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# Corporatism and 'political context' in the Federal Republic of Germany

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**Abstract.** The corporatist–pluralist debate is explored as it applies to the Federal Republic of Germany. It is argued that the Federal Republic has an 'accommodationalist' political structure in which elements that resemble both corporatism and pluralism may be found. Corporatism and pluralism really explain two fundamentally different phenomenon. It is implicitly and explicitly argued that the mutual exclusivity of corporatism and pluralism, widely taken for granted in the literature, is more apparent than real. The apparent tension between the two models results from the epistemological parameters that are engaged in the process of model building. The empirical basis for the discussion stems from an in-depth analysis of present industrial policies.

## 1 Introduction

It has widely been assumed in the literature on corporatism and pluralism that these two models are mutually exclusive (Williamson, 1989, page 3). The corporatist literature focuses on the role of the state in providing a stable context for negotiation among different actors. The government establishes a formal structure for 'intermediation' among the major interests affected by policy outcomes. It is argued that, through establishing context, government can effectively influence the policy outcomes. The pluralist model, on the other hand, is more concerned with explaining the specific content of any policy decision. To that end, the content of political conflict over scarce resources is examined to determine the major interest(s) involved and to determine the criteria for successful interest competition. Government is seen as a benign participant in the policy process, a collective body which reflects the dominant interests that emerge in a society at any given time. Each view of the political process in democratic states generates different conclusions about the character of the Western industrial democracies.

The pluralist model has been criticized for having a naive view of the political process and the state. From the corporatist perspective, the criticism leveled against pluralism is that, by focusing on the competition of interest groups the pluralist perspective ignores the state's role in establishing the context for policy outcomes. The state interest is in providing a context for the resolution of societal conflicts (Schmitter, 1974). The state has the 'power' to dominate the game and effect policy outcomes (Williamson, 1985, page 167). The interest of the state in the policy process is largely ignored in the pluralist model.

Problems have emerged in the corporatist literature, as it has been used to attempt to explain the outcomes of the policy process. In attempts to identify a logic which explains policy process as well as the structural context for interest group intermediation, the corporatist model is being used to explain something for which it is methodologically ill-equipped. This problem is emphasized by Cox in discussing the corporatist analysis of the policy process. He suggests that corporatist theory has not led to any insight into how policy is made and implemented (Cox, 1988). The methodology of corporatist and pluralist analysis is also the concern of

Cohen and Pavoncello (1987). They suggest that a faulty logic of causality underlies much of the corporatist argument. Methodological questions about corporatism also provide the context for the 1986 paper by Marks on income policy. He suggests that, as useful as the corporatist model appears to be, the actual identification of its influence in policymaking is difficult to determine (Marks, 1986, page 253).

In this paper we will explore the corporatist-pluralist debate as it applies to the Federal Republic of Germany. Contemporary literature on the West German state is replete with the discussion of the practice of macrocorporatism, mesocorporatism, and microcorporatism in the formulation of German economic policy. This literature has explained a great deal in terms of the intermediation among the various institutional actors at the level of the national government, social, and economic sectors, and at the level of the individual firm. However, as the West German state is widely regarded as reflecting some (hard to categorize) form of corporatist structure, the adaptability of that system to changing political circumstances has widely been discounted. The extent to which the German state has been able to adapt to the evolving content of political demands reflects both the openness and sensitivity more traditionally associated with political pluralism.

It will be argued that the Federal Republic has an 'accommodationalist' political structure in which elements that resemble both corporatism and pluralism may be found. It will further be argued that corporatism and pluralism really explain two fundamentally different phenomena. Last, it will be implicitly and explicitly argued that the mutual exclusivity of corporatism and pluralism, widely taken for granted in the literature, is more apparent than real. The apparent tension between the two models results from the epistemological parameters that are engaged in the process of model building.

We will begin with a discussion of epistemological limitations of theoretical models. It will be demonstrated that the debate between corporatism and pluralism has its origins in the methodological issues surrounding the use of models in the social sciences. After that discussion, the evolution of the corporatist literature as it has been applied to the Federal Republic will be examined. Last, a cross-section of present industrial policy will be discussed in order to highlight the accommodationalist style of politics in the Federal Republic. The paper will conclude with a brief discussion of the theoretical implications of this analysis.

