The relatively recent literature on varieties of capitalism has developed alongside, and also overlapped with, the older debate on tripartite concertation as a form of regulation of the economy. Yet these two strands of research were by no means born with the same objectives and assumptions. This article examines different aspects of the relationship between them. The first three sections discuss the extent to which concerted regulation of the economy may be seen as the key feature of non-liberal capitalism — commonly termed ‘Rhineland capitalism’, ‘coordinated market economies’, and so on. The next two sections raise questions as to its continued viability. The central question addressed is: under what conditions can the concerted regulation of the economy, largely successful in the past decade, but now increasingly questioned, still be a viable alternative to the dominant model of laissez-faire capitalism?

Introduction: Concertation and Models of Capitalism

A growing body of literature on the ‘varieties of capitalism’ has developed in the past 10 years or so. These studies have partly overlapped with the older literature on tripartite concertation as a form of regulation of the economy. Yet these two strands of enquiry, both of which are highly diversified internally, were independent in inspiration; the relationship between them was not intentional, but must be established analytically.

The literature on concertation, whether this is treated in its better known version as a form of interest intermediation (Schmitter, 1974) or in its more useful interpretations as a type of policy-making (Lehmbruch, 1977) or of political exchange (Pizzorno, 1978), was born substantially as an endeavour to account for the profound change in the functions performed by the interest associations in the regulation of advanced economies. The intent was to explain the change taking place in interest politics, and consequently in economic and social policy-making.
Although rarely made explicit, there was an underlying functionalist assumption in this literature: that the advanced economies were converging on a model of interest intermediation and of policy-making which was more efficient because it combined better economic performance with greater social inclusion or organized consensus. Subsequent historical developments did not confirm this prediction of convergence, yet too rarely did they give rise to a revision of theoretical premises and conceptual tools.

The literature on the different models of capitalism was instead born, more than 10 years later, as a combination of different strands of enquiry and sometimes as an implicit criticism of neo-corporatist theory. The feature shared by these various strands was their realization that crucial differences still persisted in the manner in which the advanced economies were organized — as regards their economic policies, their welfare systems, their production and labour market regimes, or their industrial relations systems. Two basic explanations for these differences were suggested: either arguing that pre-existing institutional arrangements constrained behaviour and hence generated path dependency, or pointing to the different strategic choices made by the relevant actors. There ensued a search for typologies able to capture the diverse modes in which advanced economies are regulated, and no longer a search for a theory of convergence.

Alongside the small number of studies which explicitly envisaged the existence of varieties of capitalism as different forms of regulation of the economy (from the early works by Dore (1987) and Soskice (1989), through the widely read manifesto by Albert (1991), the comparative works by Berger and Dore (1996), Crouch and Streeck (1997) and by Regini (2000), to the more recent and systematic books edited by Hall and Soskice (2001) and Streeck and Yamamura (2001)), we may include other and broader strands of enquiry in this body of literature. One of these examines the ‘social systems of production’ which have arisen since the decline of Fordism (Hollingsworth and Boyer, 1997; Piore and Sabel, 1984). Another deals with the diverse welfare and labour market regimes to be found in the advanced economies (Esping-Andersen, 1990). Yet another strand proposes typologies of industrial relations systems (Crouch, 1993; Traxler, 1995). Lastly, studies of patterns of local development (Bagnasco, 1988; Crouch et al., 2001) also belong to some extent to the broader literature on varieties of capitalism.

The typology that best captures the aspects of divergence considered crucial to the ways in which advanced economies are regulated (and which also puts forward an embryonic theory of ‘institutional complementarities’) is that proposed by Soskice (1989; 1998). This author distinguishes between ‘coordinated market economies’ (such as those of Germany or the Scandinavian countries) and ‘liberal market economies’
(such as the Anglo-Saxon systems). However, this typology can be combined in a variety of ways with those proposed in the other strands of enquiry cited above, giving rise to variable clusters of countries – clusters so variable, in fact, that they undermine the idea that there exist stable and diametrically opposed ‘models’ of capitalism.

