

# *Social Partnership in a Midlife Crisis*<sup>1</sup>

Brigitte Unger

Vienna, July 15, 1996

## **Introduction**

Since the late seventies considerable changes have affected the economic, political and social conditions of social partnership action. Growing uncertainties resulting from an ever-more interdependent world economy, the end of high growth rates, increased unemployment, the erosion of homogenous interests, etc. have given new fuel to the question as to the decline of corporatism for some time now. Most recently, incisive external changes in social partnership are being underscored along with watchwords such as “internationalization” and “globalization”. Along with internal undermining tendencies of the system, e.g., the calling into question of the existence of chambers and the declining degree of the organization of labor unions, there is the question as to what survival potential and what future social partnership will have.

Even if it is not without a certain irony, when I as a woman endorse an institutional arrangement hardly amenable to women (to put it lightly), such as Austrian social partnership, I would like to state that in the following I will assume that social partnership is both economically and socially desirable and worth maintaining. A look at the Norwegian and Swedish example of corporatist control shows that social partnership does not necessarily have to be a purely male alliance.

I consider the myth of the “death of lobbies”, the myth of the “dispensability of lobbies” and the myth of the “political deficit of lobbies” (Prisching 1996, p. 212) to be false assessments in the public debate. Systems based on social partnership are institutional arrangements and as such they are generally robust, slowly adapting to changed conditions, and only change drastically under very extreme shocks (cf. Unger/Van Waarden, in print). They have had a significant stabilizing function and have contributed to extensive adjustments. I, by contrast, argue that there is a “limited perception of the problematic on the part of lobbies”. They often see problems one-dimensionally as monolemma and tend to blend out all alternative action from political perception. Changed circumstances, as we are today experiencing, however, allow different interpretations. Whereas, for instance, the Norwegian labor unions were caught up in the dilemma of having to decide between the alternative of joining the European Union or not, Austrian labor unions were not confronted with this problem. In a monolemma there is no alternative of decision, but only one clear path. This path leads to Brussels.

Austrian social partnership was founded after the war (e.g., the wage-price agreement in 1947, the Joint Commission was founded in 1957) and is now some fifty years old. It is undergoing a sort of **Midlife Crisis** which can be characterized in the following way: a) the best times are over (one boasts of the past), b) widespread fears of faltering potency (in view of progressing

---

<sup>1</sup> For valuable references and assistance I would like to thank Wilfried Altzinger, Daniel Eckert, Georg Kovarik, Reinhard Pirker, Joseph Schmee, Berta Schreckeneder and Franz Traxler along with the friendly staff of the ÖGB-archives, Ms. Scher and Mr. Novotny.

internationalization one perceives one's own impotence), c) these fears are glossed over by a flight forward (leaving the family and finding someone younger in Brussels).

In the following I will try to show that corporatist systems tend to perceive certain problems only in a limited way. Using globalization as an example I will show that the changed international conditions can also be interpreted in a different way than is presently the case in Austria. Such an interpretation could show that it is less economic constraints that reduce the scope of action for social partnership than a perception conditioned by psychological, historico-institutional and political factors to the effect that the social partners only have limited political options.

I do not want to insinuate in the following that there have been no relevant changes in the economical conditions of action based on social partnership in the last decade. The liberalization of finance markets, the European Union, the opening of the East, for instance, represent enormous changes in the realms of action (cf. Unter 1993). However, in this paper I want to concentrate on changed patterns of perception in Austria. In the process I want to show how the changed international conditions can also be interpreted in a more optimum way. If, in my account, the wave of internationalization is depicted as not being so relevant, then the reason is that the impotence of the social partners to act is overestimated in Austrian debates.

## **I. Changed Conditions of Action Based on Social Partnership**

I have reported in depth on the changed economic, social and political conditions of action based on social partnership in the eighties in *Kurswechsel 1990*, together with Karl Hinrichs. The most important factors which we listed as contributing to a weakening of the labor side included:

- 1.) Growing internationalization
- 2.) Greater uncertainty given the increased tempo of transactions
- 3.) Instability in the structure of branches, which makes collective bargaining agreements more difficult
- 4.) The "end of mass production" making the markets more susceptible to fluctuations (cf. Salbel 1982) and increased flexibility demands directed to the employees.
- 5.) New, quickly changing technologies, which makes plans of qualification demands and adequate formal training patterns ever more difficult.
- 6.) Heterogenous manpower, which makes a (unified) labor union lobby and orientation to an "abstract" employee (without professional and company identity) ever more difficult. (cf. on this Streeck 1989, p. 26ff.)
- 7.) Weakening of the labor associations. Since business associations have always had a more heterogenous composition than labor associations (see Traxler 1987) and in many countries business associations only assume a consulting function in the elaboration of collective wage agreements (Van Waarden 1992), the former are less affected than the workers' associations.
- 8.) Markedly lower growth rates which aggregate distribution conflicts, for which status quo oriented arrangements of partnership are less suited.
- 9.) The departure from Keynesian economic policy - in part due to the emerging structural weaknesses of a purely demand-oriented policy represents a clear paradigm shift in the economic political scene. (Scharpf 1989)

10.) The departure from an offensive employment policy and the resulting growing unemployment implies a weakening of the position of labor in the corporatist negotiatory processes.

11.) The “dissolution of the socio-moral milieu” and the “individualization of life states and life stories”.

12.) The growing fragmentation of the labor market in a “core” of employees sitting on “secure” labor and an increasing number of working persons whose employment stability and continuity is seriously endangered, has significantly contributed to a more “focused” definition of collective interest. (For more detailed considerations on this see Hinrichs/Unger (1990), pp. 7-10.)

For Austria the following items should be added to the list compiled at this time:

13.) The decrease in employment in nationalized industry with companies that traditionally had strong labor unions has considered to a lower degree of organization in labor unions.

14.) The weakening of the two large parties and the emergence of a third large party in Austria can be interpreted as an institutional shock “from within”. Social partnership was traditionally conceived for two parties - a big coalition - with the party members having strong ties to their camp. Through the dissolution of ties to a particular political camp and the emergence of a third large party such traditional patterns of negotiation are being shaken. It is no coincidence that precisely this third party tries to saw away at the columns of social partnership, as the abolishment of obligatory membership in Austria’s chambers, recently demanded by the Austrian Freedom Party (*Freiheitliche Partei Österreichs*) shows.

## **II. Institutional Shocks - the new Challenges of the Nineties**

In the nineties the type of shocks with which social partnership systems are confronted has significantly changed. Whereas in the seventies and eighties, mainly the demand shocks (e.g., fluctuations in demand in the federalist era given the fluctuations in purchasing power) and the offer shocks (e.g., oil shocks) dominated, the social partners today are confronted with structural, organizational and institutional shocks. The creation of a European domestic market, the fall of the Berlin Wall, along with the opening up of Eastern Europe, the restructuring of companies from national to international firms and corporations, the liberalization of the capital markets, which has resulted in greater speculation in the financial markets, are only a few examples. The growing importance of such new kinds of shocks represents a great challenge for existing institutional arrangements. Arrangements of social partnership are traditionally geared to absorbing demand shocks and have reluctantly gone from “demand corporatism” to “offer corporatism” (see Traxler 1996, p. 25). In this sense they have already ensured great adjustments. As Prisching (1996, p. 212) put it aptly, the myth of a “political deficit of lobbies” is thus a myth “since it borders on the inconceivable” of what social partnership has performed in the past decades. Recently social partnership in Austria has been mainly confronted with two institutional shocks, one “from without” and one “from within”. The institutional threat “from without” can be grasped with the watchword “globalization”, the institutional threat “from within” is to be illustrated with the “obligatory membership of the chambers”.

## **III. The Changed Political Perception of the Social Partners - Illustrated with “Budget Consolidation”**

The perception of political objectives and options does not so much depend from “exogenously given facts” as from what is perceived as a “constraint”. This is in large measure dependent on historical experiences and institutional arrangements (see March and Olsen 1995). The individual, personal preferences and characteristics of politicians and what could be seen as acceptable goals in a society can also play a role. Thus, for instance, homelessness is not tolerated in Dutch society. Even though unemployed and poor persons are seen as “loafers” who stand in contrast to the aspirable diligence of Protestant ethics, it is socially unacceptable to not have a roof over one’s head (cf. Engbersen 1995 who compares the heterogenous social definitions of poverty in Europe.) A “constraint” from without is seen as considerably less “compelling”, if such basic social values are staunchly defended, and it is inconceivable that these social minima are given up.