## **2 Theory and practice: the epistemological limitations of models**

Theory must continually change. In natural science, theory evolves to explain anomalies which contradict the predicted outcome of existing models. In social science, models also change, but the change is manifested by a different set of conditions. Theory must continually attempt to keep up with the evolution of actual practice. The symbiosis among economic, social, and political phenomena further requires that the development of theory accounts for an interrelated set of changes, each affecting the context in which social decisions are made. As political and social theory are driven by practice, they must continually evolve.

Models, as sets of terms and definitions that are interrelated, form internally consistent 'systems'. Inasmuch as the models are attempts to represent practice they are always, in a sense, 'posteriori'. They are always behind practice. There is, however, another epistemological limitation to the construction of models, especially models of governmental practice. A model of state behavior consists of selected components of the political process. Those components are configured as a closed system relevant for the explanation of state action. However, the epistemological

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closure necessary to create any theory or model suggests that any model may only be verified in application.

Models, in general, engage their own 'episteme' and, therefore, are only internally self-verifying. This is precisely the problem which has emerged regarding the debate in comparative politics between pluralist and corporatist theories of state behavior. The self-verifying nature of each of these models has led to the conclusion that wholesale adoption of one model must necessarily exclude others. One must choose between the corporatist or pluralist as models prior to any study. Only then could an investigation proceed, with terms, concepts, and indicators defined. As corporatism and pluralism are tied to different theoretical heritages, the solution of reducing corporatism and pluralism to a property of the interest intermediation system is not a convincing strategy. If corporatism and pluralism are taken seriously as explanatory concepts, the conclusion of a study using one of the two frameworks can either be a qualification about more or less corporatism or more or less pluralism. The result from epistemological closure is thus simple. There is an inability to produce an 'objective' determination as to whether the pluralist or corporatist model most clearly reflects the political reality in the Western industrial nations. Each 'episteme' replicates itself in the production of its contingent truth. Therefore, it is futile to seek a 'winner' in the debate between pluralism and corporatism.

The futility of such an attempt is born out in the application of corporatist and pluralist models to the study of state behavior. Each internally consistent system of explanation actually explains a different phenomenon in the political process. The corporatist model suggests a central role for the government in coordinating the context for intermediation. However, this does not explain the changing nature of policy content within democratic states. Democratic politics suggests that there is a political content that must be accounted for in analyzing policy formation. If government is to mandate the structure for corporatist intermediation, the question of the content of governmental policy has not been answered. 'Governmental interest' within a democratic state, particularly a multiparty state, may be the outcome of a social struggle, as pluralism suggests.

But the question of which model is more appropriate can only be ambiguously answered. The idea that government provides context, a structure of access points, is not incompatible with the concept of democratic pluralism. What if the government is flexible in altering the structure to account for the changing content of societal demands? Which model applies? Is the government reflecting pluralist practice by increasing the potential for accommodating demands, or is it corporatist for playing a role in establishing a context for intermediation? This ambiguity suggests that perhaps two different political phenomena are taking place simultaneously. To think of pluralism and corporatism as being two poles on a continuum does not really solve these problems. Such an approach that reduces corporatism and pluralism to properties of the system of interest intermediation denies the theoretical impulses that were dominant in developing these two analytical frameworks. The problem in the continuum literature is thus not solved but only transferred to another level.

### **3 Corporatist theory and the Federal Republic of Germany**

#### **3.1 *Macrocorporatism***

Corporatism, as a model of policy formulation emerged from the explanatory deficiencies of both pluralism and neo-Marxism. In contrast to the 'normatively benign' characterization of the state in the pluralist model, the corporatist model

suggests that the state takes an active role in shaping its agenda. The interests of the state in policy formulation, as argued by Pahl and Winkler (1974, page 72), are order, unity, nationalism, and success. The pursuit of these goals necessitates the regulation and control of social conflicts. This goal in turn required the incorporation of the major societal groups, particularly business and labor, into the decisionmaking process under the sponsorship of the state (Lehmbruch, 1979, page 302). As Schmitter suggests:

“Corporatism can be defined as a system of interest intermediation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive hierarchically ordered, and functionally differentiated categories, recognized or licensed (if not created) by the state ...” (1979, page 65).

