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Private Interest Governments are Dead
Long Live Private Interest Governments?
Lessons from Swiss Cows

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Introduction:

Internationalisation and Private Interest Governments in the Swiss Dairy Sector

There is no doubt that internationalisation strongly influences current policy making in Western capitalist economies. Having said this, internationalisation can be observed in various forms: the most important of these is illustrated by supranational institution building where European integration affects policy making in those States which actively participate in its supranational arrangement as well as in those which apply for membership, and even in those which have decided to not to join.¹ Furthermore, the term ‘globalisation’ has become fashionable to describe a whole variety of aspects of internationalisation, ranging from a narrow interpretation based on the direct effects of a globalised economy to the wider notion of a larger scale system of new values (Wex 1999: 173). Finally, ‘Europeanisation’ can be seen as a form of globalisation which is limited to the geographical area of Europe.²

No matter how internationalisation is defined, it has inspired the social sciences to look more closely to the effects it may have on national political systems and economies. Leaving aside the huge, EU-oriented, ‘Europeanisation’ literature, which examines the implementation of EU law in European Nation States, an intensive discussion over which external factors constrain national policy making in which way has, and continues to, take place.

Of course, predictions about the future development of different national styles are very difficult to make, above all on the future of specific national institutional arrangements which have become famous for their ‘coordinated market economies’, such as Switzerland (Hall/

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The case study on Switzerland is part of a comparative project in which the Swiss case is contrasted with Austria, Germany, the United Kingdom.

¹ For example, there is a notable impact of the EU on Swiss law making; according to recent estimates, 85 % of EU law is adapted into Swiss law, sometimes even word by word (Kux/ Sverdrup 2000: 251). Additionally, the EU also affects the organisation of the Swiss administration, mind maps, and the public discourse in Switzerland (ibid.: 251f.; Mach 1999c: 41; Radaelli 2000: 1).

² There is a great deal of confusion about the exact definition of ‘Europeanisation’. Very often, ‘Europeanisation’ is equated with the formal process of ‘European integration’, but it makes sense to distinguish the two terms more precisely: ‘European Integration’ can be defined as the formal and politically guided process of transferring power and political capacities to the European level, institutionally expressed in the creation and development of the European Community and the European Union. In contrast, ‘Europeanisation’ is the informal process whereby national borders become less important for economic, political, social, and cultural exchanges (Schmitter 2000: 2; similarly: Radaelli 2000: 6).

Here, however, I prefer to leave the definition open. That is, whether ‘Europeanisation’ is a special, geographically limited variation of ‘globalisation’; a process which happens independently from general internationalisation processes; or a process through which the effects and the impact of non-European internationalisation (‘Americanisation’) can be limited.

Soskice 2001: 19). Some authors argue that internationalisation can modify, but not replace, national variety. According to them, the different basic forms of capitalism, economic governance and public policy making will survive (Boyer 1996: 59; Hall/ Soskice 2001: 57f.), not least because of their “comparative institutional advantage” (cit. Hall/ Soskice 2001: 37). Others interpret current developments as first steps towards an increased convergence of national policy making styles which will wipe out existing national arrangements (Crouch/ Streeck 1997: 13; Streeck 1997: 53; for a literature overview on diverse forms of ‘convergence’, see Boyer 1996: 42f.). The resulting policy style, assumed to be adopted by modern capitalist Nation States, is described as a liberalised economy and a general retreat of the State or State-like institutions (Crouch/ Streeck 1997: 14, 17). One ‘compromise’ position is to see domestic arrangements as intermediators between external threats and domestic responses: all Western industrialised societies face the same pressures towards convergence, but they respond “chacun en fonction de ses spécificités politiques, économiques, sociales ou culturelles” (cit. Mach 1999c: 12; similarly Boyer 1996: 29).

In this debate, the question emerged of how the special situation of the so-called ‘small open economies’ (Mach 1999c: 14), seen as especially characterised by specific institutional arrangements, would develop. One view is that small States such as Switzerland have more options when dealing with internationalisation processes than large States (Walter/ Zürn 1996: 150, 176); following this logic, Switzerland would be able to keep its well embedded socio-economic institutional arrangements and policy styles as ‘domestic compensations’ (Katzenstein 1984: 85; 1985: 47, 78), as it successfully (and uncontestedly) did in the past (Katzenstein 1984: 247; 1985: 191, 199). In an opposite view, the previously described situation is said to have collapsed during the most recent liberalisation phase of the 1990s (Mach 1999b: 453). According to this view, Switzerland has been forced to take strong liberalisation measures which also affect social and economic institutions (ibid.: 422, 452). And indeed, recent research (see the contributions to Mach 1999a) suggests that current internationalisation has led to a deep reorientation of the Swiss system of economic policy making towards a domestically under-compensated liberalisation (Mach 1999c: 13)³ and to an erosion of compensatory politics (Mach 1999b: 454).⁴ The small size of the country certainly does not help in preventing such convergence of economies (ibid.: 453).

Much of the above-mentioned debate is policy-oriented. In this paper, however, I change the focus slightly and look more deeply into the situation of political actors. With regard to the internationalisation of political actors (e.g., interest groups), especially in view of European integration, research tends to focus more on the supra-national level than on the national level; the effects of the rising impact of the European level of political action on the capacities and internal conditions of national associations have thus not been considered in any great detail (Streeck 1999a: 306).

In the Swiss case, associations play a prominent and stable role in sectoral policy making (Mach 1999b: 439; 1999c: 48; on the role of interest groups in ‘coordinated market economies’, see Hall/ Soskice 2001: 47). Their role has been hypothesised in so far as – in a more ‘liberalised’ economy – existing actor constellations should be complemented by new

³ The contributors depart from the observation that the 1990s saw the most intensive reform period in Swiss economic policy (Mach 1999c: 11). This phase coincided with an exceptionally high level of internationalisation, manifest in EU integration, globalisation, and the domestic economic revitalisation programme (ibid.: 13, 24f.). The latter was implemented by the Swiss Federal Government and was aimed at facing the effects of globalisation (ibid.: 39, 48). The contributors to the volume observe that – unlike in the past – internal compensatory mechanisms to protect the Swiss economy and Swiss public policy from external effects were not applied in the liberalisation phase of the 1990s (Mach 1999b: 421).

⁴ This also jeopardises Polanyi’s notion of embedded liberalism (Mach 1999b: 454).

structures (Mach 1999b: 430), and traditional actors weakened (ibid.: 431).⁵ New forms of interest intermediation should then emerge which would be both less formal and less institutionalised (ibid.: 433).⁶

As an illustrative case study, I have chosen the interest groups and associations of the Swiss dairy sector. These were identified as the prime example of so-called 'Private Interest Government' nearly 20 years ago (Farago 1987: 88). A Private Interest Government ('PIG') is an extreme form of a sectoral 'meso' corporatist arrangement (Atkinson/ Coleman 1989: 49; Cawson 1985: 2; Hollingsworth et al. 1994: 8, 12; Schmitter 1990: 12ff.) which goes beyond the simple integration of interest groups in public policy making (Cawson 1985: 1), tripartite arrangements (ibid.: 9), or social partnerships (Atkinson/ Coleman 1989: 58). In the case of PIGs, the State not only integrates private associations into public policy making but also hands over its (monopolistic) political authority (Streeck/ Schmitter 1985a: 10ff.; Schmitter 1994: 661). The State, then, reduces its role to the formal 'rubber-stamping' of decisions. PIGs work best in those cases in which State regulation, market economy, or a solidaristic community order would fail (Streeck/ Schmitter 1985a: 1, 22ff.). The reasons for which the dairy sector in general and the Swiss dairy sector in particular are governed in such a way are the importance of dairy products for public welfare (Jacek 1987: 37; Traxler 1985: 151; Traxler/ Unger 1994: 199ff.), their economic importance (above all within the agricultural production sector) (Farago 1987: 126, 133; Traxler/ Unger 1994: 185), the special characteristics of the product (perishability, milk transports, quality concerns, seasonal variations) (De Vroom 1987: 205; Grant 1985: 187; 1991: 18; Jacek 1987: 37f., 48; Traxler 1985: 161), and historical traditions (Farago 1987: 41f.; Grant 1985: 195; 1991: 20). For these reasons, abandoning the sector to market or state forces was no option.

