Cooperation and Political Economic Performance in Affluent Democratic Capitalism[1]

Alexander Hicks
Emory University

Lane Kenworthy
East Carolina University

Research on comparative political economic performance has traditionally followed two separate tracks, one concerned with collective economic gain (growth and efficiency) and the other focused on distribution and redistribution. Cooperative institutions offer a key to understanding cross-national variation among the affluent capitalist democracies in both facets of political economic performance. These institutions cluster along two dimensions: neocorporatism and firm-level cooperation. Pooled time-series analysis for 18 nations over 1960–89 suggests that (1) neocorporatism is a major source of distributive/redistributive policies and outcomes and of several sources of collective gain; (2) firm-level cooperation is a key contributor to economic growth.

We live in a liberal democratic capitalist world of relatively competitive markets and institutionalized limits on government infringement of private property and individual persons (see Dahl 1982; Berger 1986; Evans and Stephens 1988). Yet this is a world whose tilt toward individual freedom is moderated, to varying degrees in different countries, by an array of cooperative institutions—regularized bargaining between state agencies and business and labor organizations, long-term partnerships between companies and their investors, collaborative relationships between employees and management within firms, along with a host of others. Many

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of these institutions have roots in the precapitalist and industrializing eras (Hicks 1999).

We suggest that cooperative economic institutions provide a key to understanding comparative political economic performance among capitalist democracies. Traditionally, the study of political economic performance has followed two separate tracks. Many researchers have focused on the determinants of classic measures of economic efficiency and dynamism—what we term collective gain—such as growth and productivity. Theoretical arguments and empirical findings attribute successful collective gain to factors such as unimpeded markets (Hayek 1960; Friedman and Friedman 1979; Grier and Tullock 1989), an absence of entrenched interest groups (Olson 1982, 1996; Mueller 1983; Weede 1984), corporatism (Katzenstein 1985; Alvarez, Garrett, and Lange 1991; Hicks 1994*b;* Pekkarinen, Pohjola, and Rowthorn 1992), and flexible specialization (Piore and Sabel 1984; Friedman 1988), among others. Other analysts have aimed their concern at indicators of distribution and redistribution, such as government transfers, income equality, and unemployment. Again a diverse group of causal variables has been claimed important, including labor organization (Stephens 1979; Esping-Andersen 1990), state structure (Orloff and Skocpol 1984; Weir and Skocpol 1985), government partisanship (Hibbs 1977; Korpi 1989; Hicks and Swank 1992), economic openness (Cameron 1978; Muller 1989), level of economic development (Kuznets 1955), and demographic structure (Pampel and Williamson 1988).

Collective gain and distribution/redistribution each contribute to economic well-being. Yet rarely have these two facets of political economic success been treated as dual foci of a single analytical lens, perhaps in part because of the assumption that there is a trade-off between equality and efficiency (Okun 1975).[2] Drawing upon various strands of thought in recent comparative political economy, we propose to offer an explanation of *both* components of political economic performance: collective economic gain and distribution/redistribution. Our explanation centers on cooperative institutions.

We begin by briefly outlining an array of policies and outcomes that help describe political economic performance. We then delineate, and attempt to simplify, a range of cooperative institutions that we suggest may be crucial for realizing these policies and outcomes. We find two relatively clean dimensions of such institutions, which we term neocorporatism and firm-level cooperation. We then analyze the political economic

[2] The chief exception is the literature on corporatism. See, e.g., Cameron (1978, 1984), Stephens (1979), Huber, Stephens, and Ragin (1993), Wilensky (1976, 1983). See also North (1981, 1990).

consequences of these dimensions, utilizing data for the 18 richest industrialized democracies over the period 1960–89 (and to a limited extent through 1994). From this analysis emerges a simple and rather striking vision of the contribution of cooperative institutions to advanced capitalism.

INCOME SECURITY IN ADVANCED CAPITALISM

Capitalist free-market societies generate negative by-products. Indeed, they generate departures from optimal economic performance even by their own individualistic criteria of efficiency and welfare. Unassisted by collective activities that exceed the scope of liberal "rational egoism" and free-market mechanisms, these societies, though economically dynamic, are marred by market failures. Shortfalls in economic efficiency involve negative by-products of market exchanges as well as unrealized potential gains. Among the most important of these market failures are deficiencies in income security: occasional shortages of jobs for willing workers, provision of jobs with less than living wages, uncertain provision for the elderly and infirm.

State distributive and redistributive policies go a long way toward rectifying economic insecurity in democratic capitalism. Such policies—which include poor relief, social insurance, education, apprenticeship programs, and the like—vary a great deal. Even direct state efforts to provide material redress for the financially distressed by means of the give and take of expenditure benefits and tax burdens take a variety of forms. For example, some redistributive policies (such as old-age pensions) address particular classes of needs for all citizens, prosperous or poor, while others (such as welfare programs) assist only the deeply and extensively needy. Moreover, direct provisions are complemented by indirect provisions of income for persons suffering or vulnerable to poverty. For instance, fiscal stimulation of employment or financing of job training may avert the need for unemployment compensation benefits.

Both direct and indirect adjustments of the distribution of economic resources are dependent upon the vigor and expansiveness of production, for abundant and increasing resources avert or allay the costs and potential conflicts of taking from Mary to pay Sam. Indeed, economic abundance and improvement tend to increase the welfare of the collectivity. At the very least they improve the well-being of all those who experience them and enhance the prospects of any who, though initially left out, have hope of sharing in national prosperity. Table 1 outlines some central income security goals of most advanced capitalist societies along with policies aimed at securing those goals.

TABLE 1

Income Security Policies and Targets

	Direct	Indirect
Distributive/redistributive	Income transfers (pensions, welfare) Decommodification	Low unemployment Active labor market policy (training, job placement)
Collective gain	Income growth	Investment International competitiveness Low inflation

COOPERATIVE INSTITUTIONS

What political economic institutions are most conducive to effective distribution/redistribution and collective gain in capitalist democracies? Markets are certainly critical, but there is good reason to suspect that a number of extramarket institutions that promote cooperation among economic actors (firms, unions, investors, government policy makers, and so on) may effectively complement, and thereby accentuate, the benefits of market competition while also limiting its weaknesses. For distributive/redistributive policies, this link is fairly evident, but it is no less compelling for aggregate economic gain. Economies progress most successfully when their institutional frameworks encourage individuals and organizations to consistently engage in productive economic activity (North 1990). Market incentives are not always effective at generating such behavior, and in some cases they discourage it. Some extramarket institutions, such as long-term relationships and various forms of formal organization, may help to promote productive economic cooperation that otherwise will not be forthcoming.

Among the most visible of such institutions have been the varieties of tripartite neocorporatist arrangements composed of linkages among employer associations, union confederations, and states (Schmitter 1974, 1981; Cameron 1984; Crouch 1985; Katzenstein 1985; Alvarez et al. 1991; Lijphart and Crepaz 1991; Hicks and Swank 1992; Pekkarinen et al. 1992; these arrangements can be bipartite also). Other seemingly important forms of cooperation occur between and within firms, at what might be termed the meso and micro levels (Dore 1987; Aoki 1988; Soskice 1991, 1992; Kenworthy 1995; Hollingsworth, Schmitter, and Streeck 1994; Hollingsworth and Boyer 1997; Womack, Jones, and Roos 1990; Pyke, Becattini, and Sengenberger 1990; Powell 1990; Porter 1992; Applebaum and Batt 1994; Florida and Kenney 1990). We briefly describe 10 cooperative institutions that we expect to influence distribution/redistribution and col-

TABLE 2

KEY TYPES OF COOPERATIVE ECONOMIC INSTITUTIONS

Type	Summary
1. Business confederations	Centralized business confederations reduce rent seeking by individual firms and industries.
2. Coordinated wage bargaining	Coordinated wage bargaining encourages wage restraint—facilitated by a centralized and/or concentrated union movement.
3. Government and interest groups	Cooperation between government and interest groups generates productive, coherent state policies—fostered by coordination within interest groups and among government agencies.
4. Tripartite neocorporation	Tripartite neocorporatism is conducive to rational macrolevel collective action. It may be centered in the economic system (as in Lijphart and Crepaz's [1991] neocorporatism) or in the political system (as in Hicks and Swank's [1992] social democratic corporatism).
5. Investors and firms	Long-term, voice-based relationships between firms and their investors permit long time horizons for management.
6. Purchasers and suppliers	Long-term, voice-based relationships between purchaser and supplier firms foster heightened communication and greater supplier willingness to invest and raise productivity.
7. Competing firms	Alliances among competing firms lead to greater investment in research and development and employee training, permit quicker agreement on standards, and provide assistance with matters such as financing, technology diffusion, design, accounting, and marketing.
8. Labor and management	An employment guarantee by firms generates greater cooperation between labor and management. Workers are more willing to share valuable knowledge, accept productivity-enhancing technology, and upgrade skills.
9. Workers	Participatory teamwork arrangements result in greater work effort by employees.
10. Functional departments within firms	Multidivisional project teams that link various departments within firms yield a quicker, more effective transition from research and development through production.

lective economic gain, drawing heavily on earlier research (Kenworthy 1995). Table 2 provides a summary of the discussion. These 10 institutions do not exhaust the beneficial forms of cooperation in market economies. We focus upon them because each applies to a specific relationship among economic actors and because each varies across countries and/or over time during the post–World War II period and thus is potentially helpful in accounting for differences in distribution/redistribution and collective gain.[3] This array of institutions may initially appear dauntingly complex for the purposes of analysis. But as we shall see, these institutions cluster along two dimensions, which we will call neocorporatism and firm-level cooperation.

