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Still the Century of Political Exchange?
Policy Adjustment and Political Exchange in Southern Europe

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STILL THE CENTURY OF POLITICAL EXCHANGE?
POLICY ADJUSTMENT AND POLITICAL EXCHANGE
IN SOUTHERN EUROPE

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The 1990s have witnessed a renaissance of neo-corporatist forms of policy-making in EU countries. Although disagreement is ongoing as to the features and persistence of this phenomenon, the role of actors, and its impact on performance, there is little disagreement about its centrality for resolving domestic policy conflicts and lead to nominal macroeconomic adjustment, especially in southern Europe. This paper analyses the logic underpinning negotiated adjustments in Italy and Spain. Contrary to extended wisdom, it is showed that political exchange and other forms of peak inter-associational exchange between trade unions and employer associations have retained a critical role for policy adjustment, thus becoming a critical coordination mechanism in these 'disorganised economies'. Divergences in the negotiation of the adjustment between Italy and Spain do not depend so much on existing institutional asymmetries as on different strategic approaches and forms of interaction between social partners and governments.

Introduction

During the last decade EU countries have adapted their economies and institutional frameworks to the requirements of EMU. Two aspects of this adjustment have attracted the attention of scholars. From a macroeconomic point of view, there has been a remarkable convergence towards low inflation and a reduction in fiscal deficits. The literature has also concurred, pointing to a common trend in the political economy of the adjustment to EMU, consisting in the involvement of social partners in decision-making through social pacts and other bargaining mechanisms, i.e., a trend of *social tripartism* (ILR 1995, Crouch 1998, Visser and Hemerijck 1997, Rhodes 1997; 2001, Fajertag and Pochet 1997, 2000, Pérez 1999, Schmitter and Grote 1997; Regini 1999; Berger and Compston 2002). Accordingly, the adjustment to the economic crisis of the early 1990s and EMU has been accompanied by bargaining over the adjustment and much (mainly tripartite) social dialogue and policy concertation i.e., of a return to *negotiated adjustment*, similar to experiences of European countries to the 1970s oil crises.

This paper focuses on the so-called return to social pacts in the EU during the 1990s. Peak-level negotiation was a key feature of macroeconomic adjustment in Italy and Spain in

the run up to EMU, even though these economies have followed different paths from the point of view of forms and processes of interaction among actors. Mainstream neo-corporatist literature in the 1980s included a series of institutional pre-requisites for the existence of this form of neo-corporatist policy-making (Grant 1985, Schmitter 1974, Cameron 1984, Crouch 1983), although disagreement existed as to the exact nature of these conditions. Before the return to social pacts and the use of policy concertation as a policy-making instrument in the 1990s, many authors adopted a more *actor-strategic* approach to the analysis of neo-corporatist phenomena (Regini 1999, Rhodes 1997) and posed EMU as the exogenous challenge that served to mobilise collective actors' behaviour and move them to look for co-operative solutions to the required adjustment, i.e., functional equivalents to neo-corporatist institutional arrangements (Ferner and Hyman 1992). Common to all these works was a downplaying of the role of institutions for explaining negotiated paths to the adjustment, a (implicit) government-driven approach to explain these negotiated paths in weakly neo-corporatist countries like Italy and Spain (Crouch 1993, Visser 1998), and the critical role of EMU. According to this view, policy concertation would result from a government calculation of political / electoral costs and/or benefits that unilateral interventions could produce. The structural crisis of trade unionism, as well as evidence of a more interventionist stance of governments in the politics of policy adjustment (wage policies, regulation of the labour market etc.) supported this government-driven approach to the return to policy concertation¹.

Nonetheless, existing research on the return to social pacts and neo-corporatism in the 1990s lacks clarity as to the mechanisms behind these processes, and more generally, about the politics behind negotiated adjustments. The only agreement seems to be the rejection of the type of political exchange which characterised the Italian and Spanish experiences of negotiated adjustment in the early 1980s (Regini 2000, Culpepper 2002, Hassel 2003: 65-6). Accordingly, this paper aims at shedding some light on the politics underpinning this return to peak-level negotiations. Three main questions are addressed: what is the role of institutions in this return? Which are the underlying politics of negotiated adjustment? How can we explain differences across countries?

In order to answer these questions, I adopt a different view to that above that: (a) also stresses the role of actors' strategies vis-à-vis institutions, but emphasises a '*union-led*' against a 'government-led' process, hence stressing the strategies and strategic capacity of trade unions; (b) considers *EMU to be an intervening variable* that has forced the multiplication of

¹ According to Hassel (2003: 75-6) policy concertation in the 1990s reflects a mismatch of the interplay between institutions and the need of governments in economic policy-making, thus being a government-driven approach.

policy adjustments in Italy and Spain, (c) thus opening new opportunities for actors' interactions and *political exchange*. According to this view, trade unions are not the only institutions whose veto power depends on membership levels. Rather, they are actors whose strategies in the collective bargaining and political arenas remain important as they can influence the payoffs for governments in both negotiating policies and in searching for the functional equivalents to neo-corporatist arrangements. Thus, they not only pose explicit or implicit vetoes to government action (Natali and Rhodes 2004), but they define political strategies including decisions about whether or not to participate and how to participate in national policy-making. In this vein, trade unions use the spaces opened by policy-making interactions to pursue their preferences. Therefore, this alternative hypothesis would explain the restoration of policy concertation by shifting the focus towards strategic interaction rather than a purely institutionslist account, and by emphasising another variable, that is, the strategic role of trade unions, and in particular, union strategies of political participation and collective bargaining.

The paper shows how in order to understand the characteristics of negotiated adjustment, it is necessary to focus on the politics behind negotiated adjustment (Molina and Rhodes 2002). A careful analysis of the characteristics of processes of interaction reveals their important role in explaining patterns of policy-making. In particular, political exchange, understood as the politics underlying processes of negotiated adjustment, has not collapsed under the new environment, but has instead evolved alongside the changes observed in the characteristics of policy concertation (Berger and Compston 2003). As pointed out above, trade unions have been key leading strategic actors in the return to policy concertation, thanks to their strategic use of peak-level negotiations and political exchange. This helps to understand the dynamics of, and differences across, countries in the characteristics of policy concertation².

The paper has four sections. The first sets out the questions and the theoretical background guiding the analysis. In particular, I discuss the role of political exchange within neo-corporatist theory for the analysis of forms of negotiated adjustment. The second part analyses the character of negotiated adjustments in Italy and Spain during the last decade, stressing the most relevant substantive and formal features. Then, part three focuses on the role of political exchange in these two countries. Section four concludes.

² Analyses of policy concertation in the 1990s have only tried to provide answers to the question 'why there has been a return to policy concertation in the 1990s', thus failing to provide detailed accounts of how policy concertation has occurred, and why do we observe remarkable differences across countries. The only exception to this would be Compston's (2002a) and Berger and Compston (2002) configurational approach.

1 Negotiated adjustment in the 1990s: What Theory?

Neo-Corporatism 1 is dead Long live Neo-Corporatism 2!

Since its early beginning, neo-corporatist theorising developed along two different streams, which would find *'official'* recognition in Schmitter (1982) neo-corporatism 1 (corporatism as a structure of interest intermediation) and 2 (corporatism as a system of policy making or a form of socio-economic governance). Schmitter (1974) defined neo-corporatism (1) as a form of interest representation, distinct from pluralism. On the other hand, Lehmbruch (1977, 1979) put greater emphasis on neo-corporatism (2) as a form of policy making in which policy concertation assumed central importance. The institutional features of actors involved in the decision-making process as well as its number and relations with the state would henceforth distinguish a corporatist from a pluralist system of representation, and would at the same time be the key dimensions for establishing a link between institutions, policy-making, the policies and their outcomes.

In the 1980s there was an explosion in neo-corporatist literature concomitant with greater efforts aimed at analysing the relationship between certain neo-corporatist institutional configurations and their respective policy systems³. Secondly, there were further attempts to increase and improve the empirical evidence of neo-corporatism, as well as to find a relationship between neo-corporatism and macroeconomic performance (Cameron 1984; Bruno and Sachs 1985; Calmfors and Drifill 1988; Soskice 1990; Wallerstein et al. 1997; Hall and Franzese 1998; Hicks and Kenworthy 1998). By the late 1980s and early 1990s, nonetheless, numerous writers proclaimed the extinction of the neo-corporatist 'beast'.

Hence Schmitter (1989) suggested that the erosion of traditional neo-corporatist structures lay behind the extinction of processes of tripartite concertation (also Gobeyn 1993, Walsh 1995). The challenges posed to unions (Crouch 2000) and the neoliberal character of economic policies during the 1980s-1990s coinciding with the extension of centre-right governments in EU (Glyn 2001) had undermined the structural and political conditions upon which neo-corporatism had relied and developed. Lash and Urry (1987) and Regini (1995) argued that neo-corporatist institutions were degenerating due to a decentralisation in the transition towards a more competitive environment that demanded a re-focus of analytical interest from the macro to micro and meso (or local and company) levels of concertation

³ Two related concepts arose from the neo-corporatist literature. First, the subconcept of meso-corporatism (Wassenberg 1982; Cawson 1986). Second, the concept of private interest government was developed which referred to the collective, private self-regulation of industry, with different degrees of assistance from the state, as a possible policy alternative to either market liberalism or state interventionism (Streeck and Schmitter 1985).

between employers and employees. Schmitter and Streeck (1991) maintained that a combination of the business cycle effect (lower growth and higher unemployment) and European integration would remove the logic underpinning successful corporatism. While looser labour markets would empower employers, an integrated European economy, with less room for discretionary national economic policies, would reduce the incentives for unions to organize collectively and deliver wage restraint in return for package deals or side payments (Gobeyn 1993: 20, Kurzer 1993: 244-5).

The alleged decline of neo-corporatism was thus interpreted with the same structuralist logic that was frequently used to explain its ascendancy (Wilensky 2002: 108: 110)– a tendency already criticized in the mid-1980s by Regini (1983)⁴: if the rise of the Keynesian paradigm had created the incentives and conditions for inclusive and negotiated forms of economic management, the end of the Keynesian golden age of capitalism had removed them. This institutional and structuralist bias in (neo) corporatist theory underplayed actors' rational calculation of their interests and objectives in creating and adapting neo-corporatist institutions. Instead, it stressed the role of factors exogenous to them. Accordingly, the relationship between forms of neo-corporatist intermediation and processes was all too readily regarded as unidirectional; in order to have peak-level social dialogue, social pacts, or macropolitical bargaining it was necessary to have traditional neo-corporatist formal institutions. Those, in turn, were linked to a particular phase of the post-war political economy, i.e., dependent on a rather particular set of structural conditions.

This anticipated funeral to neo-corporatism was a consequence of the way in which this literature developed in the 1980s. Since its beginning, there has existed a tendency to underplay the refinement of the central components of the corporatist model, what we might term the 'operation of corporatism', i.e., the establishment of a link between the corporatist polity and the corporatist policies, or in other words, the role and characteristics of neo-corporatist politics⁵. There were a set of institutions supporting the existence of certain policy-making practices which were regarded neo-corporatist (social pacts, tripartite negotiations at national level) but few insights about the mechanisms operating behind, i.e., about the internal logic of corporatist processes (Parsons 1998; Wilensky 2002: 84). As a result of this institutionalist /

⁴ Regini (1983: 371) did not deny the importance of the structural context, but he emphasized breaking a rigid structure-action link, and the capacity of actors to create functional equivalents.

⁵ One of the few attempts to correct this problem came from Cawson (1986), who rejected Schmitter's (1982) distinction between corporatism and concertation and Cox's (1982) distinction between state corporatism and pluralism.

structuralist bias, the neo-corporatist literature lacked precision on the process and outcome of bargaining among interest groups and corporate actors.

Stressing the strategic role of actors and their interactions within the system leads to substantially different conclusions. Most importantly, by considering institutions an intervening variable setting the framework for the formation of actors' strategies and their interactions (Scharpf 1997), opens the door to endogenous interpretations of the crisis of corporatism and the negotiated adjustment of the 1990s, hence providing an alternative explanation for both. An actor-centred approach would suggest the possibility of an evolutionary, transformative understanding of corporatism, rather than one that identifies it with a set of static institutions born out of a functional combination with keynesianism and fordism. This interpretation endows the corporatist system with the capacity to adapt to a changing environment and find substitutes to those structural conditions that apparently no longer exist (Flanagan 1999) in spite of a changing external environment. This view proceeds from an understanding of neo-corporatism as a policy-making system (i.e., neo-corporatism 2). Just as corporate actors adapt their demands and organisation to changing conditions and exogenous challenges, they also decide on those strategies that affect their participation in policy-making as well as interactions with other actors⁶.