**Concerted Regulation as an Alternative to Liberal Capitalism**

Various criticisms can be brought against Soskice’s typology, and more generally against the literature on the varieties of capitalism (see, for example, Thelen, 2002). This typology and this literature are often seen as substantially static, so that it is difficult to grasp changes taking place internally to each model, the tensions within them, and the mechanisms that may upset their equilibrium and give rise to institutional change. For the purposes of the present argument, we may add a further criticism: they failed to incorporate the findings of the older literature on concertation, which they have gradually displaced without absorbing it into a broader analytical framework. When, in the 1990s, the phenomenon of the so-called ‘social pacts for development and competitiveness’ suddenly arrived on the scene in numerous European countries (Pochet, 1998; Regini, 1997; Rhodes, 1997; Schmitter and Grote, 1997), the interpretation of these unexpected developments was left largely to the old neo-corporatist literature. The literature on the varieties of capitalism failed to contribute to the debate on the role of social pacts in the regulation of advanced economies, because its typologies were unable to accommodate this phenomenon. And yet, the key question was not difficult to formulate: what relationship is there between social pacts, or any other forms of concerted regulation of the economy more generally, and the varieties of capitalism which represent alternatives to liberal, ‘free market’ capitalism? If the crucial feature of coordinated market economies is the ability of employers to coordinate among themselves to produce collective goods, with the support of the social institutions present in those economies, is the concerted regulation of the economy envisaged by social pacts simply the institutionalization of that capacity? Or is it rather a functional substitute which develops in countries where that ability is weak? Or again, is it a different phenomenon altogether, with little relevance to the understanding of the varieties of capitalism?

The answers depend primarily on what is actually meant by ‘concertation’ and by ‘concerted regulation of the economy’ — terms still not clearly defined after almost 30 years of contention. It may seem tedious to dwell on such concepts, especially when they have been the subject of interminable debate which has sought mainly to define them in relation
to other, similar concepts. Suffice it to consider how many synonyms have been used for only slightly different aspects of a system based on the concerted regulation of the economy. In the 1970s, definitional efforts were mainly devoted to drawing a distinction between ‘concertation’ (or social concertation) as a mode of policy formation on the one hand, and ‘neo-corporatism’ (or democratic, or liberal, corporatism) as a system of interest intermediation on the other. This was followed by attempts to relate these concepts to those developed (in parallel) of ‘political exchange’ and ‘social partnership’. During the 1980s the terms most frequently used were ‘tripartism’, or tripartite arrangements and agreements, and then ‘social dialogue’. Lastly, the 1990s saw the discovery of ‘social pacts’ together with a revival of the earlier concept of concertation.

What prevailed throughout these long and rather arid debates was a somewhat formalistic view of the concerted regulation of the economy in which the focus was more on procedures (principally, the stipulation of formal tripartite agreements) than on content. Various problems received insufficient attention, and to my mind they represent a necessary research agenda for those who today set out to examine the concerted regulation of the economy as one possible model of capitalism.

If I may briefly digress, there are at least four problems that must be overcome, and to which any formalistic view of concertation fails to provide satisfactory answers. First, how significant are the differences among explicitly tripartite agreements (such as those in Italy, Ireland or Spain during the 1990s), bilateral agreements with the state acting as the hidden director (such as those in The Netherlands or Sweden), and diffuse joint regulation without explicit agreements (as in Germany)? Are these all functionally equivalent varieties of concertation or do they have different preconditions, different results and different degrees of stability?

Second, should one not also consider unsuccessful attempts at the concerted regulation of the economy? Which is more important, the degree of success or the presence of actors willing to pursue concertation strategies even though the political and institutional conditions that would make them successful are lacking? And, can the analysis of failures contribute to the understanding of the conditions of success?

Third, how significant are the contents of concertation agreements? Should pacts comprising concrete economic and institutional policy measures (incomes policy or reforms of collective bargaining structure) be considered on a par with those that only contain generic pledges and symbolic tokens of reciprocal legitimation among the signatories?

Lastly, what is the role and significance of territorial pacts? Can concerted regulation practices at the local level spread and develop even in the absence of central-level concertation? Can they modify its dynamics?
and outcomes? I shall return to the last of these questions toward the end of this article.

As already emphasized, these questions constitute a digression which defines a possible research agenda. Yet, I believe that the problems listed also serve to illustrate what I mean by a formalistic view of concertation — namely, the view put forward in the huge body of literature on the subject, which now requires substantial revision. To present my point briefly, if the intention is to frame the analytical tools and ideas of the literature on concertation within the broader debate on the ‘varieties of capitalism’, rather than just looking at which countries have signed formal ‘social pacts’ and contrasting them with those that have not done so (or have tried unsuccessfully), one should observe the features of the economic and social policies that lie at the very heart of any dialogue between governments and social partners. This dialogue may take many forms: explicit bargaining, informal consultation, or the drawing up of a regulatory framework in which relationships can develop. What matters is the outcome in terms of public policies, or in other words, the answer to the following question: can the specific features of these policies be considered the consequence of a concerted regulation of the economy which characterizes some countries more than others?

