporatism for many observers (Traxler 2001).

As an indication of the lack of access of the social partners to the government, the observation of the governor of Upper Austria, Josef Pühringer, is quite instructive: during a workshop on the future of the social partnership in the year 2001, he stated that, ‘in the future, it is important to include the social partners more effectively in negotiations.’<sup>4</sup> For decades, observers of corporatism have lamented the pervasive and ubiquitous influence of the social partners in every sphere of political life.

##### 5 Excursion: EU-integration, globalization and the (possible) revival of Austro-corporatism.

For comparativist scholars, the impact of the international system on domestic politics has always played a major part in their scholarship (e.g., Katzenstein 1978, 1985; Cameron 1978; Gourevitch 1978, and many others). Thus, much of the current hype about globalization and its supposed corrosive effects on domestic politics comes as a surprise to them. After all, most of their literature argues that, as a result of exposure to international business cycles, or economic openness, nations developed specific ways to deal with these challenges. Most of the nation-specific corporatist arrangements were fostered either during the Great Depression or during World War II. Consequently, international challenges did not weaken corporatist arrangements; if anything, economic hard times and depressions acted as the midwife to corporatist deals! The small countries that adopted corporatist policies, learned to adjust dynamically to these international challenges in such a way as to ensure

economic efficiency with a minimum of social dislocation. Certainly, neo-liberal convergence should not be much of a challenge for the small, corporatist states that have lived with open economies since the end of World War II.

Obviously, there is a glaring contradiction, leading to diverging hypotheses. There are those who argue that increased exposure to the international economy will hollow out the state, destroy idiosyncratic state-society relationships, such as corporatist structures, and where “deliberative democracy may suffer” (Schmidt 1995: 77). If this school of thought is correct, then we should indeed expect a cross-national convergence of policies, of state-society relations, of national styles of regulation, of lifestyles, and of popular cultures, centring on the requirements of international economic forces. On the other hand, if there is any truth to the massive literature on how small states adjust to challenges in the international economy, we should expect not a weakening, but a strengthening of the importance of extant and new institutions and a variety of nation-specific policies.

Certainly there is no doubt that policies on subsidies, deregulation of capital markets, EU-wide limitations on fiscal policies, deficit spending, exchange rate policies and other measures intended to streamline and harmonize European policy-making, limit corporatist policy-makers’ room to move. On the other hand, precisely because these measures are no longer available, the only remaining idiosyncratic measure to cushion domestic politics from the ups and downs of international business cycles, is wage policy. Those countries that have various social pacts in place, may experience this as a competitive advantage over those that lack such pacts and suffer from more hostile industrial relations, resulting in a less predictable political and business environment. Corporatist countries will find it easier to design and implement such social pacts centred around wage policy (not to be confused with ‘social dumping’ or the ‘race to the bottom’), as this has always been a central concern for corporatist policy-makers.

There is another reason why calls for the death of corporatism may be premature. Recently, neo-classical economists have wondered why it is that growth rates do not converge among industrialized democracies. Some economists have argued that variations in growth patterns are linked to the degree of public investment in physical and educational infrastructure, actually increasing productivity and competitiveness by providing public goods, which are undersupplied by market forces (Aschauer 1990; Lucas 1988; Romer 1990). This form of ‘endogenous growth’, so the argument goes, solves collective action problems facing individual entrepreneurs and provides a wide array of goods and services that contribute positively to economic growth by increasing the productivity of private capital. New growth theory is not inconsistent with ‘big government’ and strong political influence in the provision of public goods. Garrett (1996) finds that, contrary to what neo-classical wisdom would predict,

left labour power and fiscal expansion based on deficit spending has increased with greater internationalization rather than decreased.

It seems quite intuitive to argue that corporatism with its team of experts and wealth of expertise, combined with its emphasis on long-term ‘responsible’ outcomes, i.e., an emphasis on the overall development of the economy as opposed to group-specific distributive gains, should be better equipped to find the public funds necessary to finance these large infrastructure projects which, according to the new growth theory are crucial to success in the age of globalization. Pluralist countries with their fragmented interest groups bent on short-term profits should be in a less advantageous position to garner the necessary resources to engage in these massive public investments. While corporatism will certainly no longer play the same crucial role as it did in the 1950s, 1960s and 1970s, it may be too early to say, “Corporatism will not disappear. It will simply fade away” (Pelinka 1998: 155).