Even though other authors have also advanced the hypothesis that corporatist systems might also contain the flexibility to adjust to new conditions (Hemerijck and Schludi 2000: 208; Traxler 1998; Visser and Hemerijck 1997, Blom-Hansen 2001), they haven't gone further in analysing its underlying politics; they implicitly accepted that neo-corporatist bargaining was clearly surviving and adjusting, not collapsing, but they did not provide an explanation for this in the analysis and interpretation of neo-corporatist type of experiences during the last decade. As argued elsewhere (Molina and Rhodes 2002: 321) I suggest two ways forward: a refocusing of the enquiry on the process of political exchange (i.e., the politics of corporatism) as a way of understanding the distributional conflict which, as will be argued below, dominates any process of institutional change; and a consideration of actors' strategies, power resources, patterns and mechanisms of interaction between them.

Research on the link between neo-corporatist systems and policy outcomes has in most cases focused on structural conditions and "favourable contexts" (Siaroff 1999). This approach suffers nonetheless from several important shortcomings. An emphasis on structure proceeds

⁶ According to neo-corporatism 1, the logic of interaction (procedural strategies) is determined by the above mentioned institutional requirements, and is characterised by tripartite cooperation. Under neo-corporatism 2, actors decide both on the substantive and procedural side of the strategy, being possible for them to formulate strategies on the way in which they want to negotiate some issues, without any institutional pre-condition.

from a static view of corporatism. If we think instead of corporatism as a policy-making mechanism, fuelled by actors' strategies and interactions, neo-corporatist systems would be characterised by institutional adaptation in the event of a change in the external conditions, and the discovery of "new politics" of corporatism, with a different set of trade offs and innovations in their interactions. Accordingly, we need to shift focus to actors' strategies and forms of interaction as well as the mechanisms underlying this interaction (i.e., procedural aspects). As I argue below, if there is scope for concertation there is also scope for the embedding (with different degrees and modalities) of such practices institutionally (Molina and Rhodes 2002: 320), i.e., for an actor-led endogenous evolution of neo-corporatism.

Once we leave aside the purported structurally "necessary" conditions for corporatism, what we are left with is the nature of corporatism as a process – and the need to conceptualize the "politics" of corporatism much more thoroughly, what necessarily leads (first of all) to the concept of political exchange. Within the neo-corporatist literature, political exchange constitutes a key concept. Exchange is essential to any process of concertation and social bargaining (Pizzorno 1977; Marin 1990)⁷. The seminal work of Pizzorno placed attention about political exchange (*scambio politico*) within the context of social pacts and policy concertation in Italy during the 1976-1984 period (see also Parri 1985, Regalia and Regini 1998). According to this author, political exchange was different from market or even exchanges within the collective bargaining system, in that as a result of these exchange, there was a commitment from social partners to economic and social policies of the government. Whilst Pizzorno makes consensus over public policies a necessary condition as well as the outcome of political exchange, it nonetheless does not impose any constraint on other dimensions of the exchange relationship, where we can accordingly observe variation across countries, as we show later.

Political exchange was seen as a form of inter-organizational policy-making (Mutti 1983), a mechanism permitting to reach negotiated policies when there are conflicting policy interests between actors. Despite further investigation on neo-corporatism (Cawson 1986, Crouch 1990) posed the pre-requisite of monopolistic, encompassing and centralised organizations for the existence of political exchange, on the basis of evidence of negotiated adjustments in Italy and Spain in the last decade, the paper shows that political exchange (underlying the operation of neo-corporatist policy making) does not depend on these organisational prerequisites. In this case institutions are not imposing a constraint / condition for the existence of political exchange, but are intervening variables (see Keman 2002).

⁷ See also Bull (1992), Cawson (1986: 38).

Accordingly, political exchange can occur under different institutional settings, as political exchanges will themselves generate new games, hierarchies and forms of governance (Molina and Rhodes 2002). In order to understand these dynamics, as well as to make political exchange analytically operational, we need to integrate the study of actors' strategies with the key dimensions of the institutional framework where actors interact. This is because as argued in Hammond and Butler (2003: 148), not the institutions as such, but only institutions in interaction with the behaviour of the involved actors and their preferences can explain policy choices (Scharpf 1997).

2 Neo-Corporatism and Negotiated adjustments in the 1990s Italy and Spain: Sisiphus or Metamorphosis?

Policy concertation in Italy has passed through four well-differentiated periods. Even though it was formally abandoned after 1984, a series of bi-partite agreements in the late 1980s between the three main union confederations (CGIL, CISL and UIL) and the main employer organisation, Confindustria, as well as between unions and the government –on some specific issues that were at the hub of a dense network of relations between government, employers and unions–, preserved 'de facto' a tripartite machinery of concertation. The deterioration of political and economic conditions in 1992 extended the perception among social partners of an emergency, facilitating the return to tripartite social pacts in 1992 and 1993. Two discontinuities mark policy concertation in the 1994-98 period compared to the previous one. First of all, it passed from being an adjustment tool to a mechanism for development. Secondly, it was institutionalised at several levels. But by the end of 1999, tripartite social dialogue at national level started to show signs of exhaustion and stress (Fabbrini 2000a: 168).

After the 1984 abandonment of tripartite concertation, and the 1988 general strike, tripartite social dialogue in Spain occurred sporadically, focusing on very specific areas that were negotiated in independent tables (Casas and Baylos 1990). In the years that followed (1990-93), the Socialist government on several occasions proposed signing a tripartite social pact with the two main union confederations (CCOO and UGT) and the main employers' association (CEOE-CEPYME), but failed every time. The 1994 failure of social dialogue and the unilateral government imposition of a labour market reform paved the way for a new period of social dialogue based on bipartite talks leading to the gradual consolidation of an autonomous sphere of peak-level negotiations between trade unions and employers' in the field of industrial relations and the labour market, therefore abandoning encompassing social pacts

or reform packages for regulation of the economy, the labour market and social security. With the PP centre-right government elected in 1996, there was a) a consolidation of permanent bipartite dialogue between unions and employers' associations on issues dealing with labour market and industrial relations, and b) renewed attempts at extending tripartite policy concertation. But after the re-election of the PP government with an absolute majority in 2000, tripartite policy concertation became increasingly hard to realise.

These short accounts of the Italian and Spanish experiences, show that negotiations were central to policy processes in the 1990s in both Italy and Spain, but highlight the existence of remarkable differences. They provide us with preliminary evidence to reject the extended view contained in the literature according to which Italy was considered a case of successful return to tripartite policy concertation, whilst policy concertation in Spain failed. In what follows I will analyse more carefully the main characteristics of negotiated adjustments in these two countries.

2.1 The type and number of issues negotiated

Negotiated adjustments in Italy and Spain diverge markedly regarding the number of issues negotiated and forms of negotiation. Compared to the wide range of issues dealt with simultaneously in the social pacts of the early 1980s in Spain, the 1990s have been characterised by targeted dialogue, i.e., negotiations restricted to bargaining a solution for specific policy areas. The new wave of negotiations are characterised by diversified and fragmented bargaining. This substantive specialization of national-level social dialogue has responded to two main factors.

Firstly, strategies of trade unions, which in the *Propuesta Sindical Prioritaria*⁸ rejected the negotiation of catch-all type of social pacts, thus 'obliging' governments to give up the idea of emulating in the 1990s the experience of macro-political bargaining in the 1990s (AARRII 1994c: 1285). Unlike encompassing social pacts, negotiations about specific issues did not necessarily imply mutually legitimating exchange, and were based on presenting real policy alternatives rather than on bargaining concessions in other areas negotiated within the same pact (Aragón 1993: 108). Secondly, the new economic conditions and macroeconomic framework also required the adaptation of the traditional mechanisms of co-ordination in Spain: package deals. This adaptation has taken the form of gradual desegregation of those issues put together under an umbrella pact that are now negotiated separately.

⁸ Trade Union Priorities Proposal, a document agreed between CCOO and UGT in 1988 that contained the key guidelines for confederal trade union action for the following years.

Accordingly, the experience of peak-level social dialogue in Spain has been one of fragmented, occasional and specialised negotiations. Trade unions have tended to substitute the traditional encompassing tripartite social pacts with permanent and targeted bipartite social dialogue, which has been more effective in meeting the needs of a specific economic and social contexts and policy issues by means of autonomous social regulation (Aguar et al. 1999: 71). Therefore, the pragmatism in the relationships between trade unions and employer organisations has led to the consolidation of the thesis and praxis of permanent bi-partite social dialogue and concertation⁹.

The process of substantive specialization in Italy has been less marked. The national level remains the locus for negotiation of reform packages and social pacts (as in 1992-3, 1998 and 2001), where a large number of issues are dealt with simultaneously. Thus issue linking remains a crucial mechanism for reaching co-operative policy solutions. Nonetheless, the 1998 pact opened the way for some specialisation, by means of establishing criteria for a horizontal (i.e., substantive) as well as vertical (i.e., across levels of government) fragmentation of social dialogue in order to achieve a more effective match between needs, mechanisms and outcomes as well as avoiding a linkage between outcomes of negotiations in one area with outcomes in another.

A second aspect worth highlighting is that negotiated adjustments in the 1990s in Italy and Spain have contributed to extending the autonomous sphere of negotiations of trade unions and employers by a) strengthening the regulatory function of collective bargaining and b) consolidating bi-partite concertation on incomes policies issues. The transfer of regulatory powers from law to collective bargaining has been accompanied by several reforms strengthening and giving greater coherence to the institutions governing industrial relations, in order to guarantee an effective protection of workers before the retrenchment of law as well as maintaining links between partnership processes of policy concertation and collective bargaining. As a consequence, new bi-partite institutions at national and sector level have been created, whilst new forms of union representation and participation at company level have formalised and articulated forms of micro-corporatism initiated already in the late 1980s.

⁹ Three main advantages are derive from this specialisation for policy-making co-ordination and the solution of policy conflicts: mutual compensations are lower compared to the negotiation of a wide and encompassing social pact, thus making it easier to reach agreements by means of reducing the costs incurred by each actor; it contributes to de-politicising policy concertation, as targeted dialogue does not have such a large legitimating component for governments as catch-all social pacts used to have; finally, it does not make conditional an agreement on one area with agreement in a different one.

In Italy, social dialogue has contributed to transferring regulatory powers from law to bipartite regulation (Alacevich 2000:4), even if the government retains an important role in the regulation of employment and working conditions. Changes in collective bargaining, strengthening the quasi-legislative function of the CCNL (national sectoral agreements), together with the increase in the number of areas regulated and the clear definition of tasks across levels, have been the pillars supporting this transfer of power. Nonetheless, differences between the two main union confederations as to the extent of this transfer have impeded further progress in this direction (see Molina 2003)¹⁰.

Thus the delegation from law to collective bargaining has been more intense in Spain, responding to a strategy followed by both government and unions. **Governments** have allocated greater regulatory powers to collective bargaining, a) as one of the terms of the exchange underlying policy concertation¹¹; and b) as a form of sharing with social partners responsibility for adjustment and labour market flexibility (Martínez and Blyton 1995: 351-3). Similarly, **unions'** strategic response to the threats of flexibility and de-regulation has consisted in the search for negotiated flexibility and the strengthening of their role as negotiators within the collective bargaining system. Finally, employers' have also supported this process by defending a minimal role for the law vis-à-vis an increasingly important autonomous regulation¹². As a result of the 1994 and 1997 labour market reforms, there is now a greater freedom to negotiate and extend the content of collective agreements and a reinforcement of the role of collective bargaining as a procedure for regulating labour relations.

Accordingly, trade unions in Spain (less in Italy), have been active protagonists of processes of *controlled autonomy* whereby regulation shifts from the level of society down to the level of the industrial relations subsystem (Teubner 1983) in order to provide a more effective regulatory mechanism before increasing functional differentiation in the labour market. This has been accompanied by a changing balance between substantive regulation and procedural law that provides institutions and procedures for self-regulation / self-coordination (Scharpf 1997), i.e., for autonomous bargaining and a more problem-solving and consensus-oriented attitude (Windolf 1990: 297; Teubner 1983: 275). Nonetheless, this self-coordination takes place under the shadow the hierarchy, as there is a permanent risk of unilateral state intervention.

¹⁰ Hence, while CISL pursued a further extension of the regulatory role attached to collective bargaining institutions, CGIL preferred the status quo.

¹¹ *El País* 24-7-93.

¹² CEOE, *Circular para la Negociación Colectiva* 1993, p. 14.

Therefore, policy concertation during the last decade has been increasingly characterised by a shift from distributive to regulatory concerns (Regini 1999), or from a distributive bargaining to a problem-solving type of negotiations (Scharpf 1997: 125-6). Especially in Spain, where policy concertation has been mainly bi-partite and trade unions have not enjoyed a co-determination role in economic policy-making, policy concertation has been focused on the definition of social security labour market and industrial relations frameworks. Thus, compared to the 1980s, when package deals and issue linkage provided the mechanisms for reaching a cooperative outcome to distributive bargaining posed by the adjustment to the oil crises, in the 1990s trade unions have firmly pushed for self-coordination with employers and issue separation in order to solve cooperatively the adjustment (both regulatory and distributive). In Italy (re-)distributive concerns still figured prominently in policy concertation due to the negotiation of tripartite incomes policies and the institutionalisation of corporate actors' participation in national economic policy-making. Here issue linking and political exchanges within package deals remains a critical mechanism for solving the negotiator's dilemma in macro-political bargaining.