This paper examines the situation of the associations and para-State organisations in the Swiss dairy sector today, and places the results in the broader context of the liberalisation of the Swiss economy. More precisely, it aims to answer the question of whether the developments in the Swiss dairy sector support the hypothesis that Swiss institutional arrangements have been abandoned in favour of a model which suggests international convergence, or whether the Swiss way has been preserved despite external pressure. Taking up the hypotheses above (p.2), I will specifically examine

- if new associational structures were created in order to complement the established associational system;
- if traditional actors have been weakened; and
- if the new forms are less formal and less institutionalised than the old ones.

I will begin with a description of the PIG in the Swiss dairy sector as it existed from its beginnings during World War I up until 1999. This is important in order to understand why the changes which occurred later were so fundamental. In a second step, I will describe how the PIG broke down in 1999, and with which arrangements it was replaced. This second step may easily lead to the final conclusion that 'PIGs are dead'. However, I will explain in a third step how the associations dealt with this situation and how they successfully overcame it. Thus, the question becomes: 'Long live PIGs ?'⁷

⁵ Following this argumentation, those associations which oppose liberalisation will be particularly effected (Mach 1999b: 433).

⁶ "L'émergence de nouveaux acteurs s'accompagne ainsi de la formation de nouvelles formes de médiation, moins formelles et institutionnalisées, qui viennent progressivement supplanter les anciennes structures, « habitées » par les acteurs traditionnels". (cit. Mach 1999b: 433)

⁷ The title of this paper refers to an article by Philippe C. Schmitter (1989) in which he responds to the critical remarks of other scholars that corporatist arrangements were nothing but a temporary phenomenon in a certain period of economic governance. However, Schmitter, being convinced that the end of corporatism had not yet

The golden age of the Swiss PIG: from World War I to the late 1990s

PIGs were not only limited to the dairy sector, much less to Switzerland. Even highly pluralist and un-coordinated countries such as Great Britain (Grant 1985: 186) have PIGs, and a whole range of sectors (often called ‘*staatsnah*’) have been identified as PIGs (see the various contributions to Streeck/ Schmitter 1985b). Thus, the Swiss dairy sector can be claimed to be the perfect case of a PIG (Farago 1987: 88), but it remains only one example among many other less perfect cases.

As in other countries, the Swiss associational system in the dairy sector is organised to correspond to the production process. The economic actors first involved in the production of dairy products are milk farmers (they are the ‘suppliers of raw material’). The milk is then sold to processors who produce the final dairy product in co-operatives,⁸ small dairies, or large industry-scale firms. The Swiss dairy sector is characterised by the dominance of a very few, powerful industrial plants, accompanied by a huge number of small village dairies.⁹ Finally, the product is sold on the national or international market. According to this production process, the associational system may be split into associations of milk farmers, dairy processors, and retailers.¹⁰

The associational system of the Swiss dairy sector arose during World War I as a reaction to rising food supply problems. These made the collaboration of the originally opposed groups necessary (Popp 2000: 24). The main organisations were the ZVSM (*Zentralverband schweizerischer Milchproduzenten*, Central Association of Swiss Milk Producers) as a monopoly milk farmers’ association¹¹ and the SMKV (*Schweizerischer Milchkäuferverband*, Swiss Association of Milk Buyers) as the dominant dairy manufacturers’ association (Farago 1987: 54f.).

The acquisition of raw milk, then processed into cheese,¹² was regulated by a very complex system of contracts between the SMKV and the ZVSM which empowered the two associations to determine who could sell what quantity of milk and to whom, and at what price (ibid.: 134f.). These decisions were based on the needs of the market and the production capacities of the milk processors, who had to supply the milk associations regular and comprehensive information concerning their production. Furthermore, the decisions had to take into account the overall quantity of raw milk which could be produced, decided by the Federal Government

come, used the title “Corporatism is dead ! Long live corporatism !” (with an exclamation mark rather than a question mark at the end). I still hold the reservation that PIGs nowadays are not as ‘alive’ as they used to be, and thus a question mark seems to be more appropriate.

⁸ In the case of the co-operatives, it is rather difficult to distinguish clearly between ‘raw milk suppliers’ and ‘dairy processors’, because in this case they are usually identical.

⁹ The 2003 statistics count 91 *Molkereien* which produce all kinds of dairy products and 804 *Käsereien* which only produce cheese (source: e-mail exchange with the TSM). The Gini index for the concentration within the large *Käsereien* sub sector is 0.39, compared to 0.82 for the *Molkereien*.

¹⁰ As retailers of dairy products are usually integrated into general retailers’ associations, I will mention them only where they are especially important for the subject under discussion.

¹¹ Note that the model of organising milk farmers in their own association is not observable in all countries; the Swiss model of having an own association for milk farmers is equal to arrangements in France and Italy, whereas in Austria, Germany and the United Kingdom milk farmers are organised in departments of the general farmers’ association.

¹² 41 % of all Swiss raw milk is processed into cheese (<http://www.tsm-gmbh.ch>). This is a very high percentage in international comparison.

in the so-called *Milchkontingentierung*.¹³ Once the associations had taken a decision on the prices and quantities of the dairy products, cheese manufacturers were not allowed to deviate from these (Farago 1985: 173ff.; 1987: 135f.). The cheese manufacturers, in turn, were obliged to sell their Emmentaler, Gruyère and Sbrinz cheeses¹⁴ to the *Käseunion* (Cheese Union) (SMZ 35/1989, 29.8.1989, p.7). This organisation fixed quantities and prices for the different brand marks which were subsequently legalised by the Swiss Federal Parliament. On the basis of these quantities and prices, the *Käseunion* bought the cheese from the processors and sold it to retailers and cheese exporters. Although this absolutely market-free arrangement placed substantial constraints on the economic actors, the advantage for the producers was that the sale and the prices of the final product were guaranteed (Farago 1985: 178; 1987: 136, 152). Furthermore, the *Käseunion* engaged in marketing and public relations for the three brands (Farago 1987: 132, 136). It maintained sales-promotion offices in important importing countries. It also provided large storage spaces for cheeses which could not otherwise have been stored in small village dairies (SMZ 35/1989, 29.8.1989, p.7). Although an independent organisation (a firm, in fact), with its own infrastructure, the *Käseunion*'s decision-making structures were entirely dominated by the central associations.

Other cheese brands had similar arrangements: for example, Appenzeller (Farago 1985: 175) and Tilsiter had their own boards which worked in a similar manner, but were composed of representatives of the regional sub-sections of the ZVSM and the SMKV. The BUTYRA was the equivalent of the *Käseunion* for the butter sub-sector.¹⁵ The BUTYRA was also maintained by the central organisations ZVSM and SMKV and worked in a similar way to the *Käseunion* (Pestoff 1987: 106).