1. *Business confederations.*—Governments are vulnerable to lobbying by "rent-seeking" special interest groups, whose gains sometimes come at the expense of the rest of society (Buchanan 1975). Business firms tend to be particularly willing and able to seek subsidies, favorable tax treatment, protection from imports, and other such benefits. The greater the fragmentation among firms and individual industry associations, the more likely it is that each will seek benefits only for itself rather than for society as a whole. One way to mitigate this problem is via a centralized business confederation that links firms across industries and that has the authority to speak and negotiate on behalf of its members. The more encompassing the organization—the larger the share of society that it represents—the greater its incentive to try to increase the size of the social product, since redistributive gains can be taken only at the expense of its own members (Olson 1982). National business confederations exist in most industrialized countries, but the share of companies they represent and their authority vis-à-vis member firms are much greater in, for instance, Japan and Switzerland than in the United States or Australia (Coleman and Grant 1988; Windmuller and Gladstone 1984).

2. *Coordinated wage bargaining.*—A similar logic applies a fortiori to unions, particularly in the realm of wage bargaining. Where wage negotiations are conducted by a single national confederation or heavily influenced by a relatively small number of unions, these bodies have a strong incentive to bargain moderately, since much of the costs of excessively high wage gains—higher inflation or unemployment, or reduced international competitiveness—will eventually be borne by those they represent. Union coordination, when combined with coordination on the business side, thus tends to encourage wage restraint. This helps explain why the rate of wage increase has been more moderate in nations such as Austria and Norway than in Italy or the United Kingdom (Flanagan, Soskice, and Ulman 1983; Crouch 1985; Soskice 1990; Golden 1993; Kenworthy 1996).

3. *Government and interest groups.*—Forging consensus among parties and reaching agreements that benefit everyone involved is easier when the number of parties engaged in negotiation is relatively small. Fragmentation among state agencies and among business and labor can render government policy making combative, conflictual, and inconsistent. Each

[3] An example of an institution that facilitates cooperation in many types of economic relationships is contract law.

firm or industry association or union tends to press its own particular interests upon government officials, and government agencies compete with one another for status and control over resources. Coordination within interest groups and within the state facilitates cooperation, heightening the potential for productive, coherent government policies. The contrast is illustrated by the stable policy path followed by nations such as Sweden and Japan over the post–World War II period compared to the largely reactive ad hoc approach pursued by countries such as the United States and Canada (Heclo and Madsen 1987; Johnson 1982; Wilensky and Turner 1987; Shonfield 1965; Lodge 1990).

4. *Tripartite neocorporatism.*—Rational macrolevel collective action is especially enhanced in the economic sphere insofar as encompassing, internally cohesive representatives of employers and employees are the principal interest groups interacting closely with governments (Schmitter 1974; Stephens 1979; Korpi 1983; Katzenstein 1985; Lange and Garrett 1985; Lijphart and Crepaz 1991; Hicks and Swank 1992). Tripartite neocorporatist modes of cooperation may be societally centered with important governmental support, as in the 1970s Scandinavian institutions of economywide wage bargaining evoked by Crouch (1985). Or they may be more state centered, as in the more truly tripartite institutions evoked by Katzenstein (1984) on Austrian neocorporatism or Heclo and Madsen (1987) on the Swedish state system as a whole. Such cooperative systems may also be relatively nonpartisan, such as in Austria (Katzenstein 1984; Lijphart and Crepaz 1991). Or they may be tied to sustained traditions of left government, as by most accounts is Sweden's system of interest organization (Stephens 1979; Korpi 1983; Hicks and Swank 1992).

5. *Investors and firms.*—The defining feature of a U.S.-style flexible capital market is investors' incentive and ability to quickly exit from an ownership position in companies with which they are dissatisfied. This incentive and ability stem from the fact that most investors (even large institutional investors such as pension funds) own a very small percentage of the shares of any given firm. Consequently, they have little capacity to influence the firm's decisions and can sell their equity shares without causing any alarm. The chief drawback associated with this flexibility is that it encourages investors to focus on short-run company stock performance and thereby forces corporate managers to do the same. In Germany, Japan, and a variety of other nations, some investors, such as banks or other nonfinancial companies, hold large ownership stakes in firms and thereby are able to influence the firms' decision making. A large ownership share reduces the liquidity of an investment, making it more difficult for the investor to exit quickly and quietly. Having a voice in company decision making encourages an investor to utilize its position to help change the firm, rather than simply abandon it, when things go awry. This fosters a

competitively advantageous orientation toward the long term (Porter 1992; U.S. Congress 1990, chap. 3; Ellsworth 1985; Zysman 1983; Dore 1987, chap. 6).[4]

6. *Purchasers and suppliers.*—Discrete, temporary market transactions between firms and their suppliers impose costs associated with search, bargaining, and monitoring to prevent opportunistic behavior. Most important, in the absence of some guarantee of future transactions, each party is encouraged to maximize short-run payoffs, which in turn tends to reduce communication and long-term investments. Some companies opt instead for vertical integration, whereby a firm produces its own supplies. But this can require substantial fixed capital investment, promote bureaucratization and risk aversness, and reduce or eliminate competition as a spur for efficiency and innovation. An alternative to markets and hierarchies is a long-term partnership with independent suppliers. Such relationships, used extensively by large Japanese companies and to a lesser degree in some European countries over the past several decades, enable firms to reap the benefits of low fixed costs and supplier expertise while encouraging suppliers to invest in long-term improvements and to communicate extensively both with the purchaser and with other suppliers (Womack et al. 1990; Sako 1992; Porter 1990; Helper 1991; Dyer and Ouchi 1993; Hendrick and Ellram 1993).

7. *Competing firms.*—Market incentives encourage underinvestment in two important sources of corporate success: research and employee training. Both yield highly uncertain payoffs for a firm, in part because their public goods character allows other firms to share in the benefits without bearing any of the costs. Collaboration can help overcome this disincentive to investment in research and development and in training (Teece 1992; Jorde and Teece 1990; Ouchi and Bolton 1988; Streeck 1989; Lynch 1994). Joint efforts allow risk to be pooled and help protect against free

[4] This is not to deny the claim of the financial hegemony literature that financial institutions in nations such as the United States have influence over companies (e.g., Mintz and Schwartz 1990; Stearns 1990). But such influence stems primarily from debt rather than equity relationships, and firms in capital market–dominated economies such as the United States rely much less heavily on debt than do their counterparts in, e.g., Germany and Japan (Ellsworth 1985). Some argue that given the growing role of large institutional shareholders, the influence of equity investors over firm decisions in the United States has become comparable to that in nations such as Japan and Germany. Yet pension funds and other institutional investors in the United States typically own no more than 2% or 3% of the shares in any single firm (Useem 1993). And when institutional investors do attempt to influence company management, they tend to try to alter company governance procedures rather than company business strategy (Useem 1993). Most important, institutional investors tend to exit when dissatisfied with firm performance; hence the average holding period of stocks in the United States declined from more than seven years in 1960 to just two years in the early 1990s (Porter 1992, p. 26).

riders. They also enable companies to pool expertise and respond more quickly to changing conditions. In nations where this type of cooperation occurs frequently, such as Germany and Japan, industry trade associations and/or governments have helped to foster it by facilitating communication between companies and by providing resources and selective incentives for joint action (Herrigel 1994; Hansen and Burton 1992; Cheney and Grimes 1991). Trade associations and consortiums of competing firms can also provide useful assistance with matters such as standard setting, financing, technology diffusion, design, accounting, marketing, and export promotion. The pooling of resources to secure these sorts of benefits is particularly helpful for small firms; it has been critical to the success of such firms in northern Italy and various industries in Japan (Pyke et al. 1990; Best 1990, chaps. 7–8; Dore 1986).