## 6 Conclusion

There was a strong affinity between political culture and the institutional foundations of Austrian corporatism, which had all the ingredients of an efficient institution, and macro-economic outcomes in the 1960s, 1970s and even 1980s. Yet, domestic structural and societal changes challenge the efficiency of corporatism. Changes from an industrial to a post-industrial society, from material to post-material attitude conspire to a reduced role of the social partnership.

Parliament is becoming more influential in political decision-making; even the parties are beginning to emancipate themselves from their corporatist complements; the dovetailing between parliamentary deputies and functionaries in the corporatist groups is decreasing; the chambers are suffering dramatic legitimacy crises and declining turnout rates. All this is evidence of an erosion of the central institutional foundations of corporatism. The inclusion of the FPÖ into a governing coalition with the ÖVP, with the SPÖ in opposition, means that a crucial link has been broken in the process of the creation of bills and the final debate on approval in parliament.

Policy-making will shift to government and the parties with much less reliance on the social partners. As a result, politics will become more partisan; politically expedient solutions will become prevalent, as opposed to the more technocratic and detached solutions the social partners tended to prefer. Policies that are popular and politically expedient in the short-term, yet perhaps inefficient in the long-term, will dominate political agendas. The competitive logic of parties and government to win elections leads to election day oriented tactics, i.e., to behaviour, which tends to lead to political business

cycles. As paradoxical as it is, it was precisely the lack of exposure to popular elections, which allowed the social partners the luxury to take the long-term into perspective, insulated from the daily political struggles and the need to legitimize themselves through the election process. The absence of this need for political legitimization through elections is precisely what allowed the social partners to take a technocratic, as opposed to political, and a long-term, as opposed to a short-term, perspective on macro-economic issues.

However, there are still many issues for the social partners to grapple with: issues of budget deficits, wage policies, how to finance social security, the social economic effects of immigration, the challenges of EU integration and globalization in general. Corporatism may be able to deal with the latter quite successfully if governments are willing to listen to the social partners. After all, these were exactly the forces that brought corporatism into existence in the first place. It may seem paradoxical, but while domestic challenges seem to undermine the ability of corporatist groups to shape policy, the massive pressures originating in the form of globalization and, more specifically, Europeanization, will provide a continual *raison d'être* for corporatists as they struggle to design policies intended to maximize economic efficiency and simultaneously protect domestic society.

#### Notes

1. The formation of grand coalitions is, of course, not a constitutional feature.
2. Membership of the Austrian Federation of Trade Unions is not compulsory. Still, by the early 1980s, the ÖGB enjoyed broad based support of about 60 % (union density = unions members as percentage of labour force).
3. Jörg Haider, speech: 'Zur Lage der Republik und zur Situation der FPÖ', November 15, 1999.
4. Der Standard, 'Gewerkschaft füllt Rolle der SPÖ aus', July 13, 2001.

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## Quasi-Consociationalism in German Politics: Negotiated Democracy and the Legacy of the Westphalian Peace

Gerhard Lehnbruch

University of Konstanz

### Abstract

Germany, although it was never included in the 'classical' cases of consociational democracy, can nevertheless be categorized as 'semi-' or 'quasi-consociational'. This does not just mean that Germany can be located somewhere on a scale measuring the degree of consociationalism with the established criteria of the earlier literature. It also presupposes reconsidering the notion of consociationalism itself, as a conceptual tool for comparative politics.

### 1 Redefining consociational democracy

In the last thirty years we have learnt that classical 'consociationalism' was a transitory phenomenon, and this insight permits us to place our earlier analyses into a larger evolutionary framework. What was once described as 'consociational democracy' is a specific manifestation, during a distinct historical period, of a particular repertoire of conflict management. But it often has deeper roots that go back to the process of state building. One of the big challenges in that process was often the existence of deep cultural cleavages. In some instances, such as in the French model case, the state undertook the suppression of such cleavages by the techniques of absolutist rule. However, the preliminary condition for such a strategy was the existence of a powerful central authority. Where this condition did not exist, these cleavages excluded an absolutist solution.

This then had many consequences in a later stage of development, namely, the process of mass democratization and political mobilization. Strong cleavages made it difficult to adopt patterns of political organization that favoured the emergence of majoritarian democracy. The original response to democratization thus consisted in the formation of organizations that were linked, often through interlocking elite directorates, into highly integrated interorganizational networks segmented along cultural lines. The so-called 'pillarization' was thus a specific (and transitory) stage in the development of