Thus, the entire production chain from the supply of raw material to the processing of milk into dairy products to the retailing of the final product (on both the domestic and the external market), was regulated by central interest associations with regard to price, quantity, and quality. Market forces could not alter this process, and the State did not intervene. In order to participate in this system, membership in the ZVSM and the SMKV, respectively, was *de facto* compulsory, as not joining would have led to severe financial losses in the sale of the final product (Farago 1987: 99).

However, the ZVSM and the SMKV were not the only important actors in the Swiss dairy sector. The SMV (*Schweizerischer Milchwirtschaftlicher Verein*) was a higher-order sectoral peak association with a very broad and heterogeneous membership.¹⁶ The SMV, SMKV, SGWH (see fn. 16), and the Bern regional sub-unit of the SMKV were all led by the director of the SMV (ibid.: 103), and shared their offices. These associations maintained (together with some professional associations, but always under the leadership of the SMV) the SMS (*Schweizerisches milchwirtschaftliches Sekretariat*, Swiss Milk Office) which served as a common sectoral management unit (ibid.: 73, 103). It dealt with the administrative work of the participating associations (SMZ 38/1987, 15.9.1987, p.5) and was active in sectoral interest

¹³ The *Milchkontingentierung* was introduced in different phases from 1977 onwards, and led to a system similar to the EU milk quotas. Its implementation was (and still is) administered by the regional sub-units of the ZVSM.

¹⁴ The first two are by far the most important Swiss cheese brands (<http://www.tsm-gmbh.ch/files/js-2-a.xls>).

¹⁵ Butter is the second important Swiss dairy product; 16 % of all Swiss raw milk is processed into butter (www.tsm-gmbh.ch).

¹⁶ It comprised the SMKV, the SGWH (*Schweizerische Genossenschaft der Weich- und Halbhartkäse-Fabrikanten*, Swiss Association of Soft Cheese Manufacturers, an association for producers of special cheese brands, such as raclette, see Farago 1987: 54, 69), the SVMB (*Schweizerischer Verband milchwirtschaftlicher Betriebsleiter*, Swiss Association of Dairy Works Managers), four alumni clubs of dairy schools, the *Vereinigung Schweizerischer Milchwirtschaftlicher Inspektoren* (Association of Swiss Dairy Inspectors), and the 14 regional sections of the SMKV (ibid.: 54; SMZ 38/1987, 15.9.1987, p.2).

representation *vis-à-vis* the Swiss State (ibid.). Furthermore, the *Käser Treuhand* (trust-office), responsible for the accounting of the dairy manufacturers and the analysis of their economic performance (SMZ 38/1987, 15.9.1987, p.20), and the sectoral newspaper '*Schweizerische Milchzeitung*' also formed a part of the SMV structure.

In summary, the associational system of the Swiss dairy sector was organised around a small set of associations with a high level of strong inter-organisational links. The SMV, SMS, and SMKV were more or less the same organisational network, with the SMV being the most powerful actor among them.¹⁷

The years of change: the late 1990s to the present

Changes in the regulatory system

Today, this well balanced and deeply entrenched network, combined with a very particular form of sector regulation, no longer exists. A close look at the present associational system shows that radical changes have taken place in recent years.

The whole regulatory structure of the former PIG was dismantled as a consequence of an agricultural reform in 1999 (Popp 2000: 75ff.).¹⁸ Formally, Art. 104 of the Swiss Federal Constitution on which the PIG was based had to be changed; this change also affected the more detailed legal regulations concerning the Swiss dairy sector.

This fundamental change was driven by several reasons: technological change had led to overproduction, and this could not be dealt with within the frame of the existing regulations. In addition, a general political aversion to subsidies¹⁹ resulted in a push to liberalise economic markets; and the public was increasingly dissatisfied with decrepit sectoral regulation.²⁰ However, public opinion changed gradually over the years, and can by no means account for the radical shift from a very general critique of the former system to the call for its abolition. The (symbolic) turning point which radicalised public opinion was the failure of the *Käseunion*

¹⁷ Usually, illustrative writings on the Swiss dairy PIG focus mainly on the SMKV (for just one example, see Abromeit 1993: 173). This might go back to its correct qualification as an 'ideal type' of PIG (Farago 1987: 88). In my view, however, focussing exclusively on the SMKV in order to explain the Swiss dairy sector falls short of the mark. First, the power of the SMKV was limited because of its low share of votes in the *Käseunion* (ibid.: 137f.). Second, the SMKV was not even active in sector coordination as it was so closely linked to the SMV; it did not even publish its own annual reports before 1995. Thus, the SMKV (not least because of its awkward full name '*Milchkäufer*') has taken on a strange dominant position in the literature whose significance, however, cannot be fully justified.

¹⁸ A commission of the federal government began work on the improvement of the governance of the cheese market in 1989 (SMZ 35/1989, 29.8.1989, p.7). The agricultural reform was then being intensively discussed by the mid 1990s (see, e.g., SMZ 21/1995, 23.5.1995, p.1 and SMZ 32/1995, 8.8.1995, p.1).

¹⁹ From 1951/52 on, the *Käseunion* finished its budget year with losses (SMZ 1/2000, 4.1.2000, p.5) so that it had to request subsidies from the Swiss State. The losses even increased in the 1990s (SMKV Annual Report 1999, p.6).

²⁰ The executive director of the SMKV stated in 1989: "Die Öffentlichkeit hat in der Regel ein etwas schwieriges Verhältnis zu Verbänden [...]. Die Verbände tun sich im Gegenzug sehr oft auch schwer im Umgang mit der Öffentlichkeit". (cit. SMZ 37/1989, 12.9.1989, p.37; "The public generally has a somewhat difficult relation with interest associations.... Similarly, the associations very often also have difficulties in dealing with the public.")

The executive director of the ZVSM stated in 1995: "Versorgungssicherheit ist nur noch schlecht kommunizierbar in einer Zeit der mehr als ausreichenden Nahrungsmittelversorgung in den Industrieländern." (cit. ZVSM Annual Report 1995, p.7, "The need to ensure supply can be communicated only with difficulty in times of more than sufficient food supply in industrialised countries.")

to protect the brand names of Swiss cheeses; criminal wheelings and dealings by single employees were even suspected (SMKV Annual Report 1999, p.6).

The main consequence of the reform was the abandonment of the associational regulation of the milk sector. The sector was liberalised, and competitive market structures were introduced. Neither associational price fixing nor guarantees for sales were maintained. Price and quantity negotiations were decentralised and are thus no longer regulated by law. They now take place between so-called 'industry groups' of milk processors under the umbrella of the restructured processors' association and raw milk suppliers; or between village dairies and the newly created product-specific *Sortenorganisationen* (these will be introduced further below, see p.13); and even directly between farmers and dairy manufacturers in individual villages. Regulatory tasks concerning quality are performed by the State. The Federal Parliament still fixes the level of milk produced in the *Milchkontingentierung* system, and sub-national milk-producers' associations are still involved in its implementation. However, recent initiatives by the Federal Government envisage that this system will be replaced by market forces in 2007. In other words, the 'associational order' (Streeck/ Schmitter 1985a) has been replaced by market economy and state governance.