8. *Labor and management.*—Routinizing the employment relationship within firms offers several advantages over spot market employment. It reduces costs associated with search and monitoring, and it facilitates specialization of tasks and realization of scale economies. But if employees have no guarantee of future employment with a company, they have little assurance that they will benefit from improvements in their firm's productivity. Where an (explicit or implicit) employment guarantee is offered, workers have a greater incentive to invest in skills training, to share ideas with management, and to not resist the introduction of new machines or work practices (Brown et al. 1993; Levine and Parkin 1994; Dore 1987, chap. 2; Koike 1987; Streeck 1987; Buechtemann 1993). In short, employees are likely to be more willing to cooperate in upgrading productivity. Such a commitment has tended to cover a much broader share of the workforce in nations such as Japan and Sweden than in countries like the United States or France.

9. *Workers.*—Most employees have an incentive to shirk, to free ride on the efforts of their coworkers, because doing so will not reduce their own pay as long as others work hard. Standard remedies for this problem include monitoring by a supervisor, assembly line pacing, and control based on codified rules. But these can be costly and of limited efficacy (Leibenstein 1987; Hodson 1996; Nalbantian and Schotter 1997). A less costly and potentially more effective alternative is to group workers into participatory teams (Levine and Tyson 1990; Levine 1995; Applebaum and Batt 1994; Ichniowski, Shaw, and Prennushi 1997). Employee decision making through teams fosters trust and encourages workers themselves to monitor individual performance. As David Levine and Laura Tyson (1990, p. 187) have noted: "By working together, team members recognize their mutual interests and observe how shirking by one can hurt the group. Shirking or free riding now imposes an observable cost directly on all coworkers, so that social sanctions may be rationally applied against

workers who deviate from the cooperative work norm." The effect is to promote effort and cooperation among employees. Shopfloor teams have been common in Japan and Scandinavia for several decades. Only recently have firms in other countries begun to make use of them.[5]

10. *Functional departments within firms.*—Traditionally, large firms in most industrialized nations have attempted to clearly and cleanly separate the various functional stages along the production chain—research, design, development, production, and so on. Functional specialization of this sort can render companies slow and ineffective at moving from creation to production. The process becomes disjointed, leading to less coherence, more delays, and higher costs as errors are discovered late in the process. Many large Japanese firms have relied instead upon multidivisional project teams, whose members represent various departments and stay with a project as it moves through the various stages. By enhancing coordination and continuity, such teams have tended to dramatically reduce the time and costs involved in bringing new products or product improvements to market (Florida and Kenney 1990; Angel 1994; Mowery and Rosenberg 1989).

Clearly, not all cooperation is economically beneficial. Price setting by cartels is a well-known example of cooperative behavior that does not enhance societal welfare. But theoretical and empirical considerations suggest that the forms of economic cooperation we have identified here *are* beneficial. It is also worth noting that some forms of cooperation inhibit others. For example, long-term employment relationships may discourage mutually advantageous short-term work arrangements. Similarly, centralized wage bargaining may limit the flexibility of firms and local unions to forge their own cooperative agreements. We contend that the forms of cooperation we have highlighted generate greater economic benefits than do those they may discourage. Moreover, seldom does one type of cooperation entirely preclude another. In large Japanese firms, for instance, lifetime employment guarantees for the "core" workforce are coupled with use of temporary employees. And coordinated wage agreements are supplemented everywhere by some firm-level bargaining.

TWO DIMENSIONS OF ECONOMIC COOPERATION

Do these cooperative institutions help us to understand variation in distributive/redistributive policies and collective economic gain across nations and over time? To facilitate analysis we have created numerical

[5] The participatory work teams to which we refer are distinct from European-style works councils, which negotiate with management over matters such as work conditions, hiring and firing procedures, and introduction of new technology.

scores for 18 nations on each of the above institutions for each year over the period 1960–89. The scoring is summarized in table 3. Included are the wealthiest continuous capitalist democracies with populations over 3 million that are members of the Organization for Economic Cooperation and Development (OECD): Australia, Austria, Belgium, Canada, Denmark, Finland, France, (West) Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States.[6] For each institution, in each year, a country receives a score of "1" (highly cooperative), "0.5" (moderately cooperative), or "0" (weakly cooperative). This is plainly a somewhat crude measure, reflecting the fact that patterns of cooperation are not always consistent across industries and firms within a particular country and that information for some nations in certain areas and/or years is limited. The rationale for the scoring is partially detailed in the appendix. More complete documentation is provided in a paper (Kenworthy 1997) available from the authors. Tripartite neocorporatism, because it is especially central to the literature on macropolitical cooperation and has been previously measured in diverging ways, receives two scores. One of these uses Lijphart and Crepaz's (1991) societally tilted index of neocorporatism. The second uses the social democratically (and politically) tilted index developed in Hicks and Swank (1992).

The items utilized in our analysis are measures of encompassing, centralized structures of business confederation (BusConf); coordinated wage bargaining (WageCoor); cohesive government/interest group interrelations (GovtInts); one index of neocorporatism (TNC-LC, from Lijphart and Crepaz 1991) and a second of social democratic corporatism (TNC-HS, from Hicks and Swank 1992); investor-firm cooperation (InvFirms); cooperative purchaser-supplier relations (PurchSup); alliances among competing firms (CompFirms); labor-management cooperation (LabMgmt); cooperation among workers through participatory teams (WrkrTeams); and multidivisional project teams within firms (MdivTeams).

The purpose of these scores is to identify principal dimensions of national political economic institutions under the working hypothesis that cooperative institutions cluster along a few dimensions, certainly far fewer than 10. Two particular dimensions seem especially likely to underlie the institutions detailed above. One is a relatively political dimension associated with strong industrial labor movements, strong social democratic/labor parties, and neocorporatist concertation of national economic policy. The other is a relatively societal dimension drawing in part on traditional,

[6] Israel's noninclusion is dictated by lack of available data for a number of the variables we examine, due largely to the fact that it is not a member of the OECD.

TABLE 3

COOPERATIVE INSTITUTION SCORING FOR 18 NATIONS, 1960–89

	BusConf	WageCoor	GovtInts	TNC-LC	TNC-HS
Australia	0	.5 (1960–80) 0 (1981–82) 1 (1983–89)	0	.11	.30
Austria	1	1	1	1.00	.70
Belgium	.5	1 (1960–74) .5 (1975–89)	1	.54	.58
Canada	0	0	0	0	.18
Denmark	.5	1 (1960–80) .5 (1981) 1 (1982) .5 (1983–84) 1 (1985–86) 0 (1987–89)	1	.63	.67
Finland	1	.5 (1960–67) 1 (1968–72) .5 (1973) 1 (1974–76) .5 (1977) 1 (1978–79) .5 (1980) 1 (1981–82) .5 (1983) 1 (1984–87) .5 (1988–89)	.5 (1960–65) 1 (1966–89)	.60	.73
France	0 (1960–68) .5 (1969–80) 0 (1981–89)	0	1	.21	.32
Germany	1	1	1	.62	.23
Ireland	0	0 (1960–86) .5 (1987–89)	0	.28	0
Italy	.5	0 (1960–75) .5 (1976–84) 0 (1985–89)	.5	.17	.10
Japan	1	.5 (1960–79) 1 (1980–89)	1	.47	.15
Netherlands	.5	1 (1960–81) .5 (1982–89)	1	.80	.41
New Zealand	0	.5 (1960–87) 0 (1988–89)	0	.08	.36
Norway	1	1 (1960–73) 0 (1974) 1 (1975–81) 0 (1982) 1 (1983) 0 (1984) 1 (1985) 0 (1986) 1 (1987–89)	1	.98	.95
Sweden	1	1 (1960–82) 0 (1983) 1 (1984–87) 0 (1988) 1 (1989)	1	.93	1.00
Switzerland	.5	.5	.5	.63	.23
United Kingdom	0	0 (1960–74) .5 (1975–76) 0 (1977–89)	0	.16	.31
United States	0	0	0	.00	.04

InvFirms	PurchSup	CompFirms	LabMgmt	WrkrTeams	MdivTeams
.5 (1960–75) 0 (1976–89)	0	0	.5 (1960–74) 0 (1975–89)	0	0
1	.5	.5	1	0	0
1	.5	.5	1 (1960–74) .5 (1975–89)	0	0
.5 (1960–75) 0 (1976–89)	0	0	.5 (1960–74) 0 (1975–89)	0	0
1	.5	.5	1 (1960–74) .5 (1975–89)	0	0
1	.5	1	1	0	0
1	0 (1960–86) .5 (1987–89)	0 (1960–84) .5 (1985–89)	.5 (1960–74) 0 (1975–89)	0	0
1	.5	1	1 (1960–80) .5 (1981–89)	0 (1960–86) .5 (1987–89)	0
.5 (1960–75) 0 (1976–89)	0	0	.5 (1960–74) 0 (1975–89)	0	0
1	.5	1	.5	0 (1960–79) .5 (1980–89)	0
1	.5 (1960–64) 1 (1965–89)	1	1	.5 (1960–73) 1 (1974–89)	1
.5 (1960–75) 0 (1976–89)	0	0 (1960–84) .5 (1985–89)	1 (1960–74) .5 (1975–89)	0	0
.5 (1960–75) 0 (1976–89)	0	0	.5(1960–74) 0 (1975–89)	0	0
1	.5	.5	1	.5	0
1	.5	.5	1	0 (1960–73) .5 (1974–89)	0
1	.5	.5	.5	0	0
.5 (1960–75) 0 (1976–89)	0	0 (1960–84) .5 (1985–89)	.5 (1960–75) 0 (1976–89)	0	0
.5 (1960–75) 0 (1976–89)	0 (1960–86) .5 (1987–89)	0 (1960–84) .5 (1985–89)	.5 (1960–74) 0 (1975–89)	0 (1960–86) .5 (1987–89)	0