2.2 Relevant Actors and State Involvement

Differences also exist as to the predominant actor constellation (Scharpf 1997, introduction) and the number of actors participating. In Italy there has been a gradual increase in the number of actors, which has nonetheless rendered increasingly difficult the restriction of social pacts to the three main union confederations, Confindustria and the government (Salvati 2000: 91; Dau 2001: 39), though this has remained the predominant actor constellation. In part, this has been triggered by the extension of procedures for concertation at regional and local level (Carrieri 2001). The trend towards an increasingly high number of participating actors reached its peak in the 1998 *Patto di Natale*. In Spain, the lower degree of fragmentation in interest associations together with a less dynamic sub-national tier of concertation has permitted concertation to continue to be the monopoly of UGT and CCOO on the union side, CEOE and CEPYME on the employers' side.

More important nonetheless are differences regarding government involvement. In Italy, this intervention has been permanent, becoming 'de facto' a necessary condition, since the first tripartite agreement signed in 1990. Although some form of bi-partite dialogue existed between unions and employers' organisations already in the late 1980s-early 1990s, the lack of public resources for exchange has always been a major obstacle to bi-partite negotiations (Treu

1998). In the 1992-3 agreements and 1998 social pact the importance of the executive in allowing an agreement to be reached became clear¹³. The public resources provided by governments have been necessary to overcome differences between actors. This involvement was an implicit pre-condition of trade union participation in the negotiation of reforms, as they faced the adjustment process at the beginning of the 1990s in a rather disadvantaged bargaining position compared to employers; thus unions expected government compensations to overcome this asymmetry through issue linking and the compensations underlying tripartite package deals. Finally, signing a bi-partite agreement on competitiveness between trade unions and employers in 2003 points to the validity of bi-partite agreements on collective bargaining and competitiveness under EMU.

State involvement in Spain has moved between unilateral intervention and the promotion of bi-partite agreements, (Baylos 2002: 207-9). There is an ongoing trend for policy concertation to become increasingly bi-partite for industrial relations and labour market related issues, with the executive's role restricted to favouring negotiations among social actors, who explicitly ask the government to maintain their independent sphere of social regulation (Casas 1997: 88). Because of the impossibility of reaching co-operative solutions through tripartite package deals and issue linkage, the government intervened unilaterally in the first instance, but then shifted its preference towards a reduction in the interventionism in industrial relations by means of restricting their role to guaranteeing the conversion of agreements into laws (Valdés 1997). Policy concertation remained fully tripartite in the case of social security. This shift towards bi-partism was pursued by trade unions, not only as a form of strengthening collective bargaining and restrict the regulation of working conditions to bi-partite union-employers dialogue, but also to escape from the 1980s pattern of policy concertation. Already in the PSP, unions expressed their preference for a system of social dialogue and concertation, sometimes bipartite sometimes tripartite, which broke down with traditional tripartism (Vizcaíno 1996: 19), where the state adopted an ex-post stance, in the form of 'support of the effectiveness of the agreements' (Sanguinetti 1999: 51-3). In the words of Espina (1997: 28), there has been a move from tripartism in the 1980s to a triple bilateralism in the 1990s. Nonetheless, the 'shadow of authority' of government intervention remains a credible threat, as recent developments have shown.

¹³ As a matter of fact, trade unions and employers explicitly asked the government to intervene in tripartite negotiations, mediating between their interests (*Il sole 24Ore* 15-2-1991). As pointed out by prof. T.Treu, the role of the government was critical in 1992 in avoiding a new partial agreement without structural repercussions, as happened in previous years (*Il Sole 24Ore* 4-8-1992).

Summing up, in both countries, the existence of weak neo-corporatist institutions, allowed for the existence of different equilibriums for state involvement. Under the shadow of hierarchy of unilateral state intervention it is indeed possible that actual interactions will have the character of negotiations or unilateral action. The final form of coordination (co-operative, non co-operative respectively) has depended on trade union strategies of political participation. Thus in Italy, a more politically-oriented trade union movement preferred to embark on tripartite package deals where the government would provide them with resources to overcome differences among confederations¹⁴, but also between unions and employers. Unlike their Italian counterparts, Spanish confederations rejected tripartite social pacts. Because of the unilateral intervention of the government, trade unions looked for other ways of reaching the co-operative outcome in policy interactions required by the adjustment, hence endorsing bi-partite self-coordination with employers. This meant the abandonment of tripartite package deals as mechanisms for reaching policy-making cooperation, even though tripartite policy concertation continued in issues like social security, which nonetheless were dealt with separately.

The role of the state has important repercussions, not only on the form of policy coordination, but also on its outcomes. As the following section makes clear, the existence of tripartite negotiations opens the door to a different ‘politics of negotiated adjustment’, i.e., to a different political exchange compared to processes based mainly on bi-partite negotiation and regulation.

2.3 The integration of actors in policy making; the institutionalisation of policy concertation

Here I introduce a distinction, similar to that used in Austria for designating different manifestations of social partnership, between three concepts that very often are used interchangeably in the literature. By integration of organised corporate actors I mean the institutionalisation of a management role for them in public agencies, without necessarily involving policy concertation, nor the institutionalisation of a policy-making role for them. By institutionalisation of policy concertation (*Konzertierung*) I mean the institutionalised participation of interest associations in policy formulation and policy-making¹⁵. Finally, policy

¹⁴ *La Stampa* 1-4-1997.

¹⁵ The intervention / participation of trade unions and employers’ organisations in national policy-making cannot be confused with their integration into institutions. In fact, the disappointing results obtained from the experience of institutional integration of unions and employers’ organisations initiated in the 50s-60s, but consolidated and

concertation (*Akkordierung*) refers to participation of interest associations in policy-making with the explicit search for and revitalisation of ad-hoc tri or bi-partite agreements.

The second aspect has evolved very differently in Italy and Spain the last decade. In Italy, the 1993 agreement contained specific clauses leading to a deeper and more stable implication of trade unions and employers' organisations in national macroeconomic management. This participation facilitated the consolidation of concertation as a policy-making method (i.e., to perpetuate co-operative policy-making outcomes) and served to maintain the reformist impulse, in a crucial period in the recent history of the country, hence playing the role of 'emergency governance' of the economy. In April 1998, some months before the *Patto di Natale* was signed, trade unions and Confindustria, during negotiations about the 35 hour working week law, agreed on the need to renew the rules of concertation. In particular, Confindustria presented a document to the government declaring its willingness to stabilise concertation, which had occurred only occasionally, '*a fassi alterne*'¹⁶. The 1998 social pact provided a new stimulus to the methods and policies set fourth in the 1993 agreement and the 1996 Labour pact. With the new agreement, policy concertation was to be strengthened by establishing more precise and transparent rules. The pact confirmed the two stages of policy concertation provided for in the 1993 agreement; the spring session for the definition of employment policies and the September meeting for the financial measures to implement these policies. Even though the 1993-98 agreements reduced the informal character of policy concertation, its fragile and still highly voluntaristic character threatened the 'exit' of parties at any moment, thus leaving the future of participation in Italy full of uncertainties (Alacevich 2000: 122), as the recent turn of the Berlusconi government has pointed out (CNEL 2001b).

Contrary to what has happened in Italy, the intervention of social partners in Spain still lacks an institutionalised, formal and stable framework. The inter-confederal agreements and social pacts of the first half of the 1980s failed to reinforce the institutional position of trade unions because no institutionalised model of concertation was established (Ludevid 1985: 150). During the 1990s, there was no significant improvement in the integration of organised corporate actors in the national policy-making system or the institutionalisation of policy concertation (Crouch 1999)¹⁷. This is the result of a deliberate strategy of trade unions –more interested in strengthening collective bargaining and creating an autonomous sphere of

reaching its peak in the 70s-1980s (Treu et al. 1979, Treu 1992) led to the abandonment of the strategy of insertion / integration in the decision-making process in public bodies (Alacevich 2000: 93-96).

¹⁶ *La Repubblica* 1-4-1998

¹⁷ As noted in AARRII (2000c: 1114) it would be possible to say that it was only during the 1996-2000 period that policy concertation became a permanent feature of national policy-making.

regulation with employers than on establishing macro-bodies of negotiation with the government as a form of consolidating themselves as political actors–, government –that has tried not to completely subordinate the adjustment to a process of institutionalised exchange, looking for more flexible alternatives in the regulatory process– and employers’ organisations –whose lack of commitment to concertation, and resistance to any form of neo-corporatist involvement reflects a political as well as an economic rationale, making them hostile to the notion of sharing policy decision-making with the unions– than a failure of the process of concertation itself. Accordingly, in spite of the timid attempts made during 1990-91, when the social and economic council was created, the general picture very much resembles that of the 1980s, with the involvement of social partners in the management of the economy based on a voluntarist and informal approach, and restricted to the limited formal participation of social partners in the issues contemplated by the 1982 ANE (Encarnación 2000: 39, Jordana 1994: 171). Negotiations for the AINC 2002 included the discussion of a base protocol for social dialogue, that would have procured a set of rules for a more stable participation of social partners in economic and social decisions taken by the government. Nonetheless, negotiations did not crystallise due to the opposition of CCOO (AARRII 2003-I, p. 1143).

2.4 Multi-level policy concertation?

By the end of the 1980s, many authors (Schmitter 1989, Gobeyn 1993) predicted the decline of macro-corporatism and the substitution of it with forms of micro or meso corporatism. Although there are some differences, a common feature of policy concertation in Italy and Spain during the 1990s has been the development of sub-national forms of policy concertation. There are four main reasons why forms of concertation have started to gain importance at regional level. Firstly, there are increasing possibilities at a growth of the politics underlying policy concertation, i.e., for political exchange at this level. This is because: a) both trade unions and employers’ organisations have regional branches that enjoy some space for autonomous decision-making, and b) these regional bodies can negotiate with regional authorities on an increasingly high number of areas thanks to the process of administrative and political de-centralisation. Secondly, regional policy concertation constituted an alternative both in Italy and Spain to the difficulties of reaching centralized agreements at national level. The less politicized regional level, offered more opportunities. Third, trade union strategies and organisation have favoured this process as a form of revitalizing lower level structures. Finally,

the search for competitiveness might also favour a de-centralization of consensual politics (Carrieri 2003).

At the end of the 1980s / beginning of the 1990s in Spain there was an extension of forms of regional collective bargaining and social dialogue at the level of the *Comunidades Autónomas* which have tried to emulate employment plans negotiated at national level. During the same period several Economic and Social Councils were created in some *Comunidades Autonomas* (Maeztu 1992, Solans 1995: 95-102), thus giving momentum to decentralised and regional forms of social dialogue in a period of structural crisis of national level concertation (Ochando 1994); in this sense, regional concertation played the substitutive role for national level policy concertation. Nonetheless, both the experiences of regional concertation and the creation of regional social councils have delivered unsatisfactory results so far.

National union confederations in the PSP agreed on the need to follow some kind of subsidiarity principle in policy concertation and negotiation of agreements. According to this, negotiations had to be carried on those levels more adequate according to the issue and the capacities of actors to guarantee the effectiveness of negotiated policies. In this vein, union confederations tried to negotiate directly at regional level some of the contents of the PSP. Initially, regional policy concertation had a strictly political character (1988-1992) in the regions where it occurred. From 1992 onwards, there was an extension of regional policy concertation, in part as a response to the lack of a coherent response by the national government to the crisis of the early 1990s (see Ochando 1994). Regional policy concertation entered again into crisis by the second half of the 1990s.

The process of decentralisation of social dialogue / concertation has been more intense in Italy, with a multiplication of mechanisms in the last years, and huge variety of modes of intervention and objectives (Negrelli 2000). The five instruments of '*Programmazione Negoziata*', i.e., the mechanism for the development of negotiated regional initiatives of employment are gaining increasing popularity. These instruments were established by the Protocol attached to the 1998 Pact¹⁸, and are the mechanisms through which regional concertation has developed in Italy (Alacevich 2000: 174ss)¹⁹. The extension of these instruments has 'de facto' led to the replacement of direct intervention of the state by the

¹⁸ The extension of the method of concertation at sub-national level was included in the 1998 pact as a response to a recommendation issued by the 'Commission for following up of the application of the 1993 pact', and would match a) the decentralised structure of collective bargaining, and b) employment policies which are increasingly managed at regional level.