As a consequence of giving up the Private Interest Government structure, organisations such as the *Käseunion* and BUTYRA became superfluous and were disbanded in January 1999. Without doubt, this development constituted an enormous change in the regulation of the sector. All the representatives interviewed are aware that this involved a paradigm change, emphasising that the market economy had now become the most important form of 'social order' (ibid.: 1) in the Swiss dairy industry. Interestingly enough, the representatives used the socialist word, '*Planwirtschaft*' ('planned economy'), to describe the former Private Interest Government system.²¹

Changes in the associations

This major change in the regulation of the sectoral network also provoked significant changes in the associations which had maintained and in turn been maintained by the regulatory system until 1998.

Most of the associations (apart from the above mentioned *Käseunion* and BUTYRA which were administrative agencies rather than membership associations) did not simply disappear, but underwent radical changes. In the above, the ZVSM, the SMKV and the SMV were introduced as the main actors of the former PIG. The analysis here will concentrate on the changes these three organisations underwent. The three organisations represent three different modes of transformation.

The ZVSM, on the occasion of the introduction of the new system, changed its name to the SMP (*Schweizerische Milchproduzenten*, Swiss Milk Producers). This was a conscious attempt to capture the changes the association had undergone (ZVSM Annual Report 1998, p.18). The most significant change was that membership of the SMP was no longer compulsory, but voluntary (SMZ 43/1998, 20.10.1998, p.1). However, this has not led to any notable number of

²¹ This statement was also made in an article in the *Schweizerische Milchzeitung*, written by the director of the SMKV on the eve of the new era (SMZ 52/1998, 22.12.1998, p.1).

The use of '*Planwirtschaft*' is peculiar insofar as most of the associational representatives who nowadays blame the former system of being a 'planned economy' actively maintained this system in the past.

The word '*Kartell*' (cartel) was also used.

withdrawals from membership. The SMP today still boasts roughly 95 % of its potential membership (corresponding to 35,000 raw milk suppliers, see SMP Annual Report 2003, p.89).²² This may appear a surprisingly high share in view of the voluntary character of membership, however, this may be explained by the fact that milk farmers, threatened by the possible negative consequences of sector liberalisation, do not want to opt out of long-time institutional collective action arrangements (SMZ 43/1998, 20.10.1998, p.1).

The SMP continues to be a higher-order association with regional sub-units.²³

Concerning policy outputs, the new SMP was deprived of the former ZVSM's regulatory tasks. This loss had to be compensated for: on the one hand, some tasks already taken on in the 1980s gained greater importance. These include interest representation in political and business arenas, as well as information services such as the maintenance of a database containing the production data for the Swiss dairy sector. On the other hand, a new task of major importance was created, namely a far more intensive emphasis on public relations and 'marketing' issues. Television commercials and other advertising campaigns were launched (not only for liquid milk, but also for other dairy products which – strictly speaking – do not form part of the SMP's interest domain); publications on nutrition (including medical books on proper nutrition, or cookery books that did not only include milk products); lectures for professionals; the publication of a bimonthly culinary magazine; cookery courses; and the installation of stands at industry and trade fairs, exhibitions, and open-air festivals and pop concerts where chilled milk and fruit shakes were promoted as popular beverages. Within the framework of these initiatives, the SMP has also employed consultants on nutrition, cookery, and food in general, who can be contacted by e-mail or telephone.

There is no doubt that this increased emphasis on marketing forms a significant change in the SMP's policy outputs. Whereas the former ZVSM performed public tasks in a governmental style, its successor, the SMP, offers services to its members, often in the style of an advertising agency.

A similarly remarkable evolution can be observed in the second example, the former SMKV. This association also changed its name, opting for the fashionable sounding 'FROMARTE'.²⁴ Its position in the associational system of the Swiss dairy sector is defined by its sub-title: 'Swiss Cheese Specialists'. Whereas the change of the raw milk suppliers' association from the former ZVSM to SMP led to only a medium level of change as far as organisational structures were concerned, the SMKV's transformation into FROMARTE was much more dramatic. First (similarly to the SMP), quasi-obligatory membership ended with the liberalisation of the sector (SMZ 50/1999, 14.12.1999, p.1). Second, the SMKV was organised as a federation of 14 regional 'sections' each legally independent from the federal association (Farago 1987: 99). This led to double membership, as membership in one of the regional sections was obligatory for all SMKV members (ibid.: 100). This federal structure has not been maintained in FROMARTE.²⁵ Third, whereas the tasks of the SMV and the SMKV were jointly fulfilled by the SMV-dominated SMS, FROMARTE works completely independently from the SMV, and its staff have moved to offices of their own. Finally, a large number of (formal) links to other associations, organisations, and actors (from the dairy sector or elsewhere) have been forged: FROMARTE partially runs their daily administrative business, holds shares in the case of joint-stock companies, and is linked to them by various consultancy procedures.

²² Some ecologically oriented raw milk suppliers in French speaking cantons have founded new, but tiny, associations.

²³ Formally, the farmers are only members of the regional sub-units. The regional sub-units are then members of the federation.

²⁴ The new name was picked in a competition (SMZ 28/1999, 13.7.1999, p.5).

²⁵ There are still eight regional 'milk buyers' (partially mergers), but they are nothing more than club-like leftovers without any meaningful role which, at maximum, coordinate local activities.

The tasks of FROMARTE also changed significantly after giving up the PIG structure. In the past, the SMKV was almost entirely characterised by its public tasks. Thus, new tasks had to be introduced. Apart from the increased role of interest representation and the support of the *Sortenorganisationen* (see below, p.13), the major new policy outputs included a whole range of services for members, such as providing advice on quality issues, information, and editing newsletters and ‘political reports’. The association is also active in the provision of regularly updated model contracts to be used by producers when acquiring raw milk from suppliers. Furthermore, FROMARTE is engaged in the provision of financial support, advice in law and financial affairs, insurance questions, it supervises dairies in economic trouble, and runs a working group on further education. With regard to public relations work, FROMARTE organises a yearly event, the ‘Swiss cheese awards’. Apart from the awards ceremony (the best cheese for every brand), this three-day event is made up of workshops, a diploma awarding ceremony, and a trade fair of cheese products. It is increasingly covered in local, regional and federal mass media. As this event requires lengthy preparation, it consumes much of the staff, money, and time resources of FROMARTE, becoming a core activity.

As seen, FROMARTE has undergone some remarkable changes. Unlike the SMP, however, these do not only affect its policy outputs, but also its associational structure.

FROMARTE’s new role has also resulted in a loss of power for the SMV, the third brief case study. The SMV now has only two members, FROMARTE and the employees’ association (as compared to 22 member organisations before 1999, see fn. 16). It has also completely lost its control function over the SMKV/ FROMARTE and the SGWH. Furthermore, the managerial unit, SMS – a core element in the SMV’s power – no longer exists, and the trust office now forms part of FROMARTE. This loss of power is also reflected in the number of employees: compared to the 1980s, when the trust office alone employed 20 people, and the SMS another 9 (Farago 1987: 103), today the staff composes only the executive director and two part-time secretaries.

Changes in policy outputs are even more dramatic than the structural changes. From being at the very centre of an associationally governed production sector for nearly a century, the tasks of the SMV have been reduced to training and further education issues. On an operative level, this means the coordination, conceptualisation and drafting of the curricula for vocational training and participation in the organisation of examinations.

Unlike SMP and FROMARTE, the SMV has not engaged in any new activities. Earlier, it had been proposed that it could concentrate on international level issues (SMZ 33/1999, 17.8.1999, p.1); yet, this idea was not pursued. Another idea that was discussed was to entrust the SMV with the coordination of marketing activities, eventually in the form of a peak association of the newly created *Sortenorganisationen* (see below, p.13) (SMZ 37/1997, 9.9.1997, p.1). Yet this was not pursued either. The consequence of these missed opportunities is that the SMV is no longer in charge of sector coordination and its activities are limited to initiatives such as developing one single form of vocational training for the two separate professions in dairy manufacturing. This is a very clear loss of power. It is therefore not surprising that the *Schweizerische Milchzeitung* wondered, if the SMV would not become superfluous (SMZ 33/1999, 17.8.1999, p.1).