The macrocorporatist model is an analysis of the collaboration that takes place among the ‘peak’ interest organizations at the national level. This results in a high degree of cooperation among the various groups in shaping national policy (Panitch, 1979, page 122).

The critical feature of the corporatist model is the special status it affords to the state. Government is able to exercise control over the context of negotiation, and thus influences outcomes. The state can, therefore, influence the character of policy decisions in the private sector without the actual transfer of ownership to the state (Jessop, 1979, page 186).

### 3.2 *Macrocorporatism in the Federal Republic of Germany*

When applied to West Germany, elements of macrolevel corporatism can be observed going back to the foundation of the second German Empire (1871), although most contemporary analysis focuses primarily on the cooperative model, sometimes referred to as ‘societal corporatism’ or more often ‘neocorporatism’, which characterized the postwar period. Neocorporatism focuses on the interaction of business, labor, and government at the national level. More specifically, macrolevel corporatism is an exploration of government’s role in coordinating the interaction of the peak associations of business and labor.

The major national associations of business in the Federal Republic are the Federal Association of German Employers and the Federation of German Industry. The main national labor organization is the German Confederation of Trade Unions. In addition there are several smaller national organizations: the German Association of Farmers, the Association of Public Officials, the German Union of Salaried Employees, and the Federation of Free Professions. These peak institutions seek to enhance the interests of their members at the national level.

In examining the national level of policy formulation, the case supporting corporatism as the explanatory model for Germany focused on the state’s role in mandating a balance in business–labor relations. In the immediate postwar years, German labor unions sought a return and an extension of some of the gains made prior to the rise of the Nazi Party. The German Confederation of Trade Unions’ effort brought the return of the elected works councils (*Betriebsräte*) in 1946. In 1947 the policy of codetermination (*Mitbestimmung*) between workers and employers was established in the coal and steel industries. In 1951 the new German nation encoded this practice in the so-called montan industries into law. 1952 saw the extension of codetermination to the whole of German industry, but on a lower level than in the montan industries. Furthermore, the system of collective bargaining is one of the most highly regulated of all industrialized countries. The state guarantees a framework for the nearly all-encompassing reality of collective bargaining and usually also guarantees the results of collective bargaining agreements by declaring them universally valid which gives them a law-like character.

Thus the labor movement secured collective bargaining, codetermination, and worker participation, but was also obliged to work within the limits of a strong market rationality embodied in the concept of the so-called 'social market economy' (*Soziale Marktwirtschaft*). This involved the dominance of private-sector capital, a key coordinating role for banking capital, only limited direct and open state intervention, and a welfare state organized along corporatist rather than liberal lines (Katzenstein, 1987).

Government's role as economic and political manager began to increase with the election of Chancellor Kiesinger as the leader of the Grand Coalition in 1966. Since then there has been a shift towards state sectoral intervention and Keynesianism. The coalition's economic strategy resulted in the 1967 Law for Promoting Stability and Growth in the Economy. The law established economic priorities and mandated a role for the national government in economic management. State activities grew at a fast pace and after 1967 for the first time in the history of West Germany the state was considered to be an active participant in the sphere of economy.

Corporatist arrangements mushroomed especially after 1969 when a Social Democratic Party (SPD) government took office. The idea of corporatist interest-intermediation was and is a cornerstone of social democratic policies. Policies were supposed to be based on a coalition of employer associations, labor unions, and the state apparatus. Economic and employment policies were to be socially balanced. These policies for the most part were organized at the federal level.

The trade unions were not only recognized as being the spokesmen of worker interests, but were considered to have an all-encompassing political function. This led to the spread of corporatist institutions into all areas of public life. Süllow (1983) analyzed 285 corporatist institutions among which about 50% had union representation. The representation of trade unions being most coherent in the areas of labor-market policy (87.2% of the institutions examined had union representatives), public housing (80%), social security (71.4%), statistical and technical institutions (68.8%), as well as culture (68.8%).