I have written elsewhere (Regini, 2000) about two different tendencies in European economic and social policies. These I termed, respectively, a trend toward ‘deregulation’ and a trend toward ‘concertation’. They are not static ‘models’ of capitalism; rather, they are ongoing developments in all European countries. Also, the definition of the latter trend as a shift toward ‘concertation’ does not mean that it necessarily concerns only those countries that have recently negotiated social pacts (although in several cases it does). Instead, by a tendency toward the concerted regulation of the economy, I mean that a country’s economic and social policies display a set of features which distinguish it from other countries that pursue greater deregulation.

What are these features? They are certainly not the centralized bargaining, the tight regulation of the labour market and the expansion of welfare that used to typify classical neo-corporatist systems. Rather, they are a search for greater wage coordination in order to offset the effects of the decentralization of collective bargaining that has taken place in all countries. Also involved is a search for closer control to ensure that the flexibilization of the labour market (which has also taken place in all countries) is not generalized, but selective and experimental in nature. A third feature is the involvement of the social partners in reform of the welfare system, the purpose being to find solutions that make it more compatible with increased competitiveness without destroying its fundamental role of maintaining social cohesion.

Coordination, control and involvement, given the meanings of those
terms that I have sought to clarify, are the features of a policy-making system that sometimes results from explicitly concertative procedures and actions with a high symbolic content (such tripartite agreements), on other occasions from a widespread system of joint regulation, and on yet other occasions from apparent delegation to the regulatory autonomy of the social partners. The discussion that follows examines a number of examples of how it is possible to identify in some countries (but not in others) a tendency toward the concerted regulation of the economy in various policy areas.

**Examples in Various Policy Areas**

The first policy area concerns the structure of collective bargaining, which largely determines the extent to which incomes policies can be implemented. The 1980s were marked by a general and forceful drive toward decentralization (Katz, 1993) that was particularly evident not only in countries such as the UK, but also in Sweden, where the primacy of centralized bargaining had long made it possible to pursue wage solidarity policies. However, this bargaining decentralization, which in the 1980s was a general trend, moved in two very different directions in the decade that followed. In some countries, tendencies toward decentralized wage bargaining were by no means steered from the centre, nor were they counterbalanced by the strengthening of those coordination mechanisms which already existed. In the UK, the thrust toward decentralization, which was already strong in the 1980s, continued without provoking any significant counter-tendency. But also France and Spain, although these had been subject to less decentralizing pressure than the UK, saw a progressive decrease in the importance of industry-wide agreements and an increase in those at company level. Moreover, this happened in the absence of central incomes policies with which to steer wage dynamics.

On the other hand, there are countries in which company-level negotiation takes place, instead, within the framework of the overall recentralization of the bargaining system (examples being Ireland and Norway) or in which the delegation of wage-setting tasks to lower levels has proceeded in parallel with the strengthening of overall coordination functions. Examples of the latter are Italy, with its new bargaining structure introduced in 1993 and confirmed by the social pact of December 1998, and The Netherlands, where the role and prestige of central partnership institutions, such as the SER (Social-Economic Council) and StA r (Foundation of Labour), have been enhanced. Hence an endeavour to ensure a certain amount of wage coordination in order to counterbalance the effects of bargaining decentralization is a prime element in a tendency
toward the concerted regulation of the economy. Some countries display
this much more markedly than others.

A second policy area is that of labour market flexibilization. In some
countries, flexibility has increasingly become the general principle for the
workings of labour markets — an overarching criterion which determines
all legislative or negotiated measures. In these cases, there is a tendency
to intervene with a few general rules which apply to all categories of
workers and leave wide margins for autonomous regulation by the social
partners. Rules for recruiting new employees are greatly liberalized, and
dismissals are made relatively easier by legislative or administrative pro-
visions.

In other countries, although initiatives have been taken to deregulate
the labour market, they have been accompanied by other measures for its
re-regulation. Alternatively, and this is the most interesting case, they
have been conceived as limited and partial exceptions to the criteria for
labour market governance that are not otherwise questioned. That is to
say, they have been regarded as controlled experiments intended to inject
flexibility into some or other segment of the labour market, but they are
subject to review and may be revoked, and there is no intention that they
should be generally extended. The controlled and restricted nature of
these measures, which makes them selective and targeted rather than
generalized, is the feature that most distinguishes the approach of this
group of countries to labour market regulation from that adopted by
others. Measures in these cases are focused on specific social groups, such
as young people, or on particular geographical areas with high unem-
ployment or low labour market participation, for example, through terri-
torial pacts. A short time-frame is usually envisaged, after which the
experiment may be revoked.