¹⁹ The '*Patti Territoriali*' and '*Contratti di Area*' are the two instruments which have been developed to a greater extent (CNEL 2002; CESOS 2000).

process of social dialogue and concertation between social actors in the regions. The importance of regional policy concertation through these instruments led CNEL (2002) to speak of a new era of policy concertation initiated in Italy in 1998. Negrelli (2000) considers the strengthening of these instruments as the natural evolution of national concertation taking place during the 1990s up until 1998, year of accession to the EMU. According to this author, and following the same opinion expressed in Pochet and Fajertag (2000), the beginning of EMU has led to a shift from adjustment / stability oriented concertation to a process of concertation which looks for higher economic development and growth. Within this framework, public interventions in regional development are changing from transfer-based programs to more active and structural interventions. Finally, the approach to regional concertation differs between confederations. CGIL has traditionally developed stronger regional branches, thus using this as a mechanism to unify the working class. Unlike CGIL, CISL has only recently (1994) discovered that the regional level can be used as a form of extending coverage (Carrieri 2001: 75) and has initiated a deep organisational reform aimed at providing greater power to the regional branches. Even though both trade unions assess positively the development of collective bargaining at this level, CISL defends a greater emphasis on regionalisation of policy concertation and bi-partite relations at that level. CGIL, whilst acknowledging the role of regional concertation as a mechanism for development, does not support the substitution of national by regional concertation.

Accordingly, differences between Italy and Spain are still remarkable. Hence, whilst in Spain regional forms and experiences of concertation have, to a certain extent, substituted policy concertation at national level and initiatives have emerged from the regional level itself, most of the time replicating processes and contents of national-level policy concertation, in Italy the extension of regional policy concertation has been promoted by normative changes at national level, thus contributing to the establishment of some form of task distribution: while at national level actors negotiate on the institutional framework of the Welfare State, at regional level, actors negotiate on regional development policies (CNEL 2001, 2001b). Finally, while in Italy we can speak of two forms of policy concertation ('Institutional' concertation, that takes place between the several levels and agencies of the public administration, and 'Social' concertation that takes place in all political levels between representatives of workers and employers), this is not the case in Spain. The first type of policy concertation constitutes a revolution in the governance of the Italian economy which has substituted some traditional expressions of unilateral decision-making and public management with forms of regional concertation (CESOS 2000: 347).

Summing up, evidence above points out how the return to negotiated adjustments, that has seen Italy and Spain embarking in co-operative paths of adjustment, cannot be explained by pre-existing institutional conditions (that overall seem to be less important than neo-corporatist theory has suggested, Molina and Rhodes 2002), but by trade union strategies and political conditions in the adjustment to EMU. The distributive bargaining of the early 1980s in Italy and Spain had to be resolved cooperatively through package deals. In Spain, notwithstanding the weakness of the union movement, the exceptional political conditions precluded unilateral government intervention à la Thatcher. The verticalisation in confederal action of Italian and Spanish unions in those years, together with inter-confederal divisions, made tripartite social pacts through package deals the only feasible strategy for reaching cooperative solutions. Through issue-linkage within catch-all social pacts, governments could overcome, not only differences between unions and employers, but also between union confederations. As a consequence of a change of strategy of confederal unions in Spain, there was a shift in the 1990s (with a short impasse of unilateral government intervention in the late 1980s-early 1990s) towards ‘self-coordination’ or inter-organisational coordination between unions and employers, but also forms of ad hoc, targeted tripartite concertation through the separation of policies negotiated in each agreement. On the contrary, the exceptional political conditions of Italy in the early 1990s opened new opportunities for unions to exploit their power as political actors and use the political anchor as a revitalization strategy. This, together with differences between union confederations, led the government to rely on package deals again to reach the cooperative solution to policy interactions posed by the policy-making problems (distributive and regulatory) of economic crisis and adjustment to EMU in the early 1990s.

Chart 1 summarizes the main findings: the shift observed in the main attributes of policy concertation (its metamorphosis) has been accompanied by widening divergences between the two countries. In the passage from rather similar experiences of negotiated adjustments and policy cooperation in the early 1980s, we have observed how experiences during the last decade have diverged in most of its dimensions.

Chart 1: The main Dimensions of Negotiated Adjustments in Italy and Spain 1980s-1990s

	<u>Italy</u>		<u>Spain</u>	
	1978-1984	1991-1998	1980-1986	1990-2001
Type and number of issues negotiated				
- Autonomous vs Heteronomous regulation of industrial relations and employment systems	Heteronomous regulation of labour market institutions and working conditions.	Delegation from law to collective bargaining for industrial relations issues. Negotiated laws regarding labour market	Heteronomous regulation of collective bargaining and working conditions.	Delegation from law to collective bargaining: increases autonomous regulation of working conditions. Negotiated laws (1995-2000) regarding labour market
- Substantive vs Procedural regulation	Substantive regulation setting standards and substantive norms	Substantive regulation remains, but there has been an extension of procedural regulation or self-regulation	Substantive regulation setting standards and substantive norms	Procedural regulation (self-regulation) is predominant
-Regulatory vs Distributive	Predominantly Distributive and incomes policy based concertation	Until 1998: Distributive and regulatory concerns From 1998 on: policy concertation adopts an exclusive focus on regulation	Predominantly Distributive and incomes policy based concertation	Policy concertation abandons incomes policies and focuses on the regulation of parcels of the economy and the welfare state
-Narrow vs Wide	Wide: Tripartite Social pacts with predominantly distributive concerns	Wide: Tripartite social pacts on	Wide: tripartite social pacts encompass a wide range of issues, whilst bipartite agreements deal with collective bargaining and industrial relations	Narrow: fragmented negotiations (separate negotiations on specific issues)
Degree and forms of state intervention				
-Weak vs Strong	Strong state intervention	Strong state intervention: critical in providing compensatory exchanges in order to reach agreements	Strong state intervention: it is the state that guides the character of policy concertation	Weak state intervention: consolidation of permanent bipartite social dialogue, with a secondary role for the state.
-Ex-ante, 3 rd actor, ex-post	State as third actor: proposes negotiations, sets the agenda, provides compensatory exchange	State as third actor: proposes negotiations, sets the agenda, provides compensatory exchange	State as third actor: proposes negotiations, sets the agenda and provides compensatory exchange	State guarantees ex-post the translation into law of agreements reached between unions and employers
Degree and forms of institutionalised participation in policy-making				
-Weak vs Strong	Weak	Strong	Weak	Weak

Still the Century of Political Exchange?

-Institutionalisation of policy concertation	No institutionalisation: consultation and ad-hoc negotiations with the state having the initiative	Strong institutionalisation: organised corporate actors	No institutionalisation: consultation and ad-hoc negotiations with the state having the initiative	No institutionalisation: consultation and ad-hoc negotiations with the state having the initiative
Multi-level character of policy concertation				
-Regional is independent, complementary or administrative	Sub-national policy concertation develops in some areas (sub-regional, local and district level) of the Centre and North (Third Italy). It is completely independent of national-level policy concertation.	Regional policy concertation becomes a major trend of the Italian system: regional policy concertation is independent and complementary with respect to policy concertation at national level	Regional policy concertation almost inexistent; political symbol (first half 1980s). Second half of the 1980s, early 1990s: regional policy concertation substitutes and replicates national-level policy concertation	Regional policy concertation loses momentum:

Differences as to the methods of negotiating the adjustment were mostly triggered by the intensity and character of actors' strategies of interaction that responded to a re-interpretation and/or internalisation of domestic opportunities opened up by the need for adjustment imposed by an exogenous challenge (EMU). In this vein, negotiated adjustments in 1990s Italy and Spain were a domestic response triggered by the asymmetry between the intensity of exogenous pressures (high) and the domestic actors' resources to provide coordinated and/or effective responses to these challenges (low). Although unions, employers and governments in both countries used negotiation as a resource for reaching cooperative policy outcomes before the lack of appropriate institutions, differences as to the perceptions, capabilities and preferences of domestic actors (given domestic conditions) led to different adjustment paths in these two countries.

The Spanish experience shows that the restoration and modalities of policy concertation are not always the result of state initiative, and its deployment does not represent a state strategy for managing political conflict (state-sponsored concertation) (Foweraker 1987: 58)²⁰. Instead, unions' strategies have been critical for the rise of policy concertation and the way in which it has occurred. In Italy, state initiative has been more relevant in the 1990s. The divisions between union confederations, together with the delicate political situation of technocratic governments, made those years of tripartite package deals the only way of reaching agreement. Unlike those in Italy, Spanish confederations have articulated a unitary and well-defined strategy for policy concertation, which they have pursued throughout the

²⁰ Although the shadow of hierarchy has been the background against which self-organisation has occurred, thus imposing a latent threat of unilateral intervention.

decade thanks to their strength deriving from strong unity²¹. As the next section will show, differences in the form of negotiating the adjustment will translate differently in the characteristics of the underlying political exchange.

Given the similarities in the forms of tripartite negotiated adjustment observed in Italy and Spain in the early 1980s, these differences represent divergent evolutions of the social forms of governance. From the 1980s to the 1990s there has been a shift from (re-) distributive to regulatory bargaining in all EU economies (Regini 2000, Molina and Rhodes 2002). The return to a negotiated adjustment in the 1990s Italy has not led to a structural change in the social mode of governance of this country. This is still characterised by a strong co-ordinating role for the state, and tripartite forms of concertation through package deals without a formalised structure. Unlike Italy, the 1990s negotiated adjustment in Spain has brought about a transition towards a new model with different features. The most important aspect is the consolidation of bi-partite forms of policy concertation, institutions, social dialogue and collective bargaining. This marks a break with the experience of the 1980s. Overall, evidence for both countries supports Siebert's (2000) claim that the new situation is characterised 'less by de-regulation than by a proliferation of regulatory regimes', i.e., by the gradual consolidation of new forms for the co-ordination of the economy.

3 Still the Century of Political Exchange? Dimensions of Peak-level Trade-offs

3.1 The Substantive Dimension of the Exchange: What is exchanged?

What have been the terms of exchange underlying the Italian and Spanish experiences of negotiated adjustments in the 1990s? This question conceals remarkable conceptual and analytical problems, which have rendered the concept of political exchange theoretically appealing, but analytically and empirically impracticable (see Marin 1990). Here, I understand the terms of the exchange as goods, power resources or other intangible brought by actors participating in negotiations around public policy-making, in order to overcome situations of decision-making stalemate²² and reach a cooperative policy outcome. There are four main types of goods that can enter exchanges during policy-making processes: income (for the collective actors and their constituencies), institutionalised policy-making privileges, consensus and legitimacy, and policy concessions. Following section 1 I argue that the terms

²¹ The critical role played by trade unions becomes clearer if one looks at the positions of employer organisations in each country; notwithstanding the preference and support of CEOE for tripartite incomes policy negotiations, trade unions in Spain pushed for a bi-partite process without formal incomes policy agreements (Aguar et al. 1999). Italy faced more opposition from Confindustria, but managed to negotiate tripartite pacts.

²² That is, they are secondary goods produced during the bargaining process around public policy-making. The primary being the policy outcome coming out from negotiations.

characteristics of an exchange relation vary in line with the features of negotiated adjustments highlighted in section 2.

Re-Distributive vs. Regulatory conflicts: the Role of Wage Policies

A major feature of negotiated adjustments in the 1990s, compared to experiences in the 1980s, was a shift towards a more regulatory type of bargaining, i.e., the negotiation of changes in regulatory frameworks of the labour market, industrial relations and social security, that contrasts with the purely re-distributive, incomes-centred negotiation in the 1980s where negotiations were centred on the distribution of income between the actors (or the search of immediate financial benefits for their constituencies)²³. This has affected the terms of the exchange, although to different degrees in Italy and Spain.

The stabilisation of the Italian economy has strongly relied upon the collaboration and participation of organised corporate actors. Negotiations around incomes policy were necessary in order to lower inflation without triggering conflict and endangering employment creation. Incomes policies were only possible thanks to an exchange between union confederations, employer associations and the government. The weakness of technocratic governments, together with a) a limitation of the traditional resources or mechanisms for exchange or compensation (mainly fiscal policy due to Maastricht), and b) the need to undertake reforms in several policy areas without triggering conflict, limited the capacity of executives to intervene in negotiations. This provoked a transformation in the type of political exchange, which was centred in the 1990s around non-financial compensations to unions in exchange for their commitment to keep wage increases at low levels, whilst at the same time guaranteeing to employers a commitment to undertake structural reforms in the welfare state and labour market.