NOTE.—All scores without specific dates are 1960–89. A brief description of the rationale for the scoring and a list of principal sources used are included in the appendix.

hierarchical sources of cooperation. Specifically, we expected the measures of encompassing, centralized structures of business confederation, coordinated wage bargaining, cohesive government/interest group interrelations, and of neocorporatism and social democratic corporatism to reflect a macrolevel and relatively state-centered neocorporatist dimension. The measures of investor-firm cooperation, cooperative purchaser-supplier relations, alliances among competing firms, labor-management cooperation, cooperation among workers through participatory teams, and multidivisional project teams were expected to delineate a societally centered dimension of firm-level cooperation.

The 11 terms, in fact, define two factors that closely resemble, yet depart in interesting ways from, the two hypothesized factors. For purposes of analysis, we pool the data into four periods, which correspond to business cycles: 1960–67, 1968–73, 1974–79, and 1980–89. Aggregating data within business cycles, a standard procedure, averts noncomparability (of, e.g., growth rates) due to differing phases of business cycles and avoids confounding business cycle and other effects (see OECD 1996; Wolff 1996; Korpi 1985; Kenworthy 1995). A set of principal-axis factor analyses with oblimin (oblique) rotation, one for each period, yields two factors per period. The factor loadings are displayed in table 4. (The two factors correlate between .59 and .65 within periods.) One factor loads most notably with the macrolevel, neocorporatist items—namely, BusConf, WageCoor, GovtInts, TNC-LC, and TNC-HS. However, measures of investor-firm cooperation and labor-management cooperation load substantially on this dimension as well. The second factor is marked by high loadings for cooperative purchaser-supplier relationships, cooperation among workers, cooperation along the production chain using multidivisional project teams, and, to a lesser degree, alliances among competing firms.

The reasons why cooperation between investors and firms and between labor and management within firms appear more closely related to macrolevel forms of economic cooperation are easily identifiable. Patterns of financial relationships in national economies emerged in the late 19th and early 20th centuries and are closely tied to experiences with industrialization. In "late" industrializers, such as Germany and Japan, banks and networks of firms played an especially vital role, along with the state, in financing large-scale capital needs (Zysman 1983; Dore 1987). Large investments took the form not only of long-term loans but also of equity ownership. This in turn encouraged close long-term relationships between firms and their investors and a strong measure of bank control of industry. Financially centered groupings of interlocked firms and "voice-based" partnerships (see Hirschman 1970) among manufacturers and financial institutions furthered the formation of industrial associations and confed-

TABLE 4

LOADINGS FOR FACTORS OF COOPERATIVE INSTITUTIONS

	1960–67		1968–73		1974–79		1980–89	
	Neocorporatism	Firm-Level Cooperation	Neocorporatism	Firm-Level Cooperation	Neocorporatism	Firm-Level Cooperation	Neocorporatism	Firm-Level Cooperation
BusConf	.72	.45	.75	.42	.87	.27	.89	.22
WageCoor	.92	−.12	.93	−.12	.89	−.17	.71	.17
GovtInts	.75	.25	.80	.24	.85	.12	.85	.06
TNC-LC	.95	−.02	.93	−.02	.94	−.12	.97	−.22
TNC-HS	.88	−.25	.88	−.26	.81	−.30	.84	−.41
InvFirms	.54	.46	.58	.42	.71	.26	.72	.23
PurchSup	.51	.64	.40	.78	.56	.63	.58	.63
CompFirms	.31	.70	.36	.63	.54	.47	.52	.51
LabMgmt	.83	.17	.84	.16	.88	.26	.89	.21
WrkrTeams	.07	.55	.06	.59	.16	.69	.14	.76
MdivTeams	−.24	.77	−.26	.85	−.20	.97	−.09	.84

erations (Zysman 1983). Although such business organization might seem likely to have intimidated union organization, it appears to have made strong unions a sine qua non of effective and enduring worker organization and to have fostered standards of nationally comprehensive integrated union organization among workers (Stephens 1979). In earlier industrializers, such as Britain and the United States, decentralized capital markets came to dominate the financial system. The role played by the state, banks, and corporate ownership networks was never as substantial, partly a cause and partly an effect of the less cooperative relationships among such actors (Zysman 1983).

The willingness of firms to extend job security to employees is also closely linked to macrolevel cooperative institutions, especially union coordination and tripartite neocorporatist arrangements. Encompassing, cohesive union movements in Scandinavia and north-central Europe have encouraged passage of legislation limiting the ability of large companies to fire at will. In Germany, for instance, layoffs require works council approval of a company plan for retraining and/or replacement of affected workers. Labor strength and cooperation with sympathetic political parties has also led to aggressive state commitment to training and demand stabilization, which make it easier for firms to avoid layoffs. Even in Japan, which might seem an exception, the lifetime employment practice followed by most large firms originated as a compromise solution to a series of bitter labor-management struggles following World War II. Such a resolution would have been less likely in the absence of extensive business centralization and government/interest group cooperation.

Although cooperation among competing firms loads a bit more strongly on the neocorporatism factor for the 1974–79 and 1980–89 periods, theoretical considerations, along with the factor analysis results for 1960–67 and 1968–73, lead us to include it with the firm-level cooperative dimension. While there are possible links, competing-firm alliances do not seem as clearly tied with macrolevel cooperation as the investor-firm and labor-management forms of economic cooperation. Instead, they are more compellingly viewed as an element of company-level strategy along the lines of purchaser-supplier partnerships, participatory worker teams, and multidivisional project teams.

For our analysis we therefore use the following two cooperative dimensions, generated by a combination of theoretical considerations and empirical (factor analytical) findings:

1. *Neocorporatism.*—BusConf, WageCoor, GovtInts, TNC-LC, TNC-HS, InvFirms, LabMgmt.

2. *Firm-level cooperation.*—PurchSup, CompFirms, WrkrTeams, MdivTeams.[7]

Pooled scores for these indexes (averages for 1960–89), which correlate .64, are displayed in table 5.[8] Clearly, the nations of Scandinavia and German-speaking central Europe (and Japan) top the neocorporatist scale, while Britain and its former settler colonies rank lowest on the scale. Japan stands apart on the index of firm-level cooperation, with the former Axis nations not far behind and the British settler nations once again taking up the rear.

POLITICAL ECONOMIC CONSEQUENCES OF COOPERATIVE INSTITUTIONS

What are the political economic consequences of the two clusters of cooperative institutions that our analyses highlight? We expect neocorporatism to positively influence distributive/redistributive policies and outcomes, for neocorporatism draws upon powerful ideologically progressive and socialistic political agencies and institutions.[9] However, we expect neocor-

[7] All seven items used in the neocorporatism index load .70 or better on the neocorporatism factors for all four periods (except for the investor-firms item in 1960–67 and 1968–73), with an average loading of .83. All four items on the firm-level cooperation index load .55 or better on the firm-level cooperation factors for all four periods (except for the competing firms item in 1974–79 and 1980–89), with an average loading of .69. One reader has noted that the salience of union centralization for three items—WageCoor, TNC-LC, and TNC-HS—might bias analyses toward the identification of a separate neocorporatist factor and a distinct firm-level one. However, factor analyses done without the TNC-LC and TNC-HS items (i.e., solely with items derived from Kenworthy [1995]) yielded strongly parallel results, in particular the pattern of two-factor solutions found when the widely familiar TNC-LC and TNC-HS items are also used.

[8] The relatively strong correlation between the two cooperative dimensions suggests that conventional views about the incompatability of macrolevel and microlevel economic cooperation may be misplaced.