In Austria and in other countries as well the economic political goals have experienced a clear shift in recent years. The departure from Keynesian economic policy was accompanied by a pronounced shift of the political objectives. Whereas in the seventies the primary goal was “full employment”, this goal became diluted to “high employment” in the eighties and in to an “increase in employment” in the nineties. Whereas in the seventies “solidarity” was an important slogan, in the nineties it was completely replaced by the notion of “efficiency”. Whereas in the seventies, in a time of full employment, one preferred to accept a budgetary deficit which was a few billion higher to having sleepless nights because of greater unemployment, the generally accepted goal in economic policy has become “budget consolidation”.

How is this conspicuous change in course taken by Austria’s social partners legitimized? If one reads the report compiled by the social partners on the consolidation of the budget from September 1995 (first version of the so-called “savings package”) one only learns that now is the right moment for consolidating budget because later is still later. We also learn a number of economic advantages of consolidation. Here the dilemma that all Keynesian arguments presented in the seventies for expanding the budget deficit must suddenly be all forgotten. Even if the conditions have changed, Keynesian demand policy has become more complex, the Keynesian theory still provides explanations for macro-relationships. Instead, arguments against high budget deficits must be presented. This includes all those arguments that were presented against Keynesians by neo-classics and monetarists in the sixties and seventies.

They are characterized by economic liberalism, skepticism vis-a-vis the state machinery, a lot of concern for efficiency and less concern for social issues. These arguments have been put forward by conservatives since the beginning of the “Crowding Out” debate in the fifties and sixties. The left countered with a “Crowding In” debate, arguing in favor of an open economy which higher interests resulting from budgetary deficits are not possible because of sufficiently high liquidity from outside of the country, or higher interests would even lead to desirable capital influx and pressure for revaluation. Furthermore, it was argued that inflation only appears when full employment is given. And last not least, Lorenz von Stein’s century old statement was cited to the effect that a state without state debt is either not doing enough for its future (when it does not build an infrastructure) or is demanding too much from today (if it makes the present generation pay the full tab, even if it is only the next generation which will benefit). The left also warned against consolidating the budget with the “savings paradoxon” which one can find in any textbook on economics. If the state tries to cut expenditures, it checks the economy,

unemployment rises, state revenue declines and thus the state's tax income also sinks. Paradoxically, because of tax losses in the wake of savings measures it has a higher deficit than before (cf. Kratena/Marterbauer/Unger 1988). Instead the report calls for lower taxes so as to allow Austria to hold its ground in tax competition between the states for industries willing to settle in a given country. It does not occur to the advisory board that instead of following suit with Great Britain there is also the possibility of attracting business by refraining from social dumping through high taxes and an infrastructure provided by the state. Moreover, efficiency is promoted by providing public services so as to be able to remain competitive on an international scale. Low taxes, high efficiency (and little social benefits) to attract businesses - this is the bottom line of the report.

The list of advantages of budget consolidation culminates with the sentence 'a quickly and efficiently consolidated budget would ensure that Austria remains a promising future international "enterprise"' (report, p. 11). Austria's social partners thus define themselves as managers in a company! This, too, is part of a conservative turn in politics: the economization of all realms. Politicians now become managers.

With the savings package the social partners proved that they were able to perform their function of "easing the burden of the state" in a very thorough way. No government had been able to legitimize and enforce such unpopular measures (such as a cut in the income of some university professors by 190,000 AS gross, i.e., about a third!) without the backing of the social partners.

#### **IV. Globalization or Ideology of Globalization?**

The spillover of conservative ideology has not just hit Austria but also many other European countries. In this sense no country can evade "globalization" through the media and international policy. Nevertheless, the way problems are perceived in and the unanimous reaction of all lobbyists is unique in Austria.

The fact that given internationalization and globalization (almost) nothing can be done anymore on a national level seems to be undisputed. Almost every interview with a politician, expert or journalist contains, in numerous ways, the explanation that under the sway of internationalization nothing can be done. Regardless from which party he or she (what is less often) being questioned comes, regardless of chamber he or she (which almost borders on the inconceivable) comes from, the arguments are almost identical. A sense of impotence among fifty-year olds has become rampant in the Austrian debate.