The 1992 and 1993 agreements can illustrate these points. Chart 2 contains the underlying terms of the exchange. The 1992 pact was similar to the incomes policies pacts of the early 1980s, except for the terms of the exchange; while concessions of unions were rather similar (wage moderation, the abolition of the Scala Mobile and a commitment to industrial

²³ In the words of Regini (1999), policy concertation in the 1990s is regulative rather than redistributive. Hence, instead of the exchange of resources –which was in the words of Treu (1998: 404) a monetization of social conflict (see also Cafagna 1996: 132)– of the 1980s, and which left unsolved the structural problems of the Spanish and Italian economies, during the 1990s, social dialogue has been focused on institutional change. According to the terminology of Scharpf (1997), distributive bargaining in the 1980s has been substituted by problem-solving (regulatory) bargaining or positive coordination, where a more balanced relationship between distributive negotiation and regulation exists.

peace) the executive could only commit to following (within the limits imposed by the Maastricht Treaty) a union-friendly budget adjustment, as well as negotiating with unions the reforms of collective bargaining and pensions in order to reach cooperative solutions. As a matter of fact, during negotiations Confindustria explicitly rejected the idea of an exchange for the compensation of wage moderation, arguing that employers, like the government, had nothing to trade. As a consequence, the 1992 pact took also the form of union-concession bargaining, as the exchange was clearly favourable to employers' interests (Cesos 1992/3). The 1993 Social pact subordinated the objective of more effective protection of the (short-term) purchasing power of wages to a joint commitment by all three social partners to improve employment opportunities "purely through the increased efficiency and competitiveness of enterprises, especially in sectors not exposed to international competition and in the public administration". Taken as a whole, therefore, the Agreement of 23 July 1993 is not so much an agreement on consensual incomes policy (i.e., distributive bargaining) but on setting the structural and policy-making conditions for employment growth (i.e., problem solving or regulatory bargaining). Its underlying exchange trades incomes policy, which entails immediate costs for employees, with employment policies, which could justify those costs in the long term and would legitimise the short-term costs accepted by unions. Thus the terms of the 1993 Social Pact consisted of measures aimed at combating tax evasion in firms, exercising caution in the forms of reduction of social spending, a reform of the collective bargaining in line with trade unions' demands as well as a greater role of unions in economic policy decision-making, budget, social security, labour market and industrial relations. Therefore, as pointed out by Confindustria²⁴, the 1993 pact initiated a transition from distributive bargaining, to a problem solving type of policy concertation.

²⁴ *Relazione 5-5-1995 dal Presidente di Confindustria nella assemblea confederale annuale.*

Chart 2: Political Exchange in the 1992 and 1993 agreements

	GOVERNMENT AND CONFINDUSTRIA OBTAIN	<i>Unions obtain</i>
1992	<ul style="list-style-type: none"> - Union Commitment to the abolition of the Scala Mobile - One year moratorium of firm-level wage negotiations and public sector collective bargaining - A freeze in industrial wages and salaries, government rates and administrative fees for the end rest of 1992 - Containment of Social Conflict in the years of hard adjustment of the economy - Introduction of a minimum tax 	<ul style="list-style-type: none"> - Negotiated reform of the pension system - Privatisation of public sector employment relations - Tax reform and in particular, the creation of a minimum tax on the self-employed in order to make this flourishing sector shoulder a fair share of the tax burden which had previously fallen disproportionately on wage and salaried employees (Beddock 2002: 211) - Budget reform that does not substantially challenge social protection - Negotiated reform of collective bargaining to take place in 1993
1993	<ul style="list-style-type: none"> - Commitment to wage moderation - Social conflict contained 	<ul style="list-style-type: none"> - Development plan for the Mezzogiorno - Reform of the collective bargaining system, including reform of union representation at firm level, which is line with union interests - Negotiated re-negotiation of the collective bargaining system to take place in four years - Greater intervention of trade unions in policy design (budget and incomes policies) and institutional reform - Fight against tax evasion

Source: Own Elaboration

The negotiation of the 1996 *Patto per il Lavoro* inaugurated a new period regarding the terms of political exchange. Negotiations were in 1996 initiated with the objective of signing a wide social pact supportive of employment growth. The original plan of the government tried to strike an exchange ‘à la 1993’, i.e., including several areas²⁵. Nonetheless, negotiations ended up being restricted to labour market reform aimed at increasing flexibility accompanied by several fiscal measures (*Pacchetto Treu*). With respect to the previous experience of negotiated policies, the 1998 *Patto di Natale* meant a shift regarding the terms of exchange. During the preparatory meetings, leaders of both unions and employers manifested their willingness to sign a pact which would reflect the new conditions generated by the accession of Italy to EMU. Nonetheless, they differed as to the contents.

The main priority of the union would be the defence of real wages, and the introduction of greater equity in the redistribution of income in order to ensure that the benefits derived from the adjustment would be distributed fairly. On the other hand side, the institutionalised participation of unions in national policy-making should have been consolidated, in order to consolidate policy cooperation, but without entering into short-term political exchanges. Confindustria manifested that negotiations had to be focused on reducing fiscal pressure mainly in the south. In exchange for this, employers would strengthen measures for employment creation, while unions would permit greater labour market flexibility. Finally, the Finance

²⁵ Unions were asked to moderate wage increases (below 2,5%) as well as to accept further cuts in social spending. On the other hand, the government asked employers to accept increases in taxation. In exchange, the government offered a comprehensive plan for employment growth. Although CISL and Confindustria reacted favourably, internal opposition within the CGIL triggered by the incomes policy part of the plan, led the government to drop this from negotiations (*La Stampa* 18-6-96).

minister C.A. Ciampi proposed to negotiate a social pact where, in exchange for the introduction of greater flexibility in the labour market, the government would introduce legal incentives for the re-investment of profits.

The talks of 1998 initially had to re-negotiate the incomes policy and collective bargaining contents of the 1993 pact. Nonetheless, difficulties around collective bargaining obliged actors to drop it from the agenda. Finally, the *'Patto di Natale'* confirmed the long-term incomes policies contained in the 1993 social pact. The government made a commitment to implement fiscal measures reducing labour costs and favouring re-investment of profits. Unions accepted the maintenance of wage moderation and the pact rewarded them by means of institutionalising their participation in policy-making to affect the direction of future institutional reforms. Finally, employers made a commitment to increasing investment (and hence employment) by putting a cap on the margin of non-reinvested profit per unit produced. Again, the inclusion in the pact of several other measures and clauses for a change in the system of concertation (its institutionalisation and regional decentralisation) connect to the view that in the new macroeconomic context, higher employment can not only be achieved through wage moderation (or short-term incomes policies focused on a reduction of labour costs) but that additional structural measures to improve competitiveness in the medium/long term have to be implemented.

The change in the short-run character of incomes policies introduced by the 1993, but brought about mainly by the 1998 pact, has affected the traditional terms of exchange underlying the incomes policies experiences of the 1980s, which consisted of 'rewarding' the under exploitation of unions' of their market power through a) an increase in social spending (i.e., in monetizing social conflict), b) legislation to protect their core constituencies, and c) measures enhancing their political roles. Instead, the long-run view adopted has reflected into concessions which will only deliver benefits in the long run. This change in the traditional short-termism of the terms of exchange underlying the negotiation of an incomes policy in Italy can only be explained by attending to the political, but mainly macroeconomic conditions where concertation has occurred in the 1990s which obliged all participant collective actors to renounce short-term goals in order to help the economy overcome the crisis and access EMU as well as to increase competitiveness, which were the goals shared by all social partners. This reflects the change in the diagnosis of macroeconomic problems, from demand-side towards supply-side, that is, from purely distributive to regulatory bargaining.

As a consequence of a change in union strategies, the problem load and the relevant policy conflicts, other goods have entered the exchange:

- a) First, corporate social actors gained a greater role in national policy-making, and more importantly, in the design of institutional reforms, i.e., in giving them organisational and institutional compensations. This served, on the one hand, to overcome the problems of delegitimisation and weakness of the executive, which was an obstacle to reforms. In exchange, unions maintained a policy of wage moderation. Enhanced policy-making participation of trade unions was a first-best strategy of Italian confederations. Accordingly, the new terms entering the exchange were instrumental for unions to strengthen their political role, and use this as a means to revitalise their collective bargaining strategies through participation in the regulatory reform of industrial relations (Molina 2003).
- b) Secondly, wage moderation has not been compensated with more generous welfare programs or financial transfers, but has nonetheless affected the speed and distributive character of adjustment as well as the pattern of spending cuts due to the strong policy-making position of Italian unions in the early 1990s.
- c) Accordingly, the participation of trade unions in the negotiation of regulatory change has been part of the exchange.

To sum up, we can then argue that the long-term character of incomes policies has meant for unions the acceptance of some short-term concessions, in exchange for the guarantee of enhanced and stable participation in policy-making in order to affect the distributive character of institutional reforms, i.e., to affect negotiated change. As manifested by a union leader, concertation has worked when the issues under discussion and the terms of political exchange triggered all together more equitable forms of distribution of costs and benefits of the adjustment. When there have been attempts at concertation over issues which did not have these characteristics, concertation has failed²⁶. Incomes policies negotiated in Italy during the 1990s have not been restricted to establishing low wage increases, but have been accompanied by profound negotiated changes in the structures governing industrial relations, the labour market and social security. This is why we say incomes policies in the 1990s have had a long term character compared to the 1980s; the emphasis has shifted from a purely wage restraint policy with a short term and re-distributive horizon, to a dynamic and long-run view of incomes policy where the main preoccupation becomes the long term distribution of income and productivity growth through regulatory reform, instead of short-term improvements in the

²⁶ *La Repubblica* 5-2-01.

wage-profit or labour-capital income distribution (Tronti 1992: 173, Brunetta and Tronti 1992)²⁷.

Union confederations have used the opportunities opened by the negotiation of reforms and the terms of the exchange, to introduce changes that could improve their role, mainly as political actors, but also as representatives of the workforce in the collective bargaining system. A more balanced equilibrium between these two faces of the roles of unions' confederations roles was a main objective of union confederations in the 1990s; some authors argued that trade unions had succeeded (Regini 1996; Locke and Baccaro 1996), while I agree with another view (Carrieri 1997) according to which this has not been the case²⁸.

Unlike Italy, the distributive conflict in Spain has not been institutionalised through negotiated incomes policies. There hasn't been any tripartite agreement establishing a commitment for wage moderation. This is because the policy conflict posed by the need to maintain moderate wage increases was solved, not through a social pact obliging social partners to 'pay' for its internalisation, but through internalised trade union action. Thus wage moderation has resulted mostly from unions' self-moderation of wage demands. There have been some instances of inter-associational cooperation around wage moderation like the tacit commitment of UGT-CCOO to moderate wage increases at the beginning of the 1990s (within an implicit exchange with employers), and the 2002 agreement between unions and employers on recommendations (including wage growth) for collective bargaining which was renewed for 2003. In the early 1990s with Socialists (Torrente 1996: 105), and again in 1996 with the Popular party government, several attempts were made to sign social pacts containing clauses for moderation of wage increases, but negotiations failed in all cases due to the opposition of unions to further moderation and collective bargaining concessions in exchange for long-term benefits. The only form of incomes policy corresponded to the unilateral decisions of both the Socialist government in 1993-4 and the Popular executive in 1996 to establish a wage freeze on the wages of public-sector workers (mandatory incomes policies in the public sector).

In the absence of incomes policy agreements, and given the inflationary character of wage-setting institutions in Spain, several authors wondered about the sources of structural

²⁷ These experiences fit within the pattern of long-term incomes policies mentioned in Mayhew (1981) or the permanent incomes policies stressed in Andersen and Turner (1980).

²⁸ According to the first, confederations were successful in extending the benefits of concertation to their bases or constituencies. Nonetheless, Carrieri (1997: 86) argues the contrary; whilst policy concertation during the 1990s has brought enormous benefits to confederal unions for their legitimacy as well as capacity to represent the workforce, they have not trickled down to the grass roots. This implies that Italian trade unions have emphasised their political vis-à-vis representation role.

wage moderation. Although several explanations have been provided, here I argue that wage moderation has been a consequence of:

- a) the internalisation of the Maastricht constraint that, together with a shift in union objectives from wages towards employment growth (as high unemployment rates challenged trade union action), favoured self-restraint. This has been made official and re-confirmed through the AINC (2002) and AINC (2003) (AARRII 2001-II, pp. 1275).
- b) an implicit exchange (i.e., non-formalised through a pact or an agreement, but which characterises collective bargaining strategies) between trade unions and employers' associations. This exchange has taken place through a) a union commitment to wage moderation in exchange for a negotiation through collective bargaining of labour market flexibility introduced by the 1994 unilateral reform, as well as b) the development of permanent bi-partite social dialogue between unions and employers through which unions and employers have negotiated the regulatory adjustment in the labour market and industrial relations. Thus there have been other mechanisms at play permitting similar results to be obtained in terms of wage moderation and policy cooperation notwithstanding the absence of a social pact establishing a more or less explicit tripartite exchange through issue-linkage.
- c) changes in wage bargaining institutions that had made the Spanish collective bargaining system more sensitive to economic conditions, whilst at the same time less prone to excessive wage increases.

Thus, notwithstanding the absence of tripartite social pacts establishing incomes policies aimed at wage moderation, the distribution of market incomes in Spain has not been free from exchanges between actors. Unlike Italy, the political exchange underlying wage moderation in Spain has occurred within a union-employer constellation (bi-partite bargaining). During the period 1989-1991/92, the absence of any form of negotiated incomes policy, together with the conflict between unions and the government on the direction of economic policy, led nominal wages to run above inflation rates. The negative consequences for the competitiveness of the economy, and by extension for employment performance, led the government to put at the centre of its economic priorities wage moderation (EIRR 1993, 235: 14; EIRR 1993, 236: 12). The economic crisis of 1992, together with political problems for the government, led the Socialist executive to propose several times to unions and employers' organisations a social pact, but failed in all attempts. After 1992, the economic crisis favoured

the voluntary restraint of trade unions in wage settlements²⁹. This strategy resulted in the growth rates of nominal wages becoming significantly lower than inflation rates. During the several attempts of the government to negotiate a social pact with social partners, trade unions always responded favourably by accepting without conditions pay moderation; an incomes policy clause in the pact did not constitute an insurmountable obstacle, if it was accompanied by a similar moderation of increases in benefits and a social shift in economic policy. Negotiations in 1991, 1992 and 1993 ended up without agreement, as unions rejected the strong emphasis put on wage moderation.