[9] The attribution of progressive income redistributing effects to wage coordination, tripartite business-labor-state cooperation, and cooperative labor-management relations is commonplace (Cameron 1984; Stephens 1979; Lange and Garrett 1985; Przeworski and Wallerstein 1982, 1988). But why should business coordination, one of the key elements of our neocorporatist cooperation dimension, contribute to redistribution? Such coordination would seem more likely to yield opposition to redistributive efforts. Yet historically business coordination has developed in tandem with other, strongly redistributive elements of neocorporatism, and in their context it has tended to both reflect and reproduce a relatively egalitarian ethos. (The zero-order correlations between our business confederations item and several other key neocorporatist items across the 1960–89 period are quite strong—.79 with wage coordination and .84 with the Lijphart-Crepaz neocorporatism measure, e.g.) Moreover, such coordination may enhance the capacity of firms and business associations to entertain the possi-

poratism to have spottier, more complex positive effects on collective economic gain. We expect firm-level cooperation to have little or no effect on distribution/redistribution since its operation is largely confined to the market arena and to goals of economic efficiency, however inclusive and longsighted.[10] We expect firm-level cooperation principally and positively to affect collective gain.

Methods

Our analysis consists of pooled time-series regressions for 18 countries across four waves: 1960–67, 1968–73, 1974–79, and 1980–89. The period since 1990 is not included in the heart of our analysis because the current business cycle is not yet completed (which makes 1990s performance, relative to earlier periods, appear unduly weak) and also because data used in compiling the cooperative institution scores are more sketchy for recent years. We do, however, conduct some preliminary analyses to assess the possibility of changes in effects during the 1990s.

We use four measures of distributive/redistributive policies and outcomes: government spending on transfer programs, decommodification (an index representing the degree to which citizen reliance upon the market for a livelihood is relaxed by the social wage), government spending on active labor market policy, and the unemployment rate. Four measures are used to tap collective gain: growth of real per capita gross domestic product (GDP), investment, trade balance (an indicator of competitiveness in world markets), and inflation (which can reduce the benefits of growth in income). Definitions and data sources for these variables are shown in table 6.

To streamline analyses of numerous economic instruments and outcomes, we keep the models relatively simple. Each includes our two cooperative institution variables: neocorporatism and firm-level cooperation.

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bility of positive-sum, income-generating effects from redistribution (Bowles and Gintis 1996; Knight 1992). Consider, in this vein, Verba and Orren's (1985) finding that Swedish CEOs are more egalitarian than any U.S. political subelite (e.g., self-termed black radical feminists).

[10] We do expect institutions of firm-level cooperation to have *some* positive egalitarian effect, at least where pretax and pretransfer income is concerned. Although traditional ideological and institutional legacies of the sort that underlie institutions of firm-level cooperation are highly inegalitarian with regard to authority, status, and wealth, they do tend to stress the maintenance of community and the care of the worst off. These two inclinations may lead to redistributively progressive income security transfer spending, albeit regressively funded, and they are likely to yield some safeguards against the vicissitudes of market dependency, i.e., some boost to decommodification (Esping-Andersen 1990). They may restrain income inequality, at least within the private sector, thereby containing final posttax and posttransfer income inequality.

TABLE 5

Cooperative Institution Scoring, 1960–89

	Neocorporatism	Firm-Level Cooperation
Australia	.22	.00
	(13)	(15)
Austria	.96	.25
	(3)	(7)
Belgium	.73	.25
	(8)	(7)
Canada	.10	.00
	(17)	(15)
Denmark	.77	.25
	(6)	(7)
Finland	.86	.38
	(4)	(4)
France	.42	.03
	(11)	(12)
Germany	.81	.39
	(5)	(3)
Ireland	.12	.00
	(16)	(15)
Italy	.42	.42
	(11)	(2)
Japan	.76	.92
	(7)	(1)
Netherlands	.66	.02
	(9)	(13)
New Zealand	.20	.00
	(14)	(15)
Norway	.97	.38
	(2)	(4)
Sweden	.98	.32
	(1)	(6)
Switzerland	.55	.25
	(10)	(7)
United Kingdom	.15	.02
	(15)	(13)
United States	.08	.05
	(18)	(11)

Note.—Scores are cross-period averages; ranks are in parentheses.

TABLE 6

Variable Definitions and Data Sources

Political Economic Performance Measures		
Distribution/Redistribution	Collective Gain	Hypothesized Determinants
Government transfers—% of GDP (OECD 1995, 1996)	Real per capita GDP growth (OECD 1995, 1996)	Neocorporatism—average of scores (see table 3) for BusConf, WageCoor, GovtInts, TNC-LC, TNC-HS, InvFirms, and LabMgmt
Decommodification (Esping-Andersen 1990)	Investment—gross fixed capital formation as % of GDP (OECD 1995, 1996)	Firm-level cooperation—average of scores (see table 3) for PurchSup, CompFirms, WrkrTeams, and MdivTeams
ALMP—% of GDP for 1973, 1987 (Janoski 1992)	Trade Balance—exports minus imports as % of GDP (OECD 1995, 1996)	Social democratic governmental participation—average annual proportional cabinet participation by social democratic, socialist, labor, and communist parties (Mackie and Rose 1982; General Elections in Western Nations 1981–95)
Unemployment—% of the total labor force (OECD 1995, 1996)	Inflation—% change in consumer price index (OECD 1995, 1996)	Christian democratic governmental participation—average annual proportional cabinet participation by Christian democratic parties (Mackie and Rose 1982; General Elections in Western Nations 1981–95)
		Aged—% of population age 65 and over (United Nations, various years)
		Unemployment—% of total labor force (OECD 1995, 1996)
		Catch up—real GDP per capita (in constant dollars) at the onset of each time period (Summers and Heston 1988)
		Years of uninterrupted democracy (Weede 1984)
		Union density—in 1960, 1968, 1974, and 1980 (Visser 1992)
		Union density squared
		Central bank independence (Franzese 1995)

These variables are created, for each time period, by averaging the scores for the relevant cooperation items (see table 3).

Each model also includes two partisan political variables representing social democratic and Christian democratic governmental (cabinet) participation, respectively.[11] In addition, several especially compelling candidates for controls are admitted into particular models.[12] As now seems conventional, measures of two demographic motors of the expansion of entitlements are added to the equation for government transfer payments: the proportion of the population of retirement age (i.e., 65 years and over) and the unemployment rate (Hicks and Misra 1993; Huber et al. 1993).[13] A "catch-up" variable is included in the equation for growth. This variable is used to control for the fact that initially less advanced economies tend, due to their opportunities for adoption of technologies developed in richer nations, to catch up to the latter (Baumol, Nelson, and Wolff 1994; Dowrick and Nguyen 1989; Barro and Sala-i-Martin 1992). It is operationalized as an index of the level of real per capita GDP at the onset of the relevant time period.[14] Mancur Olson's "institutional sclerosis" theory (Olson 1982, 1996) contends that economic growth is facilitated by sparse, weak interest groups and by highly encompassing ones, and that economically pernicious rent-seeking interest associations accumulate under conditions of stable democracy. We include three variables representing Olson's thesis in the growth equation: years of uninterrupted democracy (Weede 1984; Choi 1983; Lane and Ersson 1990, chap. 8), union density, and the square of union density.[15] A variable representing central bank

[11] Alvarez et al. (1991), among others, suggest that the beneficial economic performance effects of neocorporatism should be confined to circumstances in which it coexists with social democratic government. We tested this thesis by adding an interaction variable for neocorporatism and social democratic government to the equations for growth, unemployment, and inflation. The variable failed to yield statistically significant results.

[12] We leave out several commonly used controls that are presumed to be largely endogenous in our models, such as investment and income inequality for growth and change in the money supply for inflation.

[13] We also tried adding the constitutional structure scale from Huber et al. (1993) to this equation. Variants of this scale both with and without the item for proportional representation/single-member districts, which correlates weakly with other items of constitutional structure, were employed but then dropped due to statistical insignificance.

[14] A long tradition of thought and some recent research associates government meddling with economic inefficiency and slower growth (Friedman and Friedman 1979; Grier and Tullock 1989; Hagemann, Jones, and Montador 1988; Pfaller with Gough 1991). We originally included a variable representing government expenditures as a share of GDP in the growth equation, but it was dropped due to lack of effect.

[15] We are skeptical of the merits of these measures as indicators for Olson's theory. The "years of uninterrupted democracy" measure offers no purchase on why interest groups take an encompassing form in some nations and a narrow form in others—

independence is included for the inflation model. Recent research suggests that independent central banks tend to be more willing and able to limit inflation by pursuing a policy of tight money (Hall 1994; Alesina and Summers 1993; Havrilesky and Granato 1993; Suzuki 1993; Cukierman 1992; Grilli, Masciandaro, and Tabellini 1991). We use Franzese's (1995) scoring for central bank independence, which is a composite of several commonly used measures.[16]

Three time-period dummies, one for each of our panels of data minus one, are used to parcel out period effects (or period-specific intercepts), avert longitudinal autoregression (by soaking up longitudinal components of residuals), and retain an essentially cross-sectional (if multiple-wave) model well suited to a focus on cross-national variations in longitudinally sticky institutional characteristics of nations and on relatively long-term (temporally aggregated) measures of political economic performance (Hicks 1994*a*). Because the Olson variables somewhat stress longitudinal trends over time, we relax the constraints on longitudinal variability in the regression for growth. For the growth equation we replace the three period dummies, despite their usefulness for restraining autoregressiveness in errors, with a single dummy equal to zero for 1960–73 and one for 1974–89. Due to data limitations, the regression for active labor market policy includes two panels, 1960–73 and 1974–89, and the regression for decommodification includes just one, 1960–89. The former therefore has a single period dummy variable and the latter none.