Since intransparency prevails in social partnership arrangements, a certain autonomy for the leadership of the association from the members must exist to be able to negotiate autonomously, that is to say, also few democratic base elements are included, since little experience with discourse and no willingness to enter into conflict exist, the institutional shock of the debate of the EU-membership and internationalization had to be processed as inconspicuously as possible. The fact that in Austria there was no counter-position to the EU on the part of labor, no fear of real wages being reduced or of traditional collective bargaining areas being dissolved, the population was not informed on potential disadvantages of the EU, that is to say, there was a perfect EU-monologue of the large parties and lobbies, is unique in an international comparison.

This is to be explained on the one hand by the fact that when a line has been decided on this has to be doggedly adhered to. Why social partnership decided for the uncompromising recognition of the conditions of capital can be explained by the Midlife Crisis sense of impotence. The thus accepted “constraints” were presented to scientists, heads of staff councils, members, media, etc.: We are a small country that does not want to remain behind Hungary. Provide us with arguments in favor of the EU. Alternative positions will not be taken note of, reports on the social consequences will be locked up, EU-opponents will no longer be invited to discuss. Scientists can only think within the given framework of pro-EU, pro-budget consolidation, etc. Of course, the scope of action is very limited under such premisses. Of course, it is also not very stimulating intellectually when the results of thinking are already given. But it is still proof of the fact that Austria ranks top as a corporatist nation in international comparison. The institutional shock resulting from the preparation for the consequences of joining the EU had been assimilated in an exemplary way: unanimity and agreement among the social partners, stability, almost no conflict, just as if nothing had happened.

Globalization was seen as a given constraint. It was probably not analyzed how much globalization and internationalization were now different from earlier years. That with the unanimous agreement to join the EU and the currency union, basic changes would take place in the equilibrium of forces, was however, not acknowledged or addressed. With the issue of internationalization and globalization, the language of capital was also imported to Austria: efficiency instead of solidarity, economic state instead of welfare state, inefficiency of the public sector instead of important businesses and ancillary suppliers for the private sector, to elaborate a savings package instead of fighting unemployment. It was thus an ideology and not constraints that became rampant in the nineties.

I argue that the constraints with regard to internationalization and globalization are overestimated. Thus national options of action are no longer perceived. What we have here is a deficit in political perception on the part of the social partners. The danger is that Austria is becoming drawn into a *circulus viciosus* of globalization ideology. As a result of the perception nurtured by a sense of impotence (“there is nothing we can do about it anyway”) the representatives of the employees anticipantly and obediently follows the options that confirm the thesis of globalization.

#### **IV.1. Some Facts Opposing the Thesis of Globalization**

Globalization does not take place in one direction, but in waves. Globalization tendencies are accompanied by counter-tendencies. It is a mistake to believe that international trade continues to expand, that work is becoming increasingly fast and is more often commuting between countries, that economic policy is becoming increasingly impotent, and that the social achievements are becoming increasingly less and are ultimately dissolving the welfare state. I do not want to deny that there are trends in this direction, primarily at this moment. I do not want to play down the present dismantling of the social state. I do not want to play down the enormous importance of international finance markets (see Mooslechner 1995 for a drastic account of growing capital mobility). But there are always counter-trends that maintain the system and make an upward movement out of a downward one. Linear progression is not permissible. Historically, convergence and divergence trends can be observed in waves.

As the international debate since the fifties shows, the faith in the convergence of social, political and economic conditions fluctuates between harmonization euphoria and divergence prognoses (for a detailed overview see Unger 1996b). Boyer (1993) shows how the theory of convergence runs in cycles. The old faith in technology of the post-war period was accompanied by the thesis of convergence that the use of the same technology would lead to greater equality. Daniel Bell prophesied the “end of ideology” at the beginning of the sixties. In economy, one believed that the poor countries would “catch up.” The neo-classical theorem on factor price compensation of the foreign trade theory added that salaries, prices, interests, etc. would level off internationally through arbitration. In the seventies there was greater skepticism with regard to the harmonizing effect of technology. Kern and Schumann (1976) showed empirically that technology splits the employees in those who are more higher qualified and those who are more lower qualified. That is to say that different sectors and countries would develop in various ways. In the late eighties and nineties, a faith in harmony prevailed again. Referring to Daniel Bell Fukuyama predicted an “end of history” (Fukuyama 1992). In economy, opinions diverged widely. Whereas great faith in harmony emerged around the Maastricht debate, critics became active in grow and foreign trade theory. Abramovitz, one of the great fathers of modern growth theory warned against “catching up, forging ahead and falling behind” (1986). Dehesa and Krugman (1992) warned against a Europe of agglomeration. From Milan to Copenhagen, Europe at night looks more like a blue banana than like equally distributed industrial sites. The desperate attempt to achieve convergence by means of political agreements from Maastricht than by means of market and economic mechanisms of adjustment between the EU countries, shows that even Delors did not believe in economic theories of convergence. Trends of harmonization and decline exist simultaneously and often alternate in the way they dominate.