After the failure of the PSOE government to use political exchange through tripartite package deals (social pacts) to reach cooperative solutions to policy conflicts in the adjustment, a new period of implicit non-formalised forms of bi-partite self-coordination started, including implicit forms of political exchange. This process of permanent bi-partite social dialogue and bi-partite self-coordination occurred through the following exchange:

CCOO AND UGT	CEOE-CEPYME³⁰
<ul style="list-style-type: none"> - Wage Moderation - Contention of Conflict - Introduction of a system of dual wage scales (i.e., acceptance of reduced wages for new contracts) 	<ul style="list-style-type: none"> - Non application of the most harmful clauses of the 1994 reform regarding the structure of collective bargaining - Neutralisation through collective bargaining of some of the reforms introduced in contractual policies - In exchange for dual wage scales, firms commit to create employment as well as to re-invest profits, establishing a gradual standardisation of the conditions for the workers hired under this type of wage arrangement

Source: Own Elaboration

Employers accepted this exchange in order to obtain wage moderation and avoid a spiral of conflict, but as negotiations progressed, unions realised that most employers were gradually using all the ‘de-regulatory’ and flexibilisation tools at their disposal through the 1994 reform. Accordingly, by mid-1995 both CCOO and UGT decided to abandon officially the policy of severe wage moderation; they decided that the sacrifice –losses in purchasing power of real wages– had delivered meagre results in terms of creation of new salaried employment and that this was limiting the possibilities for economic recovery by putting a cap on private demand. Accordingly, by 1996 trade unions adopted a wage policy consisting of the

²⁹ *El País* 25-7-1993

³⁰ CEOE admitted two possible scenarios for negotiation: contracts limited to wage negotiations without changing the normative conditions of the contract, and contracts applying the contents of the reform that can provoke industrial conflict. See *Circular para la negociación colectiva 1994*, CEOE, p.25. Although peak-officials in CEOE made explicit calls to avoid this type of exchange in negotiations (*Circular para la Negociación Colectiva 1995*, CEOE-CEPYME, p.6, and 1996, p.21), because of the risk of industrial conflicts, companies preferred to maintain the normative status quo in exchange for wage moderation.

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maintenance of the purchasing power of wages³¹. At the same time, they shifted the focus to job creation and security. Nonetheless, this did not lead to the abandonment of bi-partite self coordination as the main mechanism for reaching cooperative solutions in the adjustment.

In 1996, the PP government launched a new proposal for a social pact, including incomes policies. Trade unions reacted favourably, but rejected the negotiation of a catch-all social pact, as well as the inclusion of wage moderation. Separate negotiations of issues ended up in the signing of one tripartite agreement (AIEE) and two bi-partite agreements (AINC and AICV). In this case, the terms of the exchange underlying these agreements were:

CCOO-UGT OBTAIN	CEOE-CEPYME OBTAIN	GOVERNMENT OBTAINS
-A reform of contractual policies consisting of more stringent conditions for temporary employment (AIEE) -Measures to give incentives to indefinite employment (AIEE) -A reform of the collective bargaining in line with their demands (AINC) -An extension of the regulatory role of collective bargaining (AINC + AICV)	-(Wage moderation) -Containment of social conflict in collective bargaining negotiations -An increase in the causes for dismissal (AIEE) -A reduction in dismissal costs (AIEE)	-(Wage moderation) -Legitimacy

As can be observed, there existed an exchange between the three agreements on the reform of the labour market and collective bargaining. The reform of the labour market was so deep and wide in scope that it permitted all actors to cede on some aspects in order to gain in others. Nonetheless, by the end of the period of concertation initiated in 1996, employers' organisations criticised the fact that, overall, policy concertation in this period had been based on policy (regulatory) concessions made to unions, for instance, in the reform of part-time contracts negotiated in 1998, (that CEOE refused to sign because it reduced flexibility in the use of these types of contracts). Notwithstanding employers' objections, the government tried to balance concessions made in some areas with compensations in other, as the absence of tripartite wide social pacts precluded the possibility of exchange within pacts. In this vein, some laws issued by the government (law on the reform of TWAs) reflected employers' preferences. In this period, wage moderation has followed from:

³¹ Already in 1995, CCOO decided to seek pay increases that would at least compensate for the expected rate of inflation. UGT's general secretary defended this shift by claiming that union sacrifices had gone straight to company burses. According to unions, achieving large pay increases –i.e. above the inflation rate– were no longer top of their agenda because they acknowledged that the creation of jobs should take precedence. From 1996 on, collective bargaining was characterised by the employment-wages trade off in the negotiations among trade unions and employers' organisations. As pointed out by EIRR (1996, 268: 22), around 50% of agreements concluded in 1995 contained employment creation clauses.

- a) Unions' emphasis on employment creation instead of wage gains that at the micro level meant also a political exchange between wage moderation against a different use of other collective bargaining issues.
- b) an exchange between moderation of wage demands and participation in the reform of the labour market and social security, as well as a commitment to industrial peace in order to allow for a more consensual application of the 1997 labour market and collective bargaining reform.

Overall, the term of the exchange underlying the new equilibrium between distributive and regulatory policies has been largely determined by the strategies of trade unions in interaction with the political environment and the type and characteristics of policy conflicts. This union strategy, contained already in the PSP, but more explicitly developed in the Proceedings of the Fifth Confederal Congress of CCOO (1992), resulted from a convergence of views among union confederations on the need to transcend the experience of the 1980s. Accordingly, leaders of CCOO approved the re-orientation of peak-level concertation by means of *moving from a bargaining of [distributive] concessions to a bargaining of [policy] alternatives and regulatory reform* (CCOO 1992: 63). The effectiveness of this new approach has depended precisely on the re-establishment of unity of confederal unity of action as unions have concentrated efforts on those objectives and demands which are a priority for providing socio-economic conditions in Spain (PSP 1989: 3). Moreover, this unity of action has allowed unions to gain a greater role in the Spanish political process, while at the same time strengthening their role as representatives of the working class and collective bargaining actors. Accordingly, unions faced the period of reforms of the 1990s having clear demands and unitary positions with respect to those issues which have been brought into negotiation and which resulted in reform. This has affected political exchange in its content as well as in its terms; unions have rejected negotiations about purely redistributive conflict, and have instead supported policy concertation as a form of intervening and affecting the reform of diverse policy areas.

Consensus, Legitimacy and Institutionalised Participation

Together with the most visible aspects of issues of distribution and regulation, there are other more intangible, non financial and non-regulatory goods that also enter the terms of exchange. Consensus and legitimacy are the most cited. Even though most authors consider

them a public good derived from the exchange (a side-effect of it, consisting of providing a social environment with low levels of conflict and legitimating policy decisions), here I consider them to be part of the exchange, especially so during periods of economic adjustment and political crisis, when the government is more likely to be challenged. This form of approaching the issue will prove to be particularly well suited for the analysis of the Spanish and Italian negotiated adjustments in the last two decades.

There are several rival theories which could explain evolution of industrial conflict³². Economic theories (business cycle and economic hardship) help to explain the cyclical behaviour of strikes. This cyclical character is also explained by the institutional features of collective bargaining systems, in particular, the length of contracts. Instead, resource mobilization and political exchange theories provide insights on long-term trends. In particular, the latter explains industrial conflict in terms of a strategic move of organised labour consisting of shifting the locus of conflict over the distribution of resources from the labour market to the political sphere (Korpi and Shalev 1980). This argument considers consensus to be a consequence of political exchange. Nonetheless, it can also be argued that consensus (i.e., a commitment to political and industrial peace) is a value in itself used by trade unions in negotiations. As a matter of fact, Pizzorno (1977) defined political exchange as a moderation of the market power of trade unions, which resulted from their consensus with government economic policies traded against financial, institutional or organisational compensations. Hence, consensus as one of the terms of exchange will lead to a moderation of industrial and / or political conflict. Most of time, this means that the government seeks consensus of social partners on economic policies. Chart 3 contains evidence of the level and character of industrial and political conflict³³. Both Italy and Spain are characterised by above-average levels of industrial conflict compared to other EU countries³⁴. This is in part due to deficiencies in the collective bargaining system (disorganisation) as well as to politicized and divided confederal unions. Accordingly, consensus as a term, as well as product of the exchange, is likely to be of particular relevance for governments and employers in these two countries.

The period of policy concertation and social pacts in Spain in the early 1980s coincided with a decrease in industrial conflict after 1976-79 (period of social demands, Alonso 1991; Roca 1983) in spite of increasing unemployment. During these years, the conflict moved from

³² For an excellent overview, see Franzosi (1995: 10-15).

³³ Note that data contained in graphs is not strictly comparable due to different definitions of strikes. We report long-term evidence in order to show for each country the evolution during the last two decades, which for the sake of the argument is more relevant than a strict year-to-year comparison of levels.

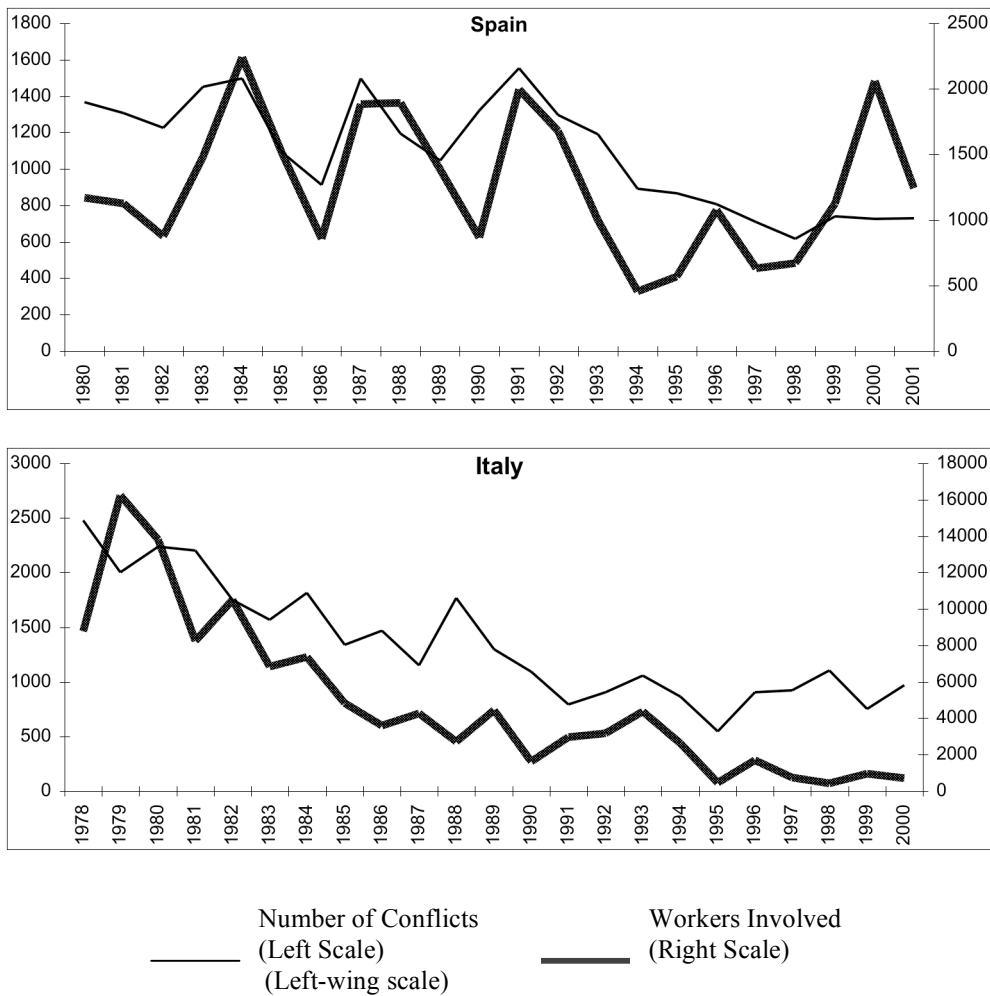
³⁴ EIRO, Developments in Industrial Action 1998-2002.

the national to the enterprise level, due to industrial restructuring (Rigby and Marco 2001). In principle, a period of rising unemployment and decreasing conflict rates could be explained by Hibbs's (1978) theory of the influence of corporatist bargaining on maintaining low levels industrial conflict. Nonetheless, there was no clear decreasing trend: lower conflict was just a consequence of top-down union enforced restraint, but the structural conflict underlying the Spanish system of industrial relations remained high.