From the perspective of macrocorporatist practice, however, the introduction of the 'concerted action' (*Konzertierte Aktion*) is of special significance. Concerted action established a formal, though voluntary, process of consultation on economic matters among the Ministry of Economic Affairs, the Council of Economic Experts, the Federal Bank, employer associations, and the German Confederation of Trade Unions. The German government wanted to grow out of an economic downturn through coordinating a compromise package of wage and price controls.

Concerted action assisted the resumption of growth in the late 1960s, but the economic downturn of the mid-1970s produced what the trade unions considered unwarranted demands for austerity. Labor officially ended its participation in the discussions in 1977, bringing to a close Germany's most prominent practice of macrolevel corporatism (Willke, 1983). The Schmidt government continued an informal practice of bilateral discussions to control wages and prices until its defeat in 1982. Besides concerted action, important corporatist institutions are to be found in the 1969 reformed Federal Employment Office (Bundesanstalt für Arbeit), in the area of posts and telecommunications, as well as in the Concerted Action on Health Care.

The Federal Employment Office (FEO) is a parapublic institution. It is headed by a Director (appointed by the Federal Government) who has to deal with a supervisory body consisting of representatives of the state apparatus ( $\frac{1}{3}$ ), the employer ( $\frac{1}{3}$ ), and employee ( $\frac{1}{3}$ ) (peak) organizations. The FEO is financed through contributions made by employers and employees. It administers unemployment insurance, retraining programs, special employment programs, further education programs, etc.

The tripartite arrangement ensures that employers and employees both back the major policies of the FEO. In effect, the implementation of policies such as reeducation or the creation of jobs are dependent on the cooperation of the two partners. The organization on the federal level is mirrored in respective arrangements at the regional and the local level. The internal disputes in the supervisory boards are not strictly along class lines. Especially at the regional and local level, employees and employers often form coalitions against the politicians. Or politicians try to side with one or the other. Generally, however, a cooperative style is emphasized (Bosch et al, 1984).

The German Posts and Telecommunications administration, Deutsche Bundespost (DBP), also constitutes a parapublic institution. The DBP has its own budget, finances its projects by itself, and is not directly controlled by parliament. At the head of the DBP is the minister for Posts and Telecommunications. His actions and policies are supervised by a board that consists of representatives of the trade unions, employer associations, as well as experts in the field of finance and telecommunications. This arrangement has led to a long-term stable coordination of policies between the DBP and business, that is fully backed by the trade unions (at least until the reform of the DBP in 1989). Besides the cooperation in the supervisory board, policies are worked out in a variety of informal as well as formal working groups that have basically the same composition as the supervisory board (Fuchs, 1989).

### 3.3 *From macrocorporatism to mesocorporatism in West Germany*

The assumptions about West German macrolevel corporatist practice were brought into question in the early 1980s as the process of concerted action came to a close. The political climate reinforced the idea that West Germany was moving away from corporatism, as the neoliberal economic policies of Britain and the United States appeared as the emerging model of policy articulation in the 1980s. However, as has been correctly noted by Allen (1988), Grant and Streeck (1985), Lehmbuch (1989), and others, the West German case has not reflected a wholesale adoption of neoliberal practice. The very modest tax and service cuts initiated in West Germany would clearly reinforce such a claim.

But the end of the era of concerted action and the perceived failure of national economic policies inaugurated a new policy decentralization in the Federal Republic. The states (*Länder*) became more active in the formation of economic and industrial policy, and, although decentralization of decisionmaking does not pose much of a theoretical dilemma for pluralist theory, corporatist theory had evolved to explain the structures of intermediation on the national level.

The decentralization of policymaking in West Germany and elsewhere was accompanied by a theoretical development in the corporatist model which could account for the emergence of corporatist structures across various strata of the political-economic hierarchy. A second strand of corporatist literature emerged to account for the decentralization of policymaking. In addition to the discussion of macrolevel corporatism, a body of literature appeared which described the emergence of corporatist structures on the level of regional governments and industrial sectors (mesocorporatism), and the structures that emerged on the level of individual firms and local governments (microcorporatism).