The SMP was identified as a good example of major change in policy outputs; FROMARTE as a major change in organisational structures; and the SMV as one of how the importance and role of an association can be sharply reduced in the context of sectoral liberalisation. All three organisations have completely changed. However, only one of the three is weaker: the former peak association – initially the most powerful – has been reduced to a minor actor in the sector.

The general developments outlined using the examples of the three actors can also be captured by the answers to questionnaires. Among other issues, the questionnaire asked participants to evaluate the importance of interest intermediation, the provision of services for members, and regulatory tasks, using a scale from 0 ('not important at all') to 10 ('very important'). A Friedman two-way rank analysis of variance reveals that nowadays regulatory tasks are ranked as significantly less important than the other two tasks which rank equally.

Tab. 1: Friedman test for the simultaneous comparison of lobbying, services and regulation

	Mean Rank ²⁶
Valuation lobbying	2.25
Valuation services	2.46
Valuation regulation	1.29
$\chi^2 = 22.872^{***}$ (df = 2, n = 24)	

²⁶ The Friedman test (Siegel 1987: 159ff.) is a so-called non parametric test. This means that no assumptions about the distribution are made. Although often accused of being simplistic, non parametric tests are the only applicable statistical test for ordinal variables (as is the case here); a further advantage is that they can even be calculated with very small numbers of cases (and, indeed, an 'n' of 24 does not allow for very sophisticated techniques).

The Friedman test can be applied as an alternative if the assumptions of an analysis of variance for more than two related samples are not met. The mean ranks, which are central to the interpretation of a Friedman test, are calculated in the following way. First, every case is given a rank for each of the categories: if, e.g., lobbying is evaluated highest, it gets a '3' for the given association; if it is evaluated second, it gets a '2'; and if it is evaluated lowest, it gets a '1'. Thus, three rank scores are given for each case. The 'mean ranks' indicated in the table are the mean for each category over all cases; their maximum is obviously 3 (in the case that all representatives had evaluated the same policy output highest), their minimum 1 (in the case that all representatives had evaluated the same policy output lowest). The χ^2 test then tests how far the obtained mean ranks diverge from a situation of independence which would attribute the overall mean rank (in our case 2) to the categories.

Tab. 2: Wilcoxon test for the comparison of lobbying and services

	n	Mean Rank ²⁷
Negative ranks (services < lobbying)	6	5.08
Positive ranks (services > lobbying)	8	9.31
Ties (services = lobbying)	9	
$z = 1.387$ ²⁸		

The picture is clearly different when the same question is asked for the 1980s, under the PIG system. In this period, there is no difference in the importance of the three main types of associational activity.

Tab. 3: Friedman test for the simultaneous comparison of lobbying, services and regulation (1980)

	Mean Rank
Valuation lobbying	2.21
Valuation services	2.09
Valuation regulation	1.71
$\chi^2 = 3.224$ (df = 2, n = 17)	

This result is also confirmed by a simple non-parametric longitudinal statistical analysis of change over time for each of these three types. A Wilcoxon signed rank test shows that the importance of regulatory tasks has significantly decreased, whereas the importance of services has significantly increased. The importance of lobbying has not changed significantly.

²⁷ The Wilcoxon signed rank test is the non-parametric alternative for a related t-test (Field 2000: 54ff.; Siegel 1987: 72ff.). Its application is, therefore, similar to the Friedman test (see fn. 26), but can only be used where there are two related categories.

Despite this similar application, the parameters used in a Wilcoxon test are, unfortunately, completely different to those of the Friedman test: in the Wilcoxon test, the absolute values of the differences between the two related groups, i.e., the valuation of services and lobbying, are ordered. The ranks are then separately calculated for cases in which positive values can be observed and for cases in which negative values can be observed. The mean of these separate rank sums is then – unfortunately – called ‘mean rank’ and can be analysed with classical normal distribution. Significance is therefore attributed on the basis of the well-known z values.

²⁸ All z values have been calculated on the basis of positive ranks. Positive z values indicate a dominance of positive ranks.

Tab. 4: Wilcoxon tests for the longitudinal comparison of lobbying, services, and regulation respectively

Lobbying	n	Mean Rank
Negative ranks (value 1980 < value today) importance has increased	6	3.83
Positive ranks (value 1980 > value today) importance has decreased	2	6.50
Ties (value 1980 = value today) importance is stable	9	
z = -0.719		
Services	N	Mean Rank
Negative ranks (value 1980 < value today) importance has increased	8	5.00
Positive ranks (value 1980 > value today) importance has decreased	1	5.00
Ties (value 1980 = value today) importance is stable	8	
z = -2.090*		
Regulation	N	Mean Rank
Negative ranks (value 1980 < value today) importance has increased	1	4.00
Positive ranks (value 1980 > value today) importance has decreased	10	6.20
Ties (value 1980 = value today) importance is stable	6	
z = 2.586**		

'New' associations

However, those mentioned thusfar are not the only changes the associational system underwent. The system was further enlarged by a sub-set of associations so densely connected to the previously existing associational system, that they must be considered as a further differentiation of the established associations, and not really 'new'.

A first group of new associations comprises organisations of industry-scale producers. Since 1998, the VMI (*Vereinigung der Schweizerischen Milchindustrie*, Association of the Swiss Milk Industry) has been active as a general organisation of large scale dairy producing plants (mainly active in the production of cheese, yoghurt, and 'functional food') and completes the organisational population of producers.²⁹ It has ten members and does not have any proper organisational structure. It is linked in various forms to the milk suppliers' association SMP.³⁰ Furthermore, three *Branchenorganisationen* (BOs) coordinate the activities of selected parts of the industry: the BOB (*Branchenorganisation Butter*, Industry Organisation Butter) organises butter producers, and the BSM (*Branchenorganisation Schweizer Milchpulver*, Industry Organisation Swiss Milk Powder) milk powder producers. The BOM (*Branchenorganisation Molkereimilch*, Industry Organisation Milk) was only founded in early 2004 and serves as the peak association of the BOB and the BSM. The BOB comprises four firms, and the BSM five. The SMP are a further official member in both BOs, and the VMI has visiting status in the various committees (for the situation of the BOM, see the comments below, p.17). Thus, the industrial producers came to be grouped around the VMI and the SMP.

The second group of associations concentrates on the marketing of cheese products and works in an area similar to the newly introduced policy outputs of the established associations. The KOS (*Käseorganisation Schweiz*, Cheese Organisation Switzerland) coordinates the marketing of Swiss cheese on the domestic (Swiss) market. Its counterparts on the external market are the SCM (Switzerland Cheese Marketing – the English name is the original name) for marketing in Western Europe³¹ and Swissexport on marketing in the USA and Canada. Additionally, separate marketing organisations – the *Sortenorganisationen* (SOs) – exist for the most important cheese brands. The most important of the twelve SOs are those for Emmentaler, Gruyère, and Sbrinz, the cheese brands which were formerly regulated by the *Käseunion*. In the case of the SO Tilsiter, the existing structures of the dismantled PIG have simply been converted into a market-oriented SO.