For most of the analyses we use generalized least squares (GLS) regression. Regression estimations employ Beck and Katz's (1995) panel-corrected-standard-error (PCSE) procedure augmented by a simple, single rho (GLS) adjustment for AR(1) autocorrelation, as is now readily done with a SHAZAM 8.0 "pool" implementation (White 1997). The analyses for decommodification and active labor market policy, which have only one and two panels, respectively, are carried out using ordinary least squares (OLS).

Because Japan is always a potential outlier in analyses of this sort (see Kenworthy 1995; Korpi 1985), the regressions are run once with Japan

a critical aspect of the theory. In addition, there is little or no empirical basis for Olson's assertion that political stability increases the number and/or influence of narrow, rent-seeking interest groups, or that wars substantially reduce them (Cameron 1988, pp. 569–71; Lehner 1987, pp. 75–76; Paque 1996). The unionization *U*-curve variables, while providing a more direct, straightforward measure, tap only a single type of interest group and gloss over national idiosyncrasies in union movements. Nonetheless, this pair of measures provide the best available test of Olson's influential thesis. The results for our two cooperation dimensions (discussed below) are strengthened if these variables are left out of the analysis.

[16] The central bank independence variable was originally included in the unemployment regressions as well, but it had no effect and so was dropped.

included and then with it omitted from the data. We report both sets of results.

Findings

Results for regressions of distributive/redistributive measures are relatively straightforward. Table 7 summarizes the results for our variables of interest. Neocorporatism is almost pervasively relevant to distributive/redistributive policies and outcomes. It has statistically significant effects in the predicted direction on three of the four indicators—government transfers, decommodification, and unemployment—and falls just short of significance in the two-wave (rather than four-wave) model of active labor market policy (ALMP) mandated by limited data. Indeed, in the equation for Esping-Andersen's (1990) decommodification scale, neocorporatism has a strikingly strong standardized effect of greater than 1.00. All effects of neocorporatism hold up when Japan is omitted.

Firm-level cooperation is irrelevant for decommodification, ALMP, and unemployment but has regressive effects on transfer spending effort. The latter effect is somewhat surprising. Firm-level cooperation has often been associated with strongly neocorporatist countries like Sweden and Norway and strongly Christian democratic countries such as Germany and Belgium—sets of nations also commonly regarded as oriented toward distributive/redistributive efforts. (This is true even though cooperative firms and industries are *most* commonly associated with Japan.) However, our findings indicate that, properly adjusted for association with neocorporatism and government partisanship, nations with more firm-level cooperation tend to be oriented against the use of state transfer payments to ameliorate material insecurities. Of course, to any extent that firm-level cooperation contributes to faster growth rates (at least some of which will trickle down) and/or is correlated with greater equality in primary (pretax and pretransfer) incomes, which reduces the need for extensive transfers, this antiegalitarian finding is mitigated.

Social democratic governmental participation has anticipated, statistically significant relations only to ALMP (see also Janoski 1992). Likewise, Christian democratic government has anticipated, statistically significant associations with transfer spending alone (see also Huber et al. 1993). Both social democratic and Christian democratic modes of partisan government are, however, associated with higher unemployment rates. Thus, it appears as if consistent institutional support of income security and low unemployment policies is best attributed to neocorporatism, not social democracy, despite the latter's role in the historical emergence and the ongoing constitution of neocorporatism (Wilensky 1981; Western 1991). Furthermore, it appears that images of social (and Christian) democratic

TABLE 7

DETERMINANTS OF DISTRIBUTION/REDISTRIBUTION

	Government Transfers[a]		Decommodification[b]		ALMP[b]		Unemployment[a]	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Neocorporatism	.50***	.63***	1.02***	1.00***	.25	.31	−.56***	−.64***
	7.54	9.19	23.91	23.69	.31	.39	−5.25	−5.95
	(3.17)	(3.93)	(3.35)	(3.16)	(1.04)	(1.16)	(5.50)	(7.35)
Firm-level cooperation	−.28*	−.47***	−.23	−.12	−.16	−.20	−.01	.15
	−5.85	−13.60	−7.52	−5.83	−.28	−.50	−.12	2.89
	(1.46)	(2.77)	(1.04)	(.49)	(.72)	(.78)	(.12)	(1.54)
Social democratic government	−.01	.02	−.05	−.07	.31*	.31*	.11**	.08*
	−.16	.27	−.02	−.02	.51	.53	1.09	.78
	(.15)	(.26)	(.21)	(.26)	(1.61)	(1.60)	(1.98)	(1.40)
Christian democratic government	.28***	.37***	.005	−.02	.03	.06	.21***	.17**
	5.46	6.82	−.001	−.01	.04	.08	2.58	2.04
	(2.41)	(3.09)	(.30)	(.11)	(.17)	(.33)	(2.73)	(2.03)
Aged	.21***	.29***						
	43.32	62.44						
	(3.02)	(3.45)						
Unemployment	.18***	.21***						
	.28	.33						
	(2.75)	(3.74)						
R^2 adjusted	.87	.84	.65	.64	.18	.19	.61	.67
ρ	.07	.13					.14	.15
N	72	68	18	17	36	34	72	68

NOTE.—Standardized and unstandardized regression coefficients, with absolute t-values in parentheses. Eq. (1) includes Japan; eq. (2) is with Japan omitted. For variable definitions and sources, see table 6.

[a] Data are pooled averages for four periods: 1960–67, 1968–73, 1974–79, and 1980–89. GLS estimates, with panel-corrected SEs and a generalized difference adjustment for AR(1) error dependence. Correlations between observed and predicted values (generated from untransformed regressor values) of dependent variables are represented by R^2. AR(1) autocorrelation coefficients for errors following correction for initial AR(1) autoregressiveness are represented by ρ.

[b] Data for decommodification are for a single 1960–89 wave with averages for this period for regressors and a single Esping-Andersen (1990) measure for decommodification. Data for active labor market policy are for two waves, 1960–73 and 1974–89, with pooled averages for these periods for regressors and 1973 and 1987 measures for active labor market policy. OLS estimates.

* $P < .10$ one-tailed test.

** $P < .05$.

*** $P < .01$.

policy effectiveness in the areas of redistribution and job security have, to a point, exploited neocorporatist effectiveness. The period dummies (not shown in the table) generally are significant in a direction reflecting increases over time in government transfers, ALMP, and (less benignly) unemployment.

Results for regressions of collective gain measures, shown in table 8, are similarly straightforward. Firm-level cooperation augments economic growth despite controlling for the catch-up effect, which is itself a highly significant determinant.[17] This is so even when markedly cooperative Japan is omitted from calculations. Neocorporatism, on the other hand, contributes nothing to growth. Social democratic government enhances growth, while Christian democratic government has a detrimental effect when Japan is included in the analysis. The Olson sclerosis argument receives support from both the years of uninterrupted democracy measure and the union *U*-curve variables, though the former is statistically significant only when Japan is included. Overall, this model, without inclusion of key proximate (and in this context partially endogenous) sources of economic growth such as investment, explains more than four-fifths of the variation on three decades of growth (*after* adjustment for degrees of freedom).

Firm-level cooperation enhances investment, but it is associated with weaker trade performance. Neocorporatism, by contrast, yields beneficial effects for both investment and trade success, thereby perhaps offsetting any possibly deleterious by-products of its redistributive outcomes. Neither of the partisan government variables has an impact on investment. Social democratic government hinders trade performance, while Christian democratic government improves it.

Where inflation is concerned, it is again the macrolevel, neocorporatist form of cooperation, not firm-level cooperation, that contributes to beneficial outcomes. Even controlling for central bank independence, a highly significant suppressor of inflation, neocorporatism is associated with lower rates of price acceleration. When Japan is included in the analysis, both social and Christian democratic government appear to increase inflation. When Japan is omitted these partisan government effects are no longer statistically significant, and firm-level cooperation now is associated with higher rates of inflation. For these collective gain measures, the period dummy variables (not shown) again tend to be significant, reflecting

[17] Regressions of productivity growth, measured as change in real GDP per employed person, on the same set of variables also yielded statistically significant positive coefficients for firm-level cooperation, suggesting that its contribution to economic growth stems from a productivity-enhancing effect.