Mesocorporatism refers to a corporatist model of intermediation that takes place between the national level (macro) and the level of individual firms (micro) (Cawson, 1985, page 12). Macrolevel corporatism involves intermediation with peak organizations, representing class interests at the national level. Mesocorporatism focuses on organizations which aggregate interests at what is called the 'sectoral

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level' (Cawson, 1986, page 107). A sector is a vertically integrated interest area. It includes, but is not limited to, those organizations which form below the level of national organizations to promote a specific area of interest. For example, at the macrolevel one finds the interest of employers served by the National Association of German Employers, but on a sectoral level this organization is representative of 468 local organizations divided into forty-six different production categories, including manufacturing, construction, banking, and insurance. It represents 80% of all German employers. The German Confederation of Trade Unions represents the interests of seventeen national trade union organizations, each representing workers in a different sector of the West German economy (Hancock, 1989, pages 75 - 76).

#### **4 Industrial policy in West Germany: pluralism or corporatism?**

Industrial policies have two broad aims: (1) to influence industrial development and the structural adaptation of industry and (2) to reduce the social consequences arising in connection with structural change. The first of these represents 'offensive' industrial policy and the second 'defensive'. The complexity of meeting these two aims simultaneously suggests that a grand macrolevel strategy will be unsuccessful. The formation of industrial policy is sectoral by nature (Cawson, 1986, page 113). This is the case because at the national level no one industrial policy is sufficient to encompass every industrial interest. Where firms are internationally competitive the formation of industrial policy is likely to be resisted (Atkinson and Coleman, 1985, page 28). Thus, the practice of mesocorporatism will vary among the different sectors of the German economy. Mesocorporatist theory focuses on the interaction of the following participants: the industrial sector owners and management, the banks (which unlike the US banking industry are not forbidden to own shares in public corporations), sectoral labor organizations, and the various levels of the state apparatus.

In fact Germany has been lacking a consistent national industrial policy. In the second half of the 1970s plans for a concerted federal industrial policy were advanced but failed very quickly (Hauff and Scharpf, 1975). In the 1980s the need for some sort of an industrial policy was as clearly felt in the aftermath of these failures. This resulted in a variety of industrial policy schemes pursued by different sectoral actors. The continuing problem has been to maintain export-driven growth despite high wages and a slackening in productivity increases. A crucial role in this adaptation process has been played by the state at local, regional, and federal level: it has provided finance to modernize old branches and to develop high value added products for export, promoted international cooperation to stabilize existing export markets and create new ones, financed retraining of the labor force, underwritten the social costs of change, and mobilized union support at plant, branch, regional, and national levels to minimize the political costs of modernization.

In the 1980s, then, various actors at the federal level as well as at state and local levels are pursuing industrial policy programs. It is not one industrial policy scheme, but one finds various, often competing, industrial policy actors and institutions. With the 'decentering' of the process of industrial policymaking there is a corresponding 'decentering' for the political process that creates the context for generating industrial policy. As a result, there is decentering of the process of context formation, the ability to create access into the political process for a broader sector of social interests. This creation of political context is relevant both at the macrolevel and at the mesolevel. This changing context of policy formulation will be examined in this section.

Three industrial policy schemes have been most intensively discussed in the 1980s—based on US and Japanese experiences: the idea of creating regional innovation networks (sections 4.2 and 4.3), the idea of targeting specific high-tech sectors (section 4.1), and the idea of subsidizing enterprise zones (section 4.2). In the following paragraphs we will discuss examples of these schemes and tie them to our discussion.

#### 4.1 *Macrolevel technology programs*

National industrial policies are to a large extent technology oriented. In the Federal Republic of Germany the Ministry of Research and Technology has developed a series of programs that try to support specific technological innovations in key sectors of the economy, such as biotechnology, microelectronics, etc. For the development of these programs which try to push certain innovative sectors a standard operating procedure can be detected. Usually the initiative for a new program comes from the industry and research institutions contacting the ministry. After the ministry has made a first decision to be interested in a specific program it creates a consultative body that is responsible for working out a specific policy program. Usually these preparatory commissions consist of representatives of research institutions, employer associations, to a limited degree trade unions, and representatives from the ministry. After a detailed policy proposal has been developed the chances are high for approval to be given by the ministry. Usually technology programs like the ones mentioned do not require the consent of parliament. It is mainly a budgetary problem and a problem of justifying the inclusion of a program as official policy. Thus the groups that might potentially benefit and implement the program are already incorporated in the policy formulation. Thus, the executive hopes to direct its financial support in the most advantageous manner and, second, hopes not to be blamed for failures of innovative measures, because competent people (science and business) have cooperated in working out the program (Berger, 1976).