The formal links between the SOs and the established associations are numerous: the KOS and FROMARTE share staffs; and some of the KOS's project teams are led by the SMP directorate. One SO shares offices with the SMP; another SO shares offices with a regional sub-unit of the SMP. Yet another SO, and the KOS, were both led by the director of FROMARTE until recently, and the daily business of one SO is administered by a joint-stock company in which a sub-national sub-unit of the SMP holds shares, and so forth.

It is obvious that the main policy output of all these organisations is product marketing. One main task of the KOS is to provide information and communication services for the entire cheese producing sector, creating a standardised appearance (and even a common sectoral identity). On an operational level, activities involved the launching of television commercials, presence at trade fairs, the organisation of 'Cheese Weeks' and 'Cheese Shows' in big

²⁹ FROMARTE organises small-sized dairies, the VSMM (*Vereinigung Schweizerischer Mittelmolkereien*, Association of Swiss Medium-Sized Dairies) medium-sized enterprises, and the VMI large enterprises.

³⁰ One of these links is that a majority of the VMI members are partially owned and directed by SMP regional sub-units. However, there are also formal links to the SMP's federal organisation.

³¹ Of note is the fact that the executive director of the VMI also runs the SCM.

shopping centres, the provision of information and material, the maintenance of a web-site, and courses at the 'Cheese School Switzerland'. Similar policy outputs can be observed for the other marketing associations with regard to the cheese brand represented.

Whereas the former PIG system was dominated by a clear correspondence between the type of economic actor and his or her association (e.g., raw milk suppliers were represented in a different association to dairy processors), this 'horizontal' division was abandoned with the advent of the marketing associations. These encompass all types of actors – raw milk suppliers, milk processors of every type (big plants, small dairies, co-operatives), and retailers – despite the apparent diversity of their interests. In fact, the only interest which they share is the success of the cheese brand which they produce, supply or sell. Thus, the members might have different interests within the sector, but all share the interest of defending the sector from external actors (other sectors, the State, the general public, etc.).³²

The reconstitution of the sector

Change within the Swiss dairy sector has been enormous:

On the level of regulatory arrangements, Private Interest Government has completely disappeared. Although the interest groups still offer some services for an effective and successful negotiation of prices and production quantities, they no longer perform the negotiations, and both farmers and producers are now free not to join any group; the 'planned economy' has been replaced by a market one.

On the level of the associational system, the old system completely collapsed. It re-emerged with the same actors and personalities as before, but with changed power relations. Moreover, the associational system became even more densely interconnected through the creation of new sub-systems of industry-scale organisations and marketing associations.

This leads us to the issue of change at the level of individual associations. Deprived of their former regulatory power and their quasi-obligatory membership, they are now much more concerned about their members' interests than previously. The 'goods' which they now provide – the generic marketing of dairy products, consultancy, and the formation of a sectoral identity through maintaining and fostering high quality standards for Swiss cheese products – are, on the one hand, selective goods which their members could not produce alone, and, on the other, public goods which they offer to the Swiss (and international) public. Moreover, 'external' marketing is combined with 'internal' marketing (Streeck 1999b: 230). The recently introduced wide range of information (newsletters, internet presence, meetings, conferences, (quasi) scientific meetings, etc.) provided by the associations is a good example of this. Associations are thus converted into 'service centres' and members into clients (ibid.: 232, 235). 'Internal marketing' also becomes one aspect of an enhanced orientation towards market logic; however, this has not (yet) resulted in a strengthening of members' participation rights.

³² In addition to these two groups of new associations, the associational system has been enriched by a group of milk associations not related to those already established. These organise producers of organic dairy products. Their emergence cannot be directly connected to the agricultural reform of 1999 since they emerged earlier. However, the liberalisation of the market and the changes in the associational system provided them with new opportunities.

Closer to service providers than interest groups, most associations reflect aspects which are generally expected in ‘liberalised’ and ‘globalised’ organisations, although they were not directly exposed to globalisation challenges (as business firms are, for example).³³

The answers to the questionnaires also sustain ‘liberalisation’ as a dominant principle during the process of change: the importance of five possible reasons for associational change, namely, liberalisation, ecological farming, crises (such as BSE), technological progress, and rising consumers’ requests should be evaluated on a scale from 0 (“not important at all”) to 10 (“very important”). Given this choice, liberalisation is clearly in the lead:

Tab. 5: Liberalisation and other reasons for associational change

	Minimum	Median	Percentage of value 10
Importance liberalisation	8	10	81.8 %
Importance ecological farming	0	4	4.5 %
Importance crises	0	5	4.5 %
Importance technological progress	0	4	0.0 %
Importance consumers’ interests	0	5	4.5 %
n = 22			

However, ‘liberalisation’ seems to remain a somewhat fuzzy concept in the eyes of the associational representatives. Asked if ‘liberalisation’ was a national, European, or global phenomenon, opinion was near equally distributed (n = 20): 45 % considered liberalisation to be a national Swiss phenomenon, 25 % a European phenomenon and 30 % a global phenomenon (no significant divergence from the assumption of equal distribution).³⁴ This means that although liberalisation is seen as the most important reason for associational change, the representatives diverge in their judgement of what liberalisation is. Therefore, a direct causal link between globalisation and associational change cannot be established without considering the representatives’ perceptions.

With regard to their strategies of change, the Swiss dairy associations are in line with a number of other non-profit organisations (examples include State bureaucracies, youth and welfare associations, and even research institutes, see Wex 1999: 176) which have taken over the main principles and guidelines of globalisation (Meyer 2000: 233f., 242; Wex 1999: 197) such as market and efficiency criteria (Crouch 2003: 199) and a general re-orientation towards PR and marketing issues.³⁵

³³ In this respect, it is notable that the observed phenomena can be seen especially clearly in the cases of the associations of industry-scale producers, which have also flourished during liberalisation.

³⁴ $\chi^2 = 1.3$, $df = 2$

Unlike many other statistical tests, the χ^2 test for equal distribution should not become significant since deviation from equal distribution (instead of equal distribution) is tested. This alters the whole logic of the significance test and makes a significance level of around 0.25 (instead of the usual 0.05) appropriate (Bortz 1999: 161).

³⁵ The findings correspond very much to what has become known as ‘appropriate social action’ in sociological neo-institutionalism.

In searching for a new source of legitimation for the continued existence of the association, a fruitful strategy appeared to be to re-structure in ways that corresponded to the expectations of their new environment. As has been noted, “organizations often adopt a new institutional practice, not because it advances the means-ends efficiency of the organization but because it enhances the social legitimacy of the organization or its

At this point, it would be more than justified to conclude that the dismantling of the Swiss PIG in the dairy sector (at one time an obvious example of domestic compensation for external effects) and the conversion of the interest groups from para-State bodies into service organisations are further examples of the liberalisation of the Swiss economy. This conclusion would go beyond a pure policy perspective as the change of the regulatory order strongly affected the associations involved. All the hypotheses above (see p.3) would be confirmed:

- new associational structures were created in order to complement the established associational system;
- traditional actors were weakened; and
- the new forms are less formal and less institutionalised than the former ones.

Broadly speaking, the development of the associations in the Swiss dairy sector could also be used as an example of a reduction the variety in institutional arrangements, and it could be demonstrated that even small States cannot preserve their most characteristic political actors in an era of globalisation. It could be suspected that Switzerland is becoming just one among many industrialised capitalist Nation States whose economic policy actors are ever more similar. PIGs have always been instances of a very national component of economic policy making, and the regretful conclusion to be drawn here could well be: PIGs are dead.