A clear change of trend occurred between 1991 and 1992. Data on chart 5.3 does not contain the effects of the 1992 and 1994 general strikes, which are political instead of industrial conflicts. This reflects the conflict underlying the industrial relations system. As can be observed, during these years there was a shift from industrial to political conflict. The decrease in industrial conflict from 1991 could be explained by business cycle type of explanations (Shalev 1992), as unemployment skyrocketed in Spain in these years, reaching 23% in 1993. However, this fails to explain why this decreasing trend continued even after 1994, when unemployment started to go down. A first explanation would be that unions changed their pattern of conflict, from purely industrial to a more political type of conflict. Nonetheless, this would not explain why there was an increase in industrial conflict from 1998-9 on. Rigby and Marco (2001) explain it by pointing to labour market regulations. Other authors argue that the new bipartite institutions created in the 1990s (see section 2), by unions and employers to manage industrial conflict (the agreements on out of court solution of conflicts) have been responsible for this.

Here I argue that decreasing conflict rates during these years are due to two inter-related factors. First of all, trade union unity of action, together with the more collaborative approach of trade unions and the disciplining effect of the economic crisis of the early 1990s helped to contain conflict in the early 1990s. Instead, after 1994, the implicit exchange underlying permanent social dialogue between employers and union confederations has been the main factor responsible for decreasing industrial conflict. This, together with the adoption of a less conflictual attitude on the part of the trade unions (Rigby and Serrano 1997), in the context of change of strategies sanctioned in the PSP, contributed to reaching conflict as well as reaching bipartite agreements that helped to maintain this climate. Among them, it is worth pointing out the bipartite agreement on out of court solutions to labour conflicts, as well as the change in workplace union elections. The erosion of trade union unity of action after 1999 would be important in explaining a reversal of the decreasing trend.

Chart 3: Industrial Conflict in Italy and Spain 1980s-1990s



In Italy, there has been a clear reduction of industrial conflict since the early 1980s. This trend has continued during the 1980s and early 1990s, with some cyclical movements. In its ground breaking work, Franzosi (1995) explained both qualitative and quantitative patterns of strike activity in post-war Italy in terms of economic, institutional and organizational variables. During the period 1991-2 there was an increase that reflected in part grass-roots disagreement with the tripartite pacts signed by peak organizations. After 1993, both conflict indicators re-gain their decreasing trend. This change reflects two things: the moratorium in firm-level bargaining contained in the 1993 pact and the consensus arising from the 1993 social pact. Hence, while workers had perceived the 1992 incomes policy as purely concession bargaining pact, where confederations had subordinated the interests of workers to their role as political actors, they also acknowledged the benefits obtained through the 1993 pact, and its contribution to stability. Whilst the number of workers participating in strikes has decreased without interruption during the 1980s and 1990s, the number of conflicts has increased since 1996.

Legitimacy is another, mostly, intangible and implicit term in the exchange, as well as a good produced by the pacts that follow from this exchange. Usually, signing a social pact including all major social partners serves as a legitimating mechanism of executive policies. Although this source of legitimacy is secondary and mostly complementary to the electoral mechanism, it nonetheless substitutes for it under exceptional conditions (technocratic governments in Italy in the early 1990s, social pacts in Spain during the transition to democracy). Legitimacy not only flows from organised corporate actors to the government, but also from the government to these actors. Hence, in situations where industrial relations are created, legitimacy is a critical term of the exchange underlying the consolidation of actors (Traxler 1990)³⁵. In this case, legitimacy not only flows from corporate social actors to the government; it flows between unions and employers, as well as from the government to them.

Accordingly, legitimacy becomes particularly important under two conditions. Firstly, in situations of creation or radical transformation / re-configuration the of industrial relations systems. Secondly, in situations of political exceptionalism, as well as when a change in the executive takes place. Chart 4 shows these different junctures for Italy and Spain during the last two decades.

³⁵ See also Traxler (1997).

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Chart 4: Legitimacy Flows in Exceptional Junctures. Italy and Spain 1980s-1990s

	Tripartite Social Pacts	Bipartite Inter-Confederal Agreements
Italy		
<i>Political Exceptionalism</i>	1992-1994: -participation of trade unions and employer organisations legitimates technocratic governments, and the economic adjustment The participation of trade unions has legitimated their role as political actors	
<i>Change in Executive</i>	-1994 (Technocratic to right-wing). Failure of negotiations for pension reform and budget laws de-legitimate government action) -1996 (Technocratic to centre-left) The tripartite <i>Patto per il Lavoro</i> , together with the 1998 <i>Patto di Natale</i> serve to legitimate the new executive -2001 (center-left to center-right) the new executive tries to legitimate itself through the tripartite (programmatic) <i>Patto per l'Italia</i> , that was not signed by CGIL	
<i>Creation / overhaul of industrial relations</i>	1992-1994: -A tripartite pact is necessary in order to legitimise the new configuration of power relations within the system. -Through a tripartite pact, legitimacy goes from both sides of industry to the other, but the public authority provides legal means to enforce the terms of the new configuration	Bipartite agreements in order to set the new conditions for legitimate representation at firm level and new articulation of collective bargaining
Spain		
<i>Political Exceptionalism</i>	1976-1982 Tripartite Pacts were necessary to legitimise the new democratic governments after the dictatorship.	
<i>Change in Executive</i>	1996 (Left-wing to right/centre wing) Tripartite agreements and government defence of bipartite cooperation and social dialogue in order to reform the labour market have served the legitimise the government	
<i>Creation / overhaul of industrial relations</i>	1976-1982 State intervention is necessary for: -legally legally the agreement	Bipartite agreements serve to legitimise reciprocally each actor
	1990-94 Failure of negotiations to reach tripartite social pacts, de-legitimise the Socialist government, thus worsening its political situation	Bipartite agreements in the period 1994-96 serve to de-legitimise the 1994 labour market and collective bargaining reform imposed by the government and render it ineffective
		Bipartite agreements serve to set the new conditions for negotiation and representation at the several levels of the collective bargaining system 1997 Collective Bargaining Reform: serves to re-legitimate the role of Spanish confederations in collective bargaining

Source: Own elaboration

During the last two decades, we can find several instances where the critical legitimating role was played by policy concertation in Italy and Spain. Firstly, note the

legitimizing role played by social pacts under circumstances of political exceptionalism, the years following transition in Spain and Italy's post-Tangentopoli for example³⁶. In both cases, executives looked for actors' support, in circumstances under which the possibilities for these executives to undertake radical institutional and economic reforms were bleak. Secondly, this mechanism becomes even more apparent in cases of change of government, especially when a right government takes power (Crouch 1998). This would provide an explanation as to why policy concertation has taken place even in the absence of friendly governments, Spain being a case-in-point, as tripartite policy concertation has been revived only (through the negotiation of issues separately, though) under a right-wing government, thus helping this to achieve absolute majority in its re-election. Similarly, the legitimacy component of policy concertation was also critical in provoking the fall of the first Berlusconi government due to the absence of a tripartite social pact and the firm opposition of the unions.

Institutionalised policy-making participation and integration

An important non-monetary compensation consists of providing trade unions with privileged access to, and decision-making powers in, policy-making. The exchange in Italy and Spain in the last two decades has also had a participation component, i.e., union concessions in exchange for enhanced participation in policy-making and institutional design (Molina and Rhodes 2002). It is precisely when concertation involves the distribution of concessions and sacrifices rather than surpluses (as has tended to be the case for the 1980s and 1990s) that these *procedural* topics gain in significance. These offer to social partners the opportunity to exchange political and organisational privileges as compensation for material concessions, thus augmenting the probability of building a compromise, even when there are no possibilities for financial compensation. On the other hand, these privileges give corporate actors the opportunity to affect other regulatory reforms, but only those that have an indirect distributive impact (or at least, to avoid some policies with a negative distributive impact).

Terms of exchange consisting of offering trade unions and/or employers enhanced participation in policy-making through either of the two above-mentioned mechanisms have the effect of enhancing the political role of corporate social actors. Accordingly, it is an acceptable term for unions whose pursuit of revitalization is anchored in their political action

³⁶ As pointed out by T. Treu (*Il Sole 24Ore* 4-8-1992), the tripartite agreement of 1992 gave the government the necessary consensus to carry out policy measures for macroeconomic adjustment. As a matter of fact, it was for this reason that the technocratic government decided to shift from bi-partite to tri-partite agreements.

(as was the case for Spanish unions in the 1980s or the Italian confederations in the 1990s). The use of this term in political exchanges for reaching a social pact, is both a compensation traded by the government, but also a policy resource, that serves three main objectives of executives. Firstly, it serves to legitimate executive policies. Secondly, in some policy arenas, it serves to enhance its effectiveness. Finally, it serves to moderate market demands of unions, not only because this can be one of the trade-offs of a tripartite agreement, but also because the participation of trade unions in national policy-making provides them with a long-term, all encompassing perspective on the external effects of their collective bargaining actions, so that they can internalise them. In this vein, it would work as a functional equivalent of an encompassing organisation. For this reason, acceptance (or willingness for) of this type of compensation responds to a political strategy of trade unions.

Italian executives used this resource during the 1990s as trade unions were willing to accept forms of institutionalised participation as compensation for concessions made during the 1990s pacts³⁷. In particular, instead of ad-hoc incomes policies pacts, they pursued an institutionalisation of their role as economic policy-makers. This –together with the critical juncture of the early90s, as well as other concessions, for instance, the direction of reform of collective bargaining– can explain why CGIL (a priori contrary to social pact negotiations including concessions consisting of moderating their market action) accepted to sign the two pacts, in spite of strong grass-roots opposition. By contrast, CISL did not face such strategic dilemmas, as participation in these types of pacts was part of its union logic of action.

Accordingly, there was agreement among government exchange resources and union strategies, in that, not only unions were willing to accept this type of compensation in order to improve their political role, but it was also in the interest of governments to do so in order to reach cooperation. On the other hand, by including unions in national policy-making in regard to income and fiscal policies, the state wanted them to internalise the constraints on policies under the new framework and especially to internalise the constraints on wage policy. In other words, it corresponded to a government strategy of involvement of trade unions in national macroeconomic management particularly with regards to incomes policies.

Differences in the character and the terms of the exchange underlying the Spanish experience, has not led to either greater institutionalisation of the policy-making role of unions,

³⁷ Italian executives were well aware that they could not provide financial resources and could not commit to medium term employment increases in order to gain cooperation of unions for wage moderation. Accordingly, the exchange had to move around the concession of policy-making privileges (*Il Sole 24 Ore* 24-7-1994).

nor their integration³⁸. First of all, by escaping from exchanges between their political and collective bargaining roles with the government, by means of prioritising collective bargaining action, trade unions have pursued a strategy of negotiation within political autonomy'; under these circumstances, the strategy of political institutionalisation did not enter unions' plans. This was partly possible thanks to the process of converging political strategies between CCOO and UGT. On the other side, neither the PSOE nor the PP executives allowed an enhancement of the institutional role of social partners.

The only field where trade unions have become more institutionalised has been industrial relations. Some of the bipartite agreements signed between unions and employers have led to the creation of institutions. This is the case of the agreements on '*Formación Continua*' (Permanent training), '*Solución Extrajudicial de Conflictos*' (Out-of-court solution of labour conflicts), and '*Prevención de Riesgos Laborales*' (Health and Safety at work) which have created permanent bi-partite institutions. But also, the agreements on substitution of labour ordinances (1994), as well as the three agreements of the 1997 labour market reform, established temporary, follow-up bi-partite bodies for issuing recommendations on the effective application of the terms of the agreement as well as to assess its effects.

4.2 The procedural dimension of the exchange: How the terms are exchanged?

Most studies equate the existence of political exchange with the negotiation of an encompassing tripartite social pact, where the terms of exchange are more or less visible and explicit. Nonetheless, negotiation of public policies can occur in very different ways (section 2), and so also the underlying exchange.

Accordingly, several avenues of change in the way in which political exchange takes place have been opened by the changes in policy concertation reported in section 2. First, the axis of negotiations as well as exchange flows between actors. This has been especially true in the case of Spain, due to the increasing relevance of bipartite negotiations. During the 1980s, the main axis was around the exchange between government and unions (see above), while the exchange between unions and employers' organisations was implicit, based on an employers' commitment (supported by the state) to increase employment in exchange for improvements in the rents of capital as well as the minimization of industrial conflict. But the intervention of the executive with its resources was indispensable for reaching agreements. In the 1990s, together

³⁸ This form of political exchange was nonetheless used by governments during the 1990s as trade unions wanted to institutionalise their role both as collective bargaining and political actors (Prieto 1993).

with the increase in the sphere of autonomous negotiation and regulation of unions and employers, there has been a shift in the axis of bargaining towards an increasingly important exchange between these two actors. Concomitant with this shift, there has been a qualitative modification of the exchange (Sanguinetti 1999: 52), which has been increasingly focused around positive sum cooperation games (cooperation within the industrial relations system), instead of the zero sum games that characterise exchange relations in collective bargaining.