The third and final example is provided by policies for reform of the
welfare system. In all European countries, characterized as they are by
social security systems extremely burdensome for public finances, some
retrenchment of welfare services has been pursued, or is at any rate on the
agenda. Because cutbacks in benefits clash with the consolidated interests
of certain social groups, two options are available: either policy-makers
can seek to build consensus among those groups and their representatives
or they can try to remove the rules and customs that enable the latter to
exercise veto power over change. Therefore, in this policy area, as more
generally, one finds that deregulation and concertation represent policy
alternatives. Some governments have unilaterally imposed retrenchment
and deregulation in order to achieve efficiency, to the detriment of con-
sensus. However, the majority have preferred to involve the social
partners, negotiating with them over reform of the social security system,
and settling for often modest results as long as they are supported by
interest organizations able to ensure acceptance of the changes by their
members. In this case, the feature that most clearly distinguishes the two different trends is the degree of involvement and consensus sought for the extent and nature of the reform.

Hence coordination, control and involvement can be considered the distinctive features of a style of policy-making in which concerted regulation of the economy predominates, whatever instruments (tripartite agreements or others) are used in pursuit of this goal. They do not in themselves constitute a static ‘variety’ of capitalism. But concertation thus understood as an end rather than as a means is one of the key variables which distinguish the coordinated market economies (or what was once called ‘Rhineland capitalism’) from the liberal market economies.

**Problems and Prospects**

Both problems and prospects for the concerted regulation of the economy spring from the profound changes that have taken place in the economic actors’ priorities and strategies.

In the early 1990s, to a large extent in an attempt to comply with the convergence criteria that, before and after Maastricht, steered the process of European economic unification, concerted regulation of the economy acquired new impetus, especially in those countries furthest from fulfilling those criteria (Italy, Ireland, Portugal, Greece, and initially The Netherlands). A fundamental element in this was some form of incomes policy. This was a key instrument with which governments could drastically reduce the inflation rate and the public deficit (that is, the two main criteria for convergence). It was relatively simple to manage, and it had definite effects once the cooperation of the large interest organizations in curbing the demands of their members had been secured. It was an instrument that could be centrally managed, at the national and cross-sectoral levels, with few actors and a single negotiating table.

In the second half of the 1990s, however, the economic circumstances of the main European countries and the priorities of their governments changed profoundly. Owing among other things to the success of previous policies, a period of disinflation and low public indebtedness set in, while there was a considerable worsening in the performance of the European labour markets, afflicted as they were by high unemployment, rigidity, and an inability to create new jobs. Whether one accepts the neo-laissez-faire view of ‘Eurosclerosis’ put forward by the Organization for Economic Cooperation and Development (OECD, 1994) or the thesis of a breakdown in the equilibrium between the welfare regime and the workings of the labour market (Esping-Andersen, 1999), the priority of European governments, and in different ways also of the social partners, nevertheless, became reform of the labour market and social security systems.
These two issues moved forcefully on to the concertation agenda, where they gradually replaced incomes policies. An emblematic case was Italy, where the tripartite agreements on incomes policy of 1992 and 1993 were superseded by negotiation on the pensions system in 1995, the ‘pact for employment’ in 1996–97, and the ‘pact for development’ in 1998. But a similar shift of the policy agenda can be observed in Germany with the Alliance for Jobs, in Spain with the tripartite agreement of 1997, and in other countries besides.

However, reform of the labour market and the welfare system are objectives much more complex and difficult to achieve by concerted means than are traditional incomes policies. If, following the pattern of previous social pacts, they are addressed only at the centre, with the involvement of only a few traditional actors and ‘at a single table’, the question that inevitably arises at that table is the following: how much welfare retrenchment and how much labour market deregulation can be traded in exchange for what kind of benefits and what kind of involvement of the social partners? Thus, there arises again the old logic of ‘political exchange’, namely, of rewards and compensations, which the social pacts of the early 1990s had partly superseded (Regini, 1997).

The central actors engaged in concertation (except in situations of emergency or of the exceptional weakness of some of them) find it much more difficult to take this option in present circumstances. One solution is to increase the number of actors involved and the number of negotiating tables, seeking to extend consensus for the reform measures and to find possible forms of compensation in arenas other than the central one (training programmes, for example, or local social protection networks).

In the most recent period, not only have the priorities of governments changed, but so too have those of companies, now believing that it is no longer necessary for economic policy choices to be agreed through concertation. During a disinflationary phase, in fact, demands for the decentralization of collective bargaining become more pressing than those for its coordination. Moreover, it becomes increasingly clear that the mechanisms for the concerted regulation of the economy cannot be used to deregulate labour markets and to scale back social security to the extent that numerous firms would like.