However, most recent developments show that the answer is not so simple. The observed phenomena might not follow an irreversible ‘path’ after the ‘critical juncture’ (Mahoney 2000: 513; Thelen 1999: 387) of sector liberalisation. They might also be part of an interlude. And indeed, there is already some evidence that the ‘demise of PIGs’ in the Swiss dairy sector might not be as definitive as it first seems.

The silent re-introduction of PIGs: recent changes

In January 2001 (that is, only 20 months after the end of the previous PIG), some elements of the former structure were re-introduced in the *Branchenorganisationen* (BOs) for butter and milk powder (BOB and BSM, respectively). This was requested because their leaders did not want to offer services for free while producers had the freedom not to join and not to contribute to their organisation, but could nevertheless benefit from their marketing initiatives. In order to overcome this typical free-rider problem, the BOs asked for and were given the possibility to ask the Swiss government to declare some of its ‘*Selbsthilfemaßnahmen*’ (‘self-help measures’) binding for all those affected by it. This concerned those policy outputs regarding production quantities designed to foster the whole product group, quality regulation, retail conditions, etc. (KOS Annual Report 2000: p.17). The official justification for this was the need to guarantee a unique regulation concerning quality and common interests by maintaining reasonable production quantities. Those producers who had not opted for membership were obliged to pay a fee to the BOs. This meant that two forms of ‘membership’ now existed: producers either decide to be full members, pay membership fees, benefit from all services of the association and participate in their decision-making, or they can opt for a weaker link, which means the payment of an obligatory contribution in return for the benefits enjoyed from the ‘self-help measures’. However, they can not formally participate in the decision making process. Such an arrangement may be called a ‘differentiated PIG’. It is not a full PIG, for three reasons: first,

participants.” (cit. Hall/ Taylor 1996: 949), and a ‘logic of instrumentality’ is replaced by a ‘logic of social appropriateness’ (ibid.; Ostrom 1991: 238; similarly Immergut 1998: 15). Following this, social actors do not look for the most materially efficient solution, but for the most normatively appropriate one.

Applied to the case under research here, this would mean that the associations reacted to challenges by trying to correspond to the values and requirements of the newly created liberalised and globalised environment, and that globalisation became the dominant principle for restructuring.

government authorities have to be consulted prior to the declaration of a ‘self-help measure’, whereas decision-making capacities were directly attributed to the associations by law in the prior PIG. Second, the issue areas in which this arrangement is applied are much narrower than the competences of the prior PIG; most importantly, price fixing is not included. Third, the potential members still have the possibility to choose independently between the two forms of membership and are not automatically forced to become full members.

Recalling the structures of the two BOs, the driving forces behind this can be quickly detected, that is the industrialists association VMI and the raw milk producers association SMP. It comes as no surprise that, in the meantime, the SMP has also obtained the right to apply to the Federal Government in order to have some of its ‘self-help measures’ declared generally binding (<http://www.blw.admin.ch/aktuell/medien/d/030416.pdf>). The regional sub-units of the SMP have also obtained a similar opportunity concerning some regionally limited measures. The rule is that the latter are only eligible for this status if they organise more than 60 % of all raw milk producers on the territory where they are active. However, as approximately 95 % of raw milk producers are still organised in their regional *Milchverband* even after the end of the PIG, this is not a meaningful threshold.

These developments reached a new dynamic in 2004 when the two existing BOs were organised in a ‘peak’ BO, namely, the *Branchenorganisation Molkereimilch* (BOM).³⁶ Once again, the change can be traced to a joint initiative of the VMI and SMP. The BOM is a parity organisation, with all organs composed by an equal number of representatives of raw milk producers and industrial processors. The administrative director of the BOM has become responsible for all three BOs; BOB and BSM have maintained competences of their own only for butter and milk powder specific issues. The legal format of the new BOM was designed in such a way that it is possible to attain the necessary legal status for the declaration of ‘self-help measures’. From 2007 on (the envisaged end of the *Milchkontingentierung*), the BOM plans to be responsible for the milk quota system and the fixing of the overall milk production level. This would be a major responsibility which would by far exceed the limited possibilities of the current arrangements.

However, this is not the only aspect of a possible re-emergence of the PIG. The attempt to re-introduce some aspects of a PIG was further enhanced by a major economic crisis (the ‘*Milchkrise*’) to which the sector was exposed soon after its liberalisation. The crisis came about when the largest Swiss producer, Swiss Dairy Food AG (SDF), collapsed in September 2002. The SDF had become the largest producer in Switzerland (SMZ 9/2003, 25.2.2003, online edition) after merger in the years of the sectoral transformation, and had also become a symbol of the new market. Notably, the SDF was not only a business enterprise, but was also connected to the associational system: two regional sub-units of the milk producers’ association SMP (namely, Winterthur and St.Gallen-Appenzell)³⁷ held stocks in the SDF. The collapse of the SDF had two effects on the associational system: first, it coincided with political debate on the imminent step of the agricultural reform, namely, to give up the State-run *Milchkontingentierung* by 2007. As sector liberalisation was held responsible for the demise of the SDF (for selected examples, see *Zeit-Fragen* 40, 30.9.2002, online version; *area*, 11.10.2002), the debate during autumn 2002 focussed on the question of how much market governance the sector could afford. And indeed, whereas associational involvement was much criticised during the era of the PIG, the solutions which were proposed after the collapse of the

³⁶ The information on the BOM goes back to several policy papers and protocols which were exchanged between VMI and SMP between August 2003 and March 2004, and to the statutes of the BOM.

³⁷ Together, these two associations organize 26 % of all Swiss milk producers (as of December 31, 2002; own calculation, based on SMP Annual Report 2003, p.89) and are therefore powerful actors.

SDF marked a return to its values: a more important role for the associations in the governance of the sector. Following ideas from the government, decisions should then be approved by government authorities, in the case that all relevant actors had agreed on them (SMZ 43/2002, 22.10.2002, online version). The term ‘relevant actors’ refers to the well-known actors of the past, namely, the SMP, FROMARTE, and some (unspecified) representatives of industrial producers (either the industrialists association VMI, or a single company, for example Emmi as the largest producer,³⁸ see *Tages-Anzeiger* 22.10.2002: p.5). This would spell the creation of a ‘light’ PIG ‘light’ similar to that maintained by the BOs.

The second effect of the collapse of the SDF has already manifested itself in the structure of the associational system. As the economic structure of the sector was recomposed after dismantling the SDF, four regional sub-units of the SMP decided to join forces in order to ensure effective and cohesive management of the increased level of milk processing on their territory.³⁹ With this in mind, the regional producers associations LOBAG, FSFL, FLN and ORLAIT (more or less the cantons Bern, Fribourg, Neuchâtel, and Valais) formed Prolait, a new association which takes a middle position between the established regional SMP sub-units and the federal SMP organisation (http://www.agirinfo.com/articles/2002_200-299/2002-280.html). One of the strategic advantages of this new organisation is that it does not consume any resources – it relies on the staff and headquarters of the four founding associations (SMZ 5/2003, 28.1.2003, online edition). Its creation could present a challenge to the internal balance of the SMP: the four founding associations comprise approximately 40 % of all Swiss milk producers (own calculation, based on SMP Annual Report 2003, p.89), including the most important associations of the French speaking part of Switzerland. On the other hand, it also strengthens the milk producers as a whole by inserting one more layer between the sub-national (cantonal) and national level.