This tendency is continued in the implementation of programs. The administration of the technology programs usually lies not with the ministry but with a specially created or employed agency, a so-called *Projekträger*, most often affiliated with a research institution. This *Projekträger* is reviewed by a supervisory board consisting of representatives of the business community, research institutions, and the executive. It decides on the distribution of funds and controls the implementation of the program.

What is remarkable is a depoliticization of the process in which the state distributes subsidies to private industry as well as to research institutions. Citing better judgment of the people actually involved, the state sets a framework that is worked out in cooperation with organized business and organized science. The state guarantees the context for negotiations and participates in rule making and rule enforcement, but to a large extent, these are left to the coopted partners.

The state's major role is that of creating the framework in which the technological strategy can be addressed. But in constructing the context for negotiations the national government in a democratic state must also show some sensitivity to the political environment outside the specific arena to be addressed by the policy. In West Germany this has meant addressing some of the environmental concerns that are now being stressed by the Greens and some members of the SPD.

Addressing the political needs with a change in the negotiating context has generated three forms of governmental adjustments in recent years. The *first* is the use of 'technology assessment' reports to gauge the broad social, political, and economic impact of a given technological strategy. In this way a broad sweep of



the potential impact of a technology strategy can be anticipated in advance (Rucht and Fuchs, 1989). The *second* structural accommodation to environmental interests in recent years has come in the form of the 'counterexpert'. The counterexpert's input, although often little more than symbolic, is designed to present a negative assessment of the proposed economic strategy (Rucht, 1989). *Third*, the personnel composition of the *Projektträger* for new programs has been changed in a way that allows for an accommodation of 'critical' interests. The stress on technology assessment and counterexperts mirrors the growing awareness about possible negative effects of technological innovations that find its political spokesmen in the ranks of the Greens and to a lesser extent among the social democrats. Thus the scope of industrial policies is widened and policies are set on a broader footing.

#### 4.2 *Technology parks and regional innovation initiatives*

Technology, innovation or founders' centers have become a popular means of industrial policy at a local and state level. The federal government, in part, subsidizes these regional or local initiatives on a case-by-case basis. The *Länder* and local communities have developed additional promotion schemes. Technology centers are intended to promote innovation by supporting small and medium-sized firms and by subsidizing new modes of interaction between industry and science. A common element of all technology parks is that complex institutions for running these organizations have been installed that are marked by the cooperation of different institutions and complex financing mechanisms.

Very much depending on local power constellations the emphasis is on including environmental aims, trade union aims, or a strict market orientation. In the same way the initiative for technology parks may come from local employer associations, banks, politicians, or research institutions. In the financing of respective institutions different levels of the state apparatus, banks, and employer associations are involved.

Local industrial policies in Munich, for example, have traditionally been promoted by an informal coalition consisting of the Bavarian Ministry for Economic Affairs, the local office for the economy, and the local employer associations (Dittrich et al, 1989). The idea for the creation of a technology center was initially worked out by the representatives of the state apparatus at the local, state, and federal levels. After they had decided on a plan for financing a technology center, the local employer associations were contacted in order to work out a precise concept. The supervisory board of this institution is comprised of eight members: five members of the local parties, one representative from the Bavarian Ministry for Economic Affairs, and two representatives from the local employer associations.

The Greens and the trade unions did not participate in these discussions, as at this time a second innovation center was planned that was supposed to fit the needs of these two groups. Plans have failed, however, because up to the present Greens and trade unions have not been able to agree on a common concept.

However, the creation of a second center suggests the political factors are not to be ignored in the consideration of context formation at the regional, state, or local level. Within the political arena new social forces have emerged which must be accommodated by democratic polities. The content of policy is shaped by the political forces that emerge in the representative structure within the democratic institutions. This would again reflect the pluralist character of the political content emerging within a context which granted authority through the state.