Faced by trade union resistance against any major retrenchment of the social protection system inherited from earlier times, some governments have taken the route of ‘reforms without social consensus’: as did the first Berlusconi government regarding the pensions system in 1994–95, that of Kok in The Netherlands for health insurance, that of Juppé in France (again regarding pensions), and that of Kohl in Germany in 1996, as well as the Swedish and Belgian governments. These attempts to impose a unilateral solution failed in the majority of cases, but sometimes the strategy of ‘increasing the number of tables and actors involved’ succeeded in
splitting the trade union front. For example, in Germany in 1996, the unions signed numerous agreements on welfare reform at the level of the Länder, although the Alliance for Jobs was a failure at national level, and in 2000, the agreement on early retirements negotiated between the chemical industry employers and IG BCE (the mining and chemical trade union) was used to block the more radical demands being pressed by IG Metall (the metal sector trade union). The ‘Pact for Italy’ signed in 2002 by the centre-right government without the Confederazione Generale Italiana del Lavoro (CGIL) is another major example of a strategy intended to split the unions, enabling the implementation of reforms based on limited and partial social consensus.

In Place of a Conclusion

Neo-corporatist systems were long viewed as enabling a form of centralized regulation which was relatively immune from the pressures applied by various social groups — a game with a few players, able to internalize the systemic effects of their actions and thereby curb opportunistic behaviour. On the other side, the liberal market systems were those in which pluralist pressure predominated, and which, consequently, were unable to hierarchize demands in order to ensure that general interests prevailed or to pursue public goods.

Today, quite the reverse situation prevails. It appears that neo-laissez-faire models are able to impose drastic constraints on sectional pressures by subordinating them to the apparently external, aseptic, imperative of deregulation and the absence of restraints on the ‘free working’ of the market — this being considered the precondition for the optimal allocation of resources. By contrast, systems based on concerted regulation of the economy have proved more permeable to pressures even if they are better able to foster involvement. Their stability depends crucially on one condition that is rather difficult to achieve: that the involvement of various social groups in decisions, typical of these systems, is seen less as slowing down (or, worse, preventing) the decision-making process than as ensuring the success of those decisions because they are not subject to constant resistance.

It is especially on this trade-off (a slower decision-making process versus the greater likelihood of the successful implementation of its outcomes) that the challenge between the different models of economic regulation pivots today. Under what conditions can the unilateral regulation typical of neo-laissez-faire capitalism be successful and achieve the results desired, without involving the recipients in the decision-making process? Conversely, under what conditions can concerted regulation of the economy yield positive outcomes without excessively delaying
policy-making? Above all, under what conditions will actors lean toward one or other side of the dilemma, being persuaded that one strategy is preferable to the other?

Interesting answers to these questions are provided by some scholars who see the increasingly important role of local-level regulation (territorial pacts and various forms of negotiated planning) as an attempt to broaden the scope of the game by increasing the number of negotiating tables and players (Regalia, 2003; Trigilia, 2000). This enlargement may yield resources and instruments able to change the nature of the trade-off by shifting the actors’ strategies more decisively toward concertation. This is the thesis put forward, for example, in a stimulating study by Carrieri (2001), for whom the wage restraint offered by the unions at the centre can only be reciprocated with benefits at the decentralized level — that is, opportunities for the fostering or consolidation of local development. Only thus, Carrieri argues, can unions avoid mere concession bargaining, by engaging in a concertative game which will only make sense for them if extended to different arenas, and only if played for stakes broader than traditional ones. The unions would thus transcend their traditional function as representatives of partisan interests in the governance of pay movements. They would become ‘participants in broad-gauge policies in which partisan interests can only be protected by expanding systemic performance, namely by achieving greater competitiveness and local development’.

Although this thesis is appealing, it nevertheless raises a number of doubts. What exactly is the relationship between the concessions made at the centre and local socio-economic development? How can the exchange between such different goods and arenas be measured? How is it perceived by the actors involved? Is there real interdependence or, instead, independence between these two types of action, which, moreover, are undertaken by different actors? In sum, it is by no means clear whether exchange at the local level actually presupposes restraint or concessionary policies at the centre, and vice versa.

And yet, these doubts notwithstanding, this is possibly the most promising research agenda for anyone still interested in exploring the opportunities and limits of concerted regulation of the economy.

ACKNOWLEDGEMENT

This article was originally presented as the keynote address at the conference of the Economic Sociology section of the Italian Sociological Association on The Concerted Regulation of Global and Local Economies, Trento, 25–26 January 2002.
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