Migration flows in Waves. As Sassen (1995) has shown migration is not a given fact but rather culturally, socially and politically informed. It runs in historical cycles both with regard to extent as well as to the final destinations, and does not show a linear increase. Also with regard to labor mobility, such patterns can be noted. Even within the same linguistic area it is three times as high in the United States as in Europe. Nevertheless it is not infinite and fluctuates over time.

For Austria as well, fluctuations can be noted in migration and in mobility of labor. Since 1983, the OECD has reported the following migration flows of foreign workers to individual OECD countries. This shows what great international migration shock Austria had to deal with in the nineties.

table 1: Migration flow of foreign workers according to selected OECD-countries in an international comparison (in 1000)

table 2: Migration balance of Austria 1961-1993 (in terms of thousands of persons)

Tables 1 and 2, as well as the graphic representation of tab. 2, column 1, serve to show that migration takes place in phases. For an analysis of migration movements in Austria, recourse had to be taken to various sources (local registration statistics and censuses, statistics of foreign manpower and unemployed, the statistics of the BMI on persons seeking asylum, recognized refugees and granted residence permits and migration statistics from Germany) given the lack of

uniform Austrian statistics on migration. The balances, too, do not state anything directly about the inflow and outflow of manpower. It can, however, be shown that migration movement in Europe is not systematically increasing. Even the great institutional shock of the opening up of the East will be absorbed again.

### **Foreign capital comes and goes in waves**

As table 3 shows, international trade and competition are an old phenomenon. International competition as foreign direct investments (FDI) through multinational corporations already existed before World War 1. “Hate and love” phases alternated between national governments and multinational corporations. The degree of internationalization (i.e., the share of international investment stock in domestic output) has never reached the level that it had at the turn of the century up through the nineties (cf. Roth 1984 and Bellak 1995). Whereas around 1913, this degree of internationalization amounted to 9%, in the sixties, seventies and eighties, it was about half and only began to increase again markedly in the late eighties and nineties. (see table 3)

### **table 3: The world-wide role of foreign capital**

Share of the stock of  
foreign direct investments  
in world production

Source: UNCTAD-DTCI, 1994, p. 130, cited in Bellak (1995), p. 103.

The liberalization of capital markets (1987) has led to an enormous increase in capital flows with this also taking place in waves:

As the following graphic shows, capital flows from foreign direct investments are suddenly more than five times as large as trade flows since the liberalization of capital markets. This means massive changes as compared to earlier and is certainly the most decisive change. Nevertheless, the dynamic of international capital traffic is not endless. The drastic growth of the FD at the end of the eighties has once again been followed by decline in growth.

Even though we are presently living in an age of “convergence sympathy”, “faith in harmonization” and growing integration, we cannot follow from this that national scopes of action will suddenly disappear. Counter-trends of “divergence” and “regionalization” are also at work and can result in the pendulum swings in the opposite direction. It would mean to throw out the baby with the bathwater, if suddenly “there is nothing that can be done anymore” because of internationalization on a national level.

## **V. The Threatened Structural Conditions of Neo-corporatist Systems in General and of the Austrian Social Partnership in Brussels and in Austria in Particular**

Before I turn to the future of social partnership, I would like to point out some of the traits of this institutional arrangement which seem important to me. This primarily because in the Austrian debate there is implicitly or explicitly a deadlock with regard to the idea that the new tasks of

social partnership will be on a supranational level or as Austria's emissary in Brussels. In a more "modest" form, one hopes that participating in a "social dialogue" will enable Austria to influence the rest of the world in the sense of a social partnership solution (see e.g., Chaloupek 1995, p. 27). In an "omnipotent" form, one is even toying with the idea of "Eurocorporatism", that is, applying the Austrian model of social partnership to Europe (see Marterbauer, no year cited).