Tripartite negotiations in 1990s Italy, still play a critical role for reaching cooperative policy outcomes, thus implying for this country a greater role for issue linking-based political exchange. Nonetheless, there is an increasing focus of exchange around employment creation and the improvement in its conditions, with unions creating the conditions for a reduction of industrial conflict and imposing wage moderation, and employers committing themselves to re-investing profits and thus creating more employment. This has been explicitly sanctioned in the 1996 and 1998 tripartite agreements. Nonetheless, these agreements were only possible thanks to government intervention.

Note also that these exchange relationships between unions and employers' organisations have taken place not only at national level, and that the regional level (mainly in Italy) as well as the micro-level have gained relevance as an exchange locus. In fact, peak-level dialogue between unions and employers' organisations in Spain, has focused on framework regulation, and more specifically, on the creation and strengthening of lower level institutions where the micro-exchange has very often consisted at higher and more stable employment against wage moderation (Escudero 1997; Alós and Jódar 1996)³⁹ and controlled increases in wage differentials (Lope and Alós 1999: 229). For the Italian case there also exists evidence pointing in this direction. Hence, the less conflictual approach existing in labour relations at firm level rendered it a privileged locus where the interests of both employers and unions come together in the form of an exchange between wage improvements and forms of functional flexibility (Accornero and Di Nicola 1996; Checchi and Flabbi 1999). On the other hand, the process of regional concertation initiated in Italy in 1993 and re-enforced in 1998 has also helped to develop forms of exchange at this level.

Finally, we can distinguish between political exchange within a pact (issue-linkage within a package deal) or political exchange between pacts. By the former, I mean the type of exchange underlying policy concertation around tripartite package deals, where in order to

³⁹ Based on the analysis of 1600 collective agreements in 1996, Simón (1999: 200) observes the existence of a micro-exchange between net employment creation and wage moderation.

reach the cooperative outcome each actor introduces a series of concessions, and receives a series of compensations in policy fields which are not necessarily related. By the latter, I mean the existence of a political exchange that is not sanctioned through a package deal, but is implicit in the negotiation of different agreements, or even without an agreement being signed.

In Spain, the shift from tripartite to bipartite forms of policy concertation, as well as from the negotiation of encompassing social pacts to negotiations focused on very specific issues has provoked a shift from an explicit pattern exchange in the 1980s, to an implicit one during the past decade. Hence, after 1994, trade unions and employers decided to cooperate in the reform of the collective bargaining system in order to avoid the social conflict derived from the application of the 1994 reform and the abolition of labour ordinances. Trade unions conceded on moderate wage increases as well as agreeing to contain industrial conflict in exchange for cooperative functional substitutes for the unilateral reform of the labour market. Although no agreement was signed, the recommendations for collective bargaining issued by national confederations of labour and employers in 1994 and 1995 reflected this implicit exchange. Similarly, the 1997 labour market reform contained an exchange between agreements. Hence, employers allowed for a reform of collective bargaining in line with union interests (AINC) as well as the introduction of incentives to reduce temporality in exchange for a reduction of dismissal costs (AIEE).

Instances of exchange between pacts have also existed in Italy; the 1992-93 pacts provide a good example. Whilst union confederations accepted several concessions in the 1992 pact, they were compensated one year later in the 1993 tripartite social pact. This can explain why trade unions accepted this pact, in spite of strong grass-roots opposition the contents of the 1992 incomes policy agreement. The 1993 pact permitted them to institutionalise their participation in national policy-making, whilst at the same obtaining a reform of collective bargaining in line with union interests.

The procedural dimension of the exchange is of utmost importance in so far as it determines the cooperative outcome of inter-associational conflicts, and by extension, the type of goods produced by the exchange. Hence, in these forms of tripartite exchange with strong state intervention, where exchange takes place within social pacts, inter-associational conflicts are resolved in the form of zero-sum games. On the other hand, inter-associational conflicts resolved through bipartite negotiations where the exchange is usually between pacts, tend to lead in the medium term towards cooperative relations adopting the form of positive sum games. Roughly speaking, Italy (at national level) would be a case of the first, whilst Spain

would conform to the second type of relations. As a matter of fact, bipartite relations in Spain have tended to persist, and have led in 2001 and 2002 to two inter-confederal agreements, where, not only are there common trade union guidelines for collective bargaining (as was the case from 1994 on) but also common union-employer guidelines.

4.3 The temporal dimension: the end of Inter-temporal Exchange

Tripartite social pacts on incomes policies during the 1980s both in Italy and Spain included compensations to unions that, for the most, implied an inter-temporal exchange, i.e., '*scambio differito*'; whilst unions moderated their collective bargaining demands at that time, they usually were compensated with commitments to increase employment in future periods, or with future regulatory interventions (Pizzorno 1978: 278)⁴⁰. This temporal asymmetry characterised political exchange in both countries in the early 1980s. This was a major cause of the abandonment of policy concertation and crisis of Italian and Spanish unionism during that decade.

As a matter of fact, the instability of tripartite policy concertation à la 1980s, (i.e., focused around incomes policy pacts with short term distributive contents) lies precisely in the fact that it is burdened with an inter-temporal collective action dilemma where realizing macroeconomic goals through wage moderation means providing a collective good now, whilst most of times compensations take the form of commitments for future employment creation. The acceptance of this type of pacts by trade unions during the early 1980s in both countries proved to be harmful for their legitimacy and representation.

By adopting an approach on policy concertation which focused on regulation instead of distribution and bi-partite instead of tripartite negotiations, union confederations in Spain moved away from this inter-temporal form of exchange. In fact, the failure of PSOE's failures to negotiate a social pact in 1991, 1992 and 1993 were triggered by unions' opposition to an exchange between wage moderation and future re-investment of profits and thus employment creation⁴¹.

Unlike their Spanish counterparts, Italian unions entered into the negotiation of incomes policies agreements in the early 1990s. Nonetheless, they tried to avoid the inter-temporal

⁴⁰ To the extent that more short-term realisable compensations existed, they only entered the exchange as a term in order to compensate trade unions for the acceptance of this temporal asymmetry. In other words, they worked as secondary concessions that would compensate for the inter-temporal character of the primary concession. Examples of this were the allocation of greater financial resources to unions in Spain.

⁴¹ See *Diario de Sesiones del Congreso*, num. 6, 5-8-1993, p.128-171.

conflicts brought by this type of agreements in the 1980s, by a) obtaining different concessions, in particular, greater participation in national policy-making, and b) making incomes policy agreements take the form of long-term incomes policy by means of institutionalising procedures.

5 Conclusions

Political exchange characterised the negotiated experiences of response of European economies to the 1970s economic crisis (Pizzorno 1977), thus allowing these economies to reach the cooperative equilibrium (although precarious) in terms of the distributive problems posed by this adjustment. In a way, political exchange provided for southern European economies a functional alternative to the neo-corporatist institutions that allowed other European economies to reach a similar cooperative policy outcome (Scharpf 1991). This is why it was associated to the politics driving negotiated adjustment and consensual incomes policies in southern European countries, i.e., Italy and Spain in the late 1970s-early 1980s (Regini 1985; Roca 1990, Zaragoza 1990). The negotiated adjustment and the underlying political exchange served to bring down inflation rates which were above average. The similarities in the characteristics of the early 1980s exchange reflected a convergence in two crucial factors: union strategies and the relevant policy conflicts. Thus in the early 1980s unions in Italy and Spain verticalised their action, pointing towards a deeper involvement in the political and policy-making scenario. Similarly, the main policy conflict consisted of moderating wage increases in order to reduce inflation. The characteristics of negotiated adjustments and by extension, of political exchange in that period, were triggered by the interaction between these two inputs. Given the lack of appropriate neo-corporatist institutional and organisational mechanisms, political exchange had to occur within tripartite package deals, through issue linking.

With the change in economic and political conditions, as well as trade union strategies in the last decade, negotiated adjustments have exhibited a metamorphosis, with Italy and Spain following different mechanisms in order to reach the cooperative policy outcome. These changes have accordingly been accompanied by changes in the defining traits of the underlying political exchange. Rather than collapsing in the 1990s environment, political exchange has evolved with the above-mentioned mechanisms and changes in negotiated adjustments, and has remained the key mechanism allowing the Italian and Spanish political economies to reach cooperative policy outcomes. Chart 5 summarises and compares changes for Italy and Spain.

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Chart 5: *Predominant Characteristics of the Exchange: Italy and Spain in the 1980s and 1990s*

	Italy		Spain	
	1978-1990	1990-2001	1978-1986	1987-2001
Terms of Exchange				
-Distributive vs Regulatory	Distributive	Distributive and Regulatory	Distributive	Regulatory
-Consensus and legitimacy			Consensus of unions serves to legitimate the first democratically appointed governments	Bipartite agreements between unions and employers have served to legitimate each other before the changes in the system of industrial relations. Consensus and lack of conflict
-Participation in national policy making	Did not enter the exchange	Critical term of the exchange	Important for the institutionalisation of a new industrial relations system	Has not entered the exchange
Forms of Exchange				
-Main Axis of exchange	State-organised corporate actors	State-organised corporate actors	State-organised corporate actors	Unions-Employers
-Multi-level exchange	Has not existed	Increasingly important: specialisation of tasks	Has not existed	Not relevant
-Between vs Within Pacts (Implicit vs Explicit)	Within Pacts	Within Pacts	Within Pacts	Between Pacts
Temporal Dimension of the Exchange				
-Intertemporal Exchange vs contemporaneous	Inter-Temporal	Simultaneous	Inter-Temporal	Simultaneous

The evolution in the politics of negotiated adjustment from the 1980s to the 1990s has had some common traits in these two countries, but has also exhibited disparities. Similarities in this evolution came mainly from pressures exerted by changes in economic conditions and the economic framework that, by setting new policy priorities and constraints on actors' available resources and courses of action has tended to affect political exchange in Italy and Spain symmetrically. First, actors no longer enjoy the same capacity of exchange over the same resources; executives can no longer use social spending as a form of increasing social wage in exchange for, say, wage moderation. Trade unions realise that wage moderation is a necessary condition for employment growth under the new macroeconomic framework, and so they cannot bargain so strongly over wage moderation. Finally, employers argue that under the new macroeconomic conditions, full of uncertainties and shocks which are exogenous to the system, they can no longer commit to higher employment in exchange for wage moderation and thus an increase in firms' profits. Accordingly actors have shifted their strategic capacities from an intervention in a short-term exchange over distribution of resources (pure distributive bargaining), to ***their participation in institutional reform in an attempt to affect the direction of the change*** (participation in regulatory reform).

Secondly, trade unions have learnt from past experiences that the costs of participating in negotiations over adjustment policies, which imply short-run costs concentrated on their constituencies (very perceptible) together with long-run benefits which are dispersed and affect only marginally single individuals, are harmful to their interests. On the contrary, bargaining over institutional reforms is less costly since the consequences of the terms of exchange in the agreements are only visible in the long-run, and its effectiveness depends on its interaction with other institutions. In this vein, political exchange in the Italian experience has strengthened trade unions because they have obtained organisational benefits. Nonetheless, as Carrieri (2003: 55) points out, this outcome has not been reached through a coherent trade union strategy, but through day-to-day piecemeal adjustment.

In a macroeconomic framework where the only variable of adjustment in the hands of national economies is wages, the passage from demand-oriented to supply-oriented policies is the only alternative for sustained employment growth. Accordingly, the passage from negotiations based on a short-term exchange of resources, with a demand-oriented character, to a bargaining focused on framework setting and institutional fine-tuning with a more supply-oriented perspective becomes the most suitable way to reach a high employment performance path.

Notwithstanding these common trends reported in Italy and Spain, the political environment, together with the geometry of policy conflicts and strategies of actors (particularly, of trade unions) can account for perceived disparities between the Spanish and Italian processes of exchange. Hence, the political emergency of democratic transition in Spain, together with a higher unemployment rate and a process of deep industrial restructuring and almost economic transition, made negotiated adjustment in Spain wider in scope, thus impinging upon the terms of the exchange. The overhaul of the Italian political system in the early 1990s had a similar effect on the characteristics of negotiated adjustment (and so on the underlying politics) compared to Spain.

In a similar vein, even though political exchange has played a key policy co-ordination role in the experiences of adjustment of Italy and Spain, (which lacked institutional mechanisms of governance appropriate for cooperative adjustment), differences in the type of policy conflicts requiring cooperative solutions, together with the different strategies of trade unions have introduced differences in some of the dimensions of the exchange. Wage moderation and the distributive bargaining of the 1980s made necessary in both countries state-sponsored forms of co-ordination with similar politics and exchanges. Wide social pacts (package deals) provided trade-offs by including several policy areas.

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During the 1990s state-sponsored (Italy) and bi-partite self-coordination (Spain) allowing political exchange to occur has also been a crucial pre-requisite for reaching cooperation, although it has developed differently: while state intervention in Italy, by means of providing compensatory organisational privileges to trade unions and a greater say in the negotiation of adjustment, became a pre-requisite for wage moderation, this has been attained in Spain through autonomous bi-partite union-employer relations in the political and collective bargaining arenas. Thus, for instance, wage moderation has required innovative exchanges in both countries, that have also had an asymmetric impact on other policies and performance.

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