The support for technological change at the *Land* and the local level can acquire the quality of an integrated regional innovation network (Maier, 1987; Sturm, 1989). The most intensively analyzed state in this respect is Baden-Württemberg. As Sturm reports, there are centers for technological advice and

technology transfer in every region of the *Land*. This network is based on independent, but state-funded research institutes, universities, polytechnics, and regional centers specializing in different fields of technological advice. In addition, there are a number of regional technology-transfer centers under the auspices of a public foundation and a multitude of activities organized in cooperation with industry. The state has worked out the conceptual framework for industrial policy initiatives and in 1983 even founded an office for technology transfer. Besides advice, direct financial support and credits for small and medium-sized firms when they intend to work with advanced technologies and for technology-based new firms is provided. Though as a rule small and medium-sized firms are the main targets of state technology policy (Schütte, 1986, page 42), Baden-Württemberg is also strongly promoting close cooperation between big and successful companies (for example, Mercedes Benz) and the *Land*. A recent example is the Ulm artificial intelligence project. Its finances come from an independent foundation whose funds consist of DM120 000 provided by the *Land* and DM30 000 contributed from each Daimler-Benz, Hewlett-Packard, Mannesmann-Kienzle, Nixdorf, Siemens, and IBM.

#### 4.3 *Local employment programs*

Another example of the way that politics is shaping the socioeconomic context is in the area of local employment programs. Traditionally, employment policies have been considered to be an object of federal policymaking. However, inactivity on the part of the federal government in the 1980s led states and local communities to develop policy schemes of their own. Local employment programs are not usually initiated either by trade unions or by employers. The initiative for respective programs at local and regional levels usually comes from local governments or socially active groups. Programs are based on money coming from the FEO and a variety of other funds. A characteristic feature of these programs is that new organizational apparatuses are built up, which are responsible for implementing and formulating policies. A context-specific structure emerges which often has its origins in governmental initiatives, but which always receives its legitimacy from the broader political context.

In Munich again, based on an initiative coming from politicians, a supervisory body was established to formulate a local employment policy and to oversee its implementation. The supervisory body does not consist only of representatives of labor and business but also includes representatives from individual projects, social organizations, scientific institutions, etc. The leading role in this body, however, without any doubt lies with the local government. With the leadership coming from local government, the direction of policy is more often influenced by political than by economic forces. In Bavaria, as well as in other West German states, this has meant more input from environmental groups, often in conflict with the unified economic interest of business and labor for jobs and industrial subsidies. This situation suggests that the governmental interest cannot be considered as unified. Rather, the political system represents a collection of potential access points by the larger society to the policy process. The governmental sphere reflects the shifting coalitions of social interests which then set the context for the formulation of industrial policy.

### 5 The process of 'decentering'

Explanations developed to explain macrophenomena, such as the business-labor-government cooperation at a national level, increasingly failed to explain the political dimension of the policy process as it was decentralized in the 1980s. In some

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countries and in some policy fields (for example, health services or modernization of sunset industries) macrocorporatism is still being pursued as a model for policy formulation and implementation. In general, however, the significance of national-level corporatism was reduced and regional (most notably in the form of crisis cartels in declining industries) and local corporatism were promoted. The 1980s in some sense saw a strengthening of components that seem to be characteristic of the West German system: a lack of centralized and coordinated bargaining at the federal level, on the one hand, and a 'strong state' on the other that is upholding a framework for bargaining and policy coordination for the major interest groups. The new development of the 1980s has been that the lower levels of the state apparatus (*Land* or local) are increasingly engaged in this kind of agenda building. Also, with increasing numbers of politically active groups, the institutional access points to the policy process have multiplied. A recent comparative study on local employment and industrial policy initiatives demonstrated that the spread of quasi-public institutions in formulating and implementing policies is a very clearly visible trend (Dittrich et al, 1989). The makeup of these institutions depends less on the specific character of the policies implemented (technology centers, subsidizing of small enterprises, employment initiatives, etc) and more on the politics of the local communities. Local communities with a long-standing hegemony of one political party—conservative or social democrat—show more rigid structures, whereas in communities with changing political majorities or unclear majorities one also finds an increased openness to new groups and movements.