TABLE 8

DETERMINANTS OF COLLECTIVE ECONOMIC GAIN

	Real Per Capita GDP Growth		Investment		Trade Balance		Inflation	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Neocorporatism	.10	.19	.33***	.38***	.35***	.46***	−.37**	−.42**
	.46	.68	3.80	3.82	2.29	3.01	−3.80	−4.23
	(.69)	(1.04)	(4.61)	(3.11)	(2.74)	(2.91)	(2.19)	(1.85)
Firm-level cooperation	.33**	.22*	.48***	.16**	−.17**	−.29***	.08	.22*
	2.03	1.54	7.79	3.16	−1.56	−3.89	1.18	4.41
	(2.09)	(1.45)	(6.80)	(1.68)	(1.99)	(3.09)	(.89)	(1.54)
Social democratic government	.12*	.14*	.03	.10	−.19**	−.16**	.10**	.03
	.58	.55	.37	1.05	−1.31	−1.09	1.11	.38
	(1.51)	(1.64)	(.40)	(1.08)	(2.06)	(1.79)	(1.80)	(.93)
Christian democratic government	−.08**	−.03	−.06	.08	.12	.17**	.19**	.08
	−.47	−.13	−.96	1.00	1.04	1.40	2.47	1.03
	(1.80)	(.33)	(.71)	(.61)	(1.27)	(1.77)	(1.90)	(.87)
Catch up	−.32***	−.29***						
	−.003	−.002						
	(4.55)	(3.42)						

Years of uninterrupted democracy	−.11*	−.07						
	−.59	−.30						
	(1.32)	(1.06)						
Union density	−.85***	−.76***						
	−.84	−.61						
	(3.12)	(2.52)						
Union density squared	.77***	.65***						
	.89	.61						
	(2.96)	(1.96)						
Central bank independence							−.42***	−.41***
							−7.03	−6.93
							(2.93)	(2.79)
R^2 adjusted	.84	.87	.97	.97	.28	.27	.81	.82
ρ	.01	−.01	.10	.11	−.004	−.01	.03	.03
N	72	68	72	68	72	68	72	68

NOTE.—Standardized and unstandardized regression coefficients, with absolute t-values in parentheses. Eq. (1) includes Japan; eq. (2) is with Japan omitted. Data are pooled averages for four periods: 1960–67, 1968–73, 1974–79, and 1980–89. For variable definitions and sources, see table 6. GLS estimates, with panel-corrected SEs and a generalized difference adjustment for AR(1) error dependence. Correlations between observed and predicted values (generated from untransformed regressor values) of dependent variables are represented by R^2. AR(1) autocorrelation coefficients for errors following correction for initial AR(1) autoregressiveness are represented by ρ.

* $P < .10$ one-tailed test.

** $P < .05$.

*** $P < .01$.

slower growth and reduced investment in the post-1973 years along with steadily rising inflation rates until the 1980s.

A number of our regression equations, for both distributive/redistributive and collective gain indicators, suffer from minor multicollinearity problems resulting from inclusion of statistically irrelevant variables. To reduce the noise this introduces into the models, we reran each equation after deleting variables with absolute t-values of less than 1.00 (Wonnacott and Wonnacott 1987, pp. 186–87). This yielded even stronger estimates (not shown here) of already statistically significant beneficial effects of neocorporatism on government transfers, decommodification, unemployment, investment, trade balances, and inflation and of firm-level cooperation on growth. Particularly noteworthy is that, even with Japan excluded from the analysis, firm-level cooperation's effects on growth attain the .05 significance level following these deletions.[18]

[18] Given the relatively limited extent of cross-national and longitudinal data on economic cooperation and the judgmental nature of our coding, there is undoubtedly some measurement error in the scores shown in table 3. To assess the robustness of our findings given the likelihood of such error, we created alternative scores for the countries/years for which the potential for measurement error seemed greatest. We then reran the regressions using all possible combinations of our original neocorporatism and firm-level cooperation variables, one alternative neocorporatism variable, and two alternative firm-level cooperation variables. The alternative neocorporatism variable features lower scores for Japan, Germany, Italy, France, and Switzerland in all periods, lower scores for the Scandinavian nations in the 1980s, and higher scores for Australia and New Zealand prior to the 1980s. For firm-level cooperation the chief source of concern is the 1980s, when firms in some nations began to experiment with cooperative purchaser-supplier relationships and participatory work teams. One of the alternative firm-level cooperation variables features a shift to intermediate (0.5) scores on these two institutions for a number of nations midway through the 1980s. Specifically, Australia, Canada, France, Ireland, the Netherlands, New Zealand, the United Kingdom, and the United States are assigned scores of "0.5" for the years 1985–89 for the purchaser-supplier dimension; and all nations are assigned scores of "0.5" (except Japan, which retains its score of 1.0) for 1985–89 for the work teams dimension. The other alternative firm-level cooperation variable features no change at all from the 1974–79 scores. The alternative scores somewhat weaken the results (not shown here) for the cooperation variables when all variables of interest are left in the equations (i.e., ignoring multicollinearity). Neocorporatism's coefficients for investment and trade balances are no longer statistically significant when Japan is included in the analysis, though they remain significant if Japan is excluded. And the first firm-level cooperation alternative, which presumes a shift to intermediate levels of cooperation in a number of countries midway through the 1980s, is significantly related to growth at only the .12 level when Japan is omitted. All effects remain as before (and in some instances are strengthened), however, when the regressions are estimated after deleting variables with absolute t-values of less than 1.00. Since these latter estimates are, arguably, more accurate, we conclude that the cooperation effects indicated in tables 7 and 8 are relatively robust.

The 1990s

To check for the possibility of recent changes in processes linking neocorporatist and firm-level cooperative institutions to political economic performance, we tested for statistical interactions between the years of the post-1989 business cycle for which data are available, 1990–94, and each of the two cooperative institution dimensions.[19] We did this in models extended to include, in addition to the appropriate period–cooperation product terms, 1990–94 observations and 1990–94 period dummies. The only variables to interact with the early 1990s at an unequivocal .05 test level (i.e., for two-tailed tests since confident directional hypotheses needed to ground one-tailed tests are lacking) are neocorporatism and firm-level cooperation in the equations that predict GDP growth with Japan excluded. In the case of neocorporatist cooperation, a marginally significant, negative (antigrowth) effect estimate appears after 1989, whereas no estimate significantly different from zero had appeared until then. In the case of firm-level cooperation, a previously positive, progrowth effect estimate is effaced; the post-1989 firm-level cooperation effect is zero if Japan is excluded.[20]

At the permissive .10 test level (or the .05 level for a one-tailed test, insofar as findings seem to affirm strong *ex ante* directional hypotheses), two more sets of significant interactions with the 1990–94 period result. One consists of interaction between the early 1990s and neocorporatism in equations predicting inflation (with and without Japan): in particular, a previously significant negative, anti-inflationary neocorporatist estimate is significantly shifted in a positive, inflationary direction, though the resulting positive estimate for 1990–94 is itself insignificant. A second interactive result consists of a positive interaction between the early 1990s and firm-level cooperation in the equation predicting transfer spending (without Japan): here an unhypothesized negative effect is rendered insignificantly different from zero.[21]

These analyses suggest that some of the beneficial effects of neocorporatist and firm-level cooperation may be weakening in the 1990s. It is too

[19] These analyses could not be performed for decommodification or ALMP due to lack of post-1989 data.

[20] The firm-level cooperation variable remains significant, both with and without Japan, in additive analyses done with a fifth 1990–94 panel of data included.

[21] If tests are calibrated to contrast 1990–94 slopes with slopes from 1980–89 instead of slopes for the entire 1960–89 period, results are similar with one exception: firm-level cooperation's effects on transfer spending, with Japan excluded, are no longer significantly different in the 1990–94 period.

early, however, to draw any firm conclusions regarding developments in this decade.

UPGRADING CAPITALISM

Cooperative institutions appear to have played a key role in determining variation in both facets of political economic performance—distribution/redistribution and collective gain—in the richest industrialized democracies since 1960. To the extent that neocorporatist institutions are present, distributive/redistributive policies and outcomes are enhanced, investment levels and trade performance are improved, and inflation is reduced. Where forms of firm-level cooperation are present, economic growth is advanced.

The two dimensions of cooperative institutions specified here are analytically new. The dimension stressing tripartite decision making in the political economy incorporates information on business associational scope and cohesion, labor associational scope and cohesion, and government/interest group interrelations. The neocorporatism dimension also reflects a tendency for macrolevel cooperation to encompass voice-based, long-term relationships between firms and their investors and cooperation between labor and management within companies. The dimension stressing firm-level cooperation gives a precise, unidimensional operationalized form to what has previously been regarded as a family of disparate cooperative phenomena, from a set of coordinative institutions and practices (Soskice 1992) to a separation by nominal fiat of meso- from microlevel forms of economic cooperation (Kenworthy 1995).