The partial re-introduction of a PIG is thus reflected in the associational system: BOM and Prolait are two new central associations which strengthen the dense network of associational links and equip the actors with a higher level of monopoly status. Note that BOM and the other BOs are not conflictual, but consensual organisations which already combine the differing interests of raw milk suppliers, processors, and retailers in their organisational structures. Thus, potential conflicts are internalised, and their resolution is institutionalised. This organisational differentiation prepares the ground for receiving even more policy power in the future and establishes the participating associations as the main actors of a possibly re-emergent PIG.

However, it is surprising that FROMARTE – formerly an important actor in the PIG – has no role in these arrangements. In addition, the cheese producing sector is still largely excluded from the re-introduction of the ‘light’ PIG (SMZ 42/2002, 15.10.2002, online version), although the first signs of a change are observable. The SOs have been attributed some public tasks concerning the administration of AOC (*‘appellation d’origine contrôlée’*) cheeses.⁴⁰ This leads us to a double conclusion: first, PIG structures have been re-invented, but apart from being reduced in their meaningfulness they also only exist for a minor part of the sector – at

³⁸ Note that Emmi is very closely related to a regional sub-unit of the SMP, the ZMP (*Zentralschweizer Milchproduzenten*, Central Swiss Milk Producers) of which Emmi was a part of until a few years ago. Although they are now officially two separate organisations, the ZMP still holds 75 % of shares in Emmi (<http://www.zmp.ch/ueberblick/beteiligungen/emmi.html>).

³⁹ Above all, this was justified by the enormous expansion of Cremo which – together with Emmi and Hochdorf Nutritec – took over most of the SDF’s business. Cremo raised its capacity in this process by 340 % (*Schweizerbauer* 29.8.2003).

⁴⁰ This also applies to groups like CASALP (*Organisation für Käse aus dem Berner Oberland*, Organisation for Cheese from the Bernese Oberland) which is not part of the set of SOs.

least for the time being. Second, VMI and SMP are increasingly dominating the sector, whereas FROMARTE – excluded from the arrangements – must look for new allies.⁴¹

In any case, the silent re-introduction of some PIG structures and above all the prospects for the future (administration of the successor system of the *Milchkontingentierung*, intensification of the AOC measures, rising public dissatisfaction with market forces) might convert the hasty confirmation of the initial hypotheses:

- Whereas new associational structures were created in order to complement the established associational system, this basically led to a denser net of inter-organisational ties which rendered the established associations even more powerful.
- As a consequence, a weakening can not be claimed for all established actors.
- While the new forms seemed to be rather informal and not very deeply institutionalised at the beginning, this is about to change.

This new qualification of the initial hypotheses also alters our former statement of the ‘death of PIGs’, and leads to the question: Long live PIGs ?

Conclusion

The re-discovery of a ‘Swiss way’

In this paper, the enormous changes seen in the PIG associations of the Swiss dairy sector during the agricultural reforms of 1999 were described, and the dimensions of change in sector regulation, the associational system, and single associations were systematically laid out. It was argued that at that time the sector became liberalised, and that even its main actors were converted from immobile and historically deeply grounded para State organisations into modern service providers and external and internal marketers. This supported the view that – even in small States – specific arrangements and actor constellations have to be given up in times of globalisation, and that all actors head towards a model of efficiency and modernity.

However, free-rider behaviour as a consequence of the liberalisation led to the first successful steps in an attempt to overcome the problem through the introduction of a kind of a ‘light’ PIG, recognised and licensed by the Swiss State. This tendency was furthered by a coincidental economic crisis in the sector. Associational governance was re-introduced on a limited number of issues and in a limited domain, and the network of associations was further differentiated, hierarchised and monopolised. Membership is not completely obligatory, but organised in two forms: ‘full’ membership, and compulsory ‘partial’ membership. The main driving forces behind these changes were the milk producers association SMP and the industrialists organisation, VMI. With regard to the various links between these two associations, also expressed in regular personal contacts, the ‘smallness’ of Switzerland also comes in as a variable which has facilitated the collaborative re-emergence of the PIG.

This means that a specific ‘Swiss way’ is evident. The findings support the view that after an initial phase of convergence to a liberalised model, national institutional arrangements which were typical to the Swiss ‘small open economy’ can re-emerge. Therefore, the most recent changes which can be observed in the associational system of the Swiss dairy sector do not confirm the view that even small States with coordinated market economies follow an

⁴¹ Trying to regain power, FROMARTE has recently started to co-operate more intensively with the SGV (*Schweizerischer Gewerbeverein*) which represents all Swiss small- and medium-sized businesses. In the long run, this is supposed to lead to the creation of a centre for associational management.

Note that FROMARTE also refused the creation of a *Milchwirtschaftsverband Schweiz* (Dairy Association Switzerland) which would have united all actors and thus become a highly centralised peak association for the whole sector. However, this would have meant a merger on the basis of the smallest common denominator.

irreversible path towards a single liberalised model. It is, rather, an example of the persistence (or better: the possible re-emergence) of the institutional specificities of small States. Of course, there is a strong possibility that the Swiss dairy sector is by no means an idiosyncratic case.

As a PIG arrangement could herald a new future in the sector, the Swiss dairy sector also shows that the ‘fourth form of governance’ has not simply disappeared, but just as market, community and State forms of ‘social order’ (Streeck/ Schmitter 1985a: 1) change over time, so does associational form. Therefore, it would be too short-sighted to declare the death of this particular form of governance which has become so famous in the scientific debate.

Abbreviations of organisations

BOB	<i>Branchenorganisation Butter</i> (Industry Organisation Butter)
BOM	<i>Branchenorganisation Molkereimilch</i> (Industry Organisation Milk)
BSM	<i>Branchenorganisation Schweizer Milchpulver</i> (Industry Organisation Swiss Milk Powder)
CASALP	<i>Organisation für Käse aus dem Berner Oberland</i> (Organisation for Cheese from the Bernese Oberland)
FSFL	<i>Fédération des Sociétés Fribourgeoise de Laiterie</i>
FLN	<i>Fédération Laitière Neuchâteloise</i>
KOS	<i>Käseorganisation Schweiz</i> (Cheese Organisation Switzerland)
LOBAG	<i>Landwirtschaftliche Organisation Bern und angrenzende Gebiete</i> (Agricultural Organisation Bern and Adjacent Regions)
ORLAIT	<i>Fédération Laitière Vaudoise-Fribourgeoise</i>
SCM	Switzerland Cheese Marketing
SGV	<i>Schweizerischer Gewerbeverein</i>
SGWH	<i>Schweizerische Genossenschaft der Weich- und Halbhartkäse-Fabrikanten</i> (Swiss Association of Soft Cheese Manufacturers)
SMKV	<i>Schweizerischer Milchkäuferverband</i> (Swiss Association of Milk Buyers)
SMP	<i>Schweizerische Milchproduzenten</i> (Swiss Milk Producers)
SMS	<i>Schweizerisches milchwirtschaftliches Sekretariat</i> (Swiss Milk Office)

SVMB	<i>Schweizerischer Verband milchwirtschaftlicher Betriebsleiter</i> (Swiss Association of Dairy Works Managers)
VMI	<i>Vereinigung der Schweizerischen Milchindustrie</i> (Association of the Swiss Milk Industry)
VSMM	<i>Vereinigung Schweizerischer Mittelmolkereien</i> (Association of Swiss Medium-Sized Dairies)
ZMP	<i>Zentralschweizerische Milchproduzenten</i> (Central Swiss Milk Producers)
ZVSM	<i>Zentralverband schweizerischer Milchproduzenten</i> (Central Association of Swiss Milk Producers)

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