Thus the subject of stability and change with respect to West German politics can hardly be explained, nor even adequately described by applying the models of corporatism and pluralism. For us it seems to be more profitable in the long run to move away from the corporatism-pluralism discussion and to study more general structures of regulation over time and in different policy fields. In this way the debate about the demise of corporatism or the revival of liberalism can be put on more secure footing and can be more precise about the relationship between change and stability. We will illustrate this argument by analyzing a process that seems to affect the structure of regulation in West Germany.

The central issue on which the corporatist argument is based, the idea of cooperation, is still essential within the West German context. We therefore gave West German politics the attribute 'accommodationalist'. The structures of accommodations, however, are undergoing a process of change. What can be observed is that competencies, responsibilities, and implementation functions, which formerly rested with the state, are now dispersed into a wider societal context. But this process cannot be adequately described as neoliberal 'deregulation'. Although important competencies remain in the hands of the state, the administrative apparatus reflects a sensitivity and permeability to societal impulses, initiatives, and demands. The state has introduced experimental solutions (temporally limited regulations, pilot projects), has used tentative decisionmaking and control procedures, allowed for codetermination and participation, even demands and promotes self-management within a predefined framework. Thus a tendency towards state-subsidized self-regulation is to be observed, a tendency achieved by the more or less subtle integration of clientele and interest organizations in the policymaking process in order to guarantee the success of specific policy measures. The state tries to discharge responsibility where in the past it has tried to accumulate as many competencies as possible.

The large number of subgroups entering the field of policy formulation and the move away from the national level suggests a 'decentering' of policy formation. By decentering we mean an increasing opening up, broadening, and differentiation of

traditional political arenas. What emerges are complex decisionmaking structures and institutional arrangements. The already blurred spheres of society on the one hand, and political decisionmaking on the other, as well as of private and public outcomes, become intrinsically interwoven. New procedural systems are developing that feature various obstacles, a varying amount of discretion and veto-positions. This requires precarious and costly mutual coordination mechanisms, which are more situation-oriented and allow for solutions, that take into consideration specific spatial conditions and problem groups. New regulatory and coordination bodies are created to supplement and partially substitute existing institutionalized bodies as well as relationships that were formerly informally organized.

The idea of an autonomous state is given up in favor of the idea of cooperative structures between state and society. The state thus becomes more engaged in coordinating and moderating than actually in 'governing' the society. Regulatory ideas in the 1960s and 1970s were 'centrist' insofar as they were based on a hierarchical system of social values. Politics was conceived as a conflict of clearly defined interest groups organized along given social cleavages. Policies were oriented towards a relatively clear-cut catalogue of state functions and they tried to create equal opportunities and homogenize social strata with the help of a macrolevel cooperation between capital and labor.

A decentrist form of regulation includes a variable or opportunistic attitude towards values. The formative functions of the state are relativized. The respective situation determines state activities. The state lacks a grand strategy or agenda and adopts a pragmatic and opportunistic attitude toward outcomes. With the legitimacy of the existing regime in democratic societies tied to the successful management of the economy, performance becomes an end in itself.

## 6 Conclusion

Corporatism and pluralism have been regarded as institutional ways of 'doing business' in the policy process. However, this understanding reverses a critical epistemological consideration involving the relationship between modeling and political practice. As analytic constructs, used heuristically, corporatism and pluralism are useful tools in defining the extent of government involvement in policy, even though the level of such involvement will often result in an irresolvable debate. What neither model can do is suggest specific policy outcomes. Policy outcomes tend to be issue and context specific. Successful policy will require a strategy for success within the political constraints of any given societal context.

In this regard, the Federal Republic provides an excellent case study for the problems of using models to analyze political practice. The political practice that has emerged in West Germany indicates shortcomings both of the corporatist and of the pluralist models. The structural adjustments of the West German state and local governments show the extent to which local political debates influence the context for policy outcomes. German politics are far less oriented toward conflict and toward the majority than the pluralist paradigm leads us to expect. With regard to corporatism, practice suggests that there is broader access of social groups outside of the limited categories of business and labor interests. The corporatist literature must take more account of the political dynamic which provides the content for 'governmental interest' in order to prevent a gross reductionism with regard to the nature of various polities.

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