Our findings reaffirm the importance of social institutions for markets, of society for states, and of state and society for political economic performance (see Polanyi 1944; Schumpeter 1943; Gerschenkron 1962). It appears that relatively slow-to-change institutional differences among nations are more important than relatively volatile partisan governmental traits in determining national political economic performance (see Huber et al. 1993; Hicks and Misra 1993; Kenworthy 1995). The chief importance of partisan governmental forces may therefore lie in their influence on the origins and operations of these cooperative institutions, an understudied topic (though see Wilensky 1981; Western 1991; Hicks and Swank 1992). "Polity-centered" political institutions like neocorporatism that span state and society appear to be of substantial political importance (see Skocpol 1992; Western 1991; Hicks and Misra 1993). It appears that where economic growth is concerned, we should stress extramarket cooperation at the firm level rather than state collective action (see Aoki 1988; Hollingsworth et al. 1994; Kenworthy 1995). Yet we should not expect these firm-level cooperative institutions to be especially conducive to advancing the distributive/redistributive policies of states nor to be broadly egalitarian in isolation from state policy.

Neocorporatism's limited effectiveness in enhancing growth may partly account for its apparent weakening over the past decade. As globalization has proceeded, concern has grown throughout the industrialized world over the problem of national competitiveness. To the extent that corporatist arrangements are perceived as ineffectual or even detrimental in this regard, they may lose support. Then again, other factors—dissension among different segments of the workforce, the growth of the service sector, employer enchantment with firm-level flexibility, and higher unemployment, among others—may be of equal if not greater importance in accounting for corporatism's troubles (Ahlen 1989; Streeck 1984; Windolf 1989; Hernes 1991). On the other hand, some assert that the extent of corporatism's decline has been severely overstated (Lange, Wallerstein, and Golden 1995).

If the present order is, as commentators as varied as Toffler (1980) and Drucker (1993) have claimed, too pressured by unprecedented degrees of change to permit old strategies and large decision-making structures to succeed any longer, then the effects of such structures of political economic policy making as tripartite neocorporatism may diminish or even vanish. The effectiveness of long-term investor-firm and purchaser-supplier partnerships and of alliances among competing firms could potentially erode as well. Only firm-level cooperation via participatory work teams and multidivisional research-design-production teams may remain effective complements to the unfettered market. As a result, rather radically free-market and laissez-faire institutions and actors might alone prove most adequate—or least inadequate—to the task of growing incomes.

However, no impending ascendance of such a "third wave" free-market eclipse of the effective new communitarianism of recent decades is documented here. Our findings suggest that, for most of the past generation, cooperative modifications of a robust liberal capitalist tradition have both invigorated the tradition, thereby enlarging possibilities for aggregate prosperity, and, if we may be excused the correct lexical term, "socialized" it up to a point, spreading that prosperity around.

Our results suggest several promising avenues for future research on the political economy of cooperative institutions. One is study of the origins of cooperative institutions (see, e.g., Zysman 1983; Crouch 1993; Hicks 1999). A second is further study of the empirical operations of specific types of economic cooperation, and of the degree to which they are utilized, in various nations. This area is particularly well suited for research by political economists (e.g., Katzenstein 1985; Lange et al. 1995; Coleman and Grant 1988) and sociologists of organization (Powell 1990; Lincoln and Kalleberg 1990). Understanding of economic cooperation would also benefit from formalized theoretical work, such as that by Knight (1992), on the functioning of particular forms of cooperation or of cooperative economic institutions in general. A fourth area for future research is change in cooperative institutions over time, such as Western's (1997, chap. 10) examination of the causes of recent decentralizations of national-level economic bargains. Finally, our preliminary findings for the 1990s underscore that we are in a period of change and highlight a need for updating the study of cooperation and economic performance as business cycle completion and data availability permit.

APPENDIX

TABLE A1

Cooperative Institution Scoring

	Description	Scoring	Principal Sources
BusConf	Cooperation among firms in different industries	1 = central business confederation with substantial authority over members and weakly contested by competing federations. .5 = central confederation with moderate authority and/or moderately contested by competitors. 0 = fragmentation among business federations and/or central federation with little authority over members.	Coleman and Grant (1988), Crouch (1993), Windmuller and Gladstone (1984)
WageCoor	Coordinated wage bargaining	1 = wage negotiations coordinated and/or conducted by centralized or concentrated labor and employer confederations, in some cases with government involvement.* .5 = moderate coordination at the central or industry level. 0 = fragmented bargaining, confined largely to individual firms or plants.	Golden and Wallerstein (1994), Lange et al. (1995), Soskice (1990), Crouch (1993), Flanagan et al. (1983)
GovtInts	Cooperation between government and interest groups	1 = relatively cooperative interaction between cohesive government agencies and coordinated business and labor organizations. .5 = moderate cooperation.† 0 = relatively combative, conflictual relationship between fragmented state agencies and interest group organizations.	Katzenstein (1984, 1985), Atkinson and Coleman (1989), Wilensky and Turner (1987), Grant (1989), Hall (1986), Porter (1990)

TABLE A1 (*Continued*)

	Description	Scoring	Principal Sources
TNC-LC	Societally tilted index of tripartite neocorporatism	0–1.00	See Lijphart and Crepaz (1991)
TNC-HS	Politically tilted index of tripartite neocorporatism	0–1.00	See Hicks and Swank (1992)
InvFirms	Long-term, voice-based relationships between firms and their investors	1 = large investors hold significant ownership shares for long periods. In some nations, most firms rely heavily on long-term debt rather than equity or are privately owned. .5 = relatively decentralized ownership but with only moderate investor turnover.‡ 0 = decentralized ownership with a high turnover rate (i.e., frequent investor resort to exit rather than voice).	Porter (1990, 1992), Kurzer (1993), Cox (1986), Zysman (1983)
PurchSup	Long-term, voice-based relationships between purchaser and supplier firms	1 = extensive use of highly cooperative supplier partnerships by many large firms. .5 = use of moderately cooperative supplier partnerships by many firms or of highly cooperative partnerships by some firms. 0 = infrequent use of supplier partnerships.	Hendrick and Ellram (1993), Porter (1990), Whitley (1992), Womack et al. (1990)
CompFirms	Alliances among competing firms for research and development, training, production, standard setting, etc.	1 = extensive use of alliances, often involving more than two firms. .5 = moderate use of alliances by many firms, or extensive use by some firms. 0 = infrequent use of alliances.	Whitley (1992), Porter (1990), Hollingsworth et al. (1994)

LabMgmt	Long-term employment security provided by firms	1 = long-term (in some cases lifetime) employment security common in large firms. .5 = some firms provide medium- or long-term employment security (facilitated by a relatively low unemployment rate). 0 = employment security relatively uncommon.	Buechtemann (1993), Locke, Kochan, and Piore (1995), Baglioni and Crouch (1990)
WrkrTeams	Participatory work teams	1 = extensive use of relatively autonomous, participatory shopfloor work teams (or similar small groups, such as some types of Japanese quality circles) in large firms. .5 = moderate use of participatory work teams by many firms or extensive use by some firms. 0 = infrequent use of participatory work teams.	Sisson (1997), Locke, Kochan, and Piore (1995), Ferner and Hyman (1992), Applebaum and Batt (1994)
MdivTeams	Project teams that link functional divisions or departments within firms	1 = extensive use of multidivisional teams in large firms. .5 = moderate use of multidivisional teams by many firms or extensive use by some firms. 0 = infrequent use of multidivisional teams.	Florida and Kenney (1990), Womack, Jones, and Roos (1990)

NOTE:—For documentation and additional sources, see Kenworthy (1997). These scores rely heavily on judgment, as is common in quantitative analyses of institutional effects (see, e.g., Stephens [1979], Cameron [1984], Crouch [1985], Alvarez, Garrett, and Lange [1991], and Hicks and Swank [1992] on corporatism/union centralization; Cukierman [1992], Alesina and Summers [1993], Suzuki [1993], and Franzese [1995] on central bank independence; Esping-Andersen [1990] and Huber, Stephens, and Ragin [1993] on aspects of state structure). For instances in which there is considerable controversy in the literature or data are relatively spotty, we have created alternative scores that are used to assess the robustness of our results. See text n. 18.

* On the controversial German and Japanese cases, see Soskice (1990), Streeck (1994), Dore (1987, pp. 70–73), Golden (1993), Hall (1994).

† In Italy, an exceptional case, low cooperation at the national level is combined with high cooperation at the regional and local levels in the north.

‡ This characterized the "capital-market dominated" economies, such as the United States and United Kingdom, during the 1960s and early 1970s.

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