### **1.) Social Partnership is a Compromise Between Three Actors**

Neo-corporatist arrangements are typically the result of conflicts of interests and crises in which none of the ideas of the actors can gain acceptance. "Normally they began as second-best compromises which no one really wanted or openly defended. Thus their general intransparency, their unequal distribution and their precarious legitimacy" (Schmitter 1985, p. 27). Neo-corporatism is always a compromise between three actors: the state which actually wants to regulate in an authoritarian way, the representatives of the enterprise who really prefer an allocation through the market, and the representatives of the employees who really want a redistribution of wealth. In neo-corporatism the state cedes certain government powers to the associations, the entrepreneurs are more strongly regulated than in the market and the workers accept a small share of the wealth. But seen in terms of the entire economy, this compromise solution can be superior to a market solution given the fact that there are less strikes and that long-term, predictable planning (see Traxler and Unger 1994) is possible.

The future of social partnership should not, with some restrictions, lie in Brussels but in Austria. This presupposes that institutional changes for Austria are taken note of. In Austria this compromise has become more difficult. In particular, the axis of state employee associations has become weaker. This is visible, for instance, in the fact that the government under Franz Vranitzky, made declarations without consultations with the labor unions, a fact that would have been inconceivable in the Kreisky era. Also the ties between SPÖ (Austrian Socialist Party) and labor unions are less intensive than in the past.

The compromise, however, is still possible, as the joint tying of the "savings package" on budget consolidation showed. This package which involved great financial losses for the employees above all would have hardly been possible without the social partners. In spite of the fact that the package was put together by the social partners, the largest demonstration of the post-war period took place with over 50,000 participants.

In Brussels, this compromise would not be possible, with restrictions. since even if it had been clear who the actors are, none of the three actors would have been willing to or capable of compromising (see balance conditions under item 4).

### **2.) Social partnership is a repeated game of negotiations**

"Since neo-corporatism does not meet any of the actors' preferences, but contains elements of all, it depends on explicit and repeated inter-organizational negotiations." (Schmitter 1985, p. 37)

In game theory terms, social partnership can be seen as a way out of the prisoners' dilemma through repeated game. The suboptimal result of a non-cooperative, no-win game can be improved either through cooperation or through repetition of the game. A typical prisoners' dilemma are class struggles where either high wages and low profits and growth or low salaries and high profits and growth can be obtained. In a one-time game, each player would want to get a maximum for himself. In a repeated game a higher output could be an advantage for both (for a game theoretical interpretation of the political events of the nineties, see Matzner 1996).

To maintain the willingness of all participants to negotiate, negotiations have to take place more often. Especially in times of great uncertainty the conditions of negotiations change drastically, however. In game theoretical terms, the states of the world change, which makes a repetition of the same game impossible. The uncertainty whether negotiations will be repeated in the future is much greater in Brussels than in Austria where alone the personal continuity of negotiation partners serves to reduce uncertainty.

### **3.) Social partnership maintains the status quo**

“Neo-corporatism is both conservative by reflecting the existing ownership and power relationships and transformative by exposing them to explicit and repeated repetitions.” Schmitter 1985, p. 137)

The conservative, status quo maintaining character of neocorporatist arrangements has often come under attack from both the left and the right. The right criticize that social partnership in the interest of capital lulls the workers and does not have enough of a class struggle element. The right mainly criticize that it does not respond flexibly enough to market demands and that its effect is “structure petrifying”.

If Austrian social partnership would continue to succeed in maintaining the status quo, it would have an important future task of securing stability and absorbing international shocks. However, the position of the workers would be weakened, if there were suddenly no increase in income to be distributed with high growth rates, but rather constant income, if there were no increases in public subsidies but rather cuts to be distributed, as for instance in the case of the savings package.

The status quo in Brussels with regard to average income and social security lies below that of Austria. Austrian social partnership claims that it will maintain the country's standard in Brussels. How? On these problems see 4).

### **4.) Social partnership only functions when there is a certain balance of power relations among the three actors**

Compromises between the three actors are only possible when a certain balance of power relations exists. “Labor and capital must mutually back each other, each strong enough to uphold the other, through organized collective action, from asserting one's own interests directly through social control and/or economic exploitation and each too weak to assert his own interests

indirectly through the state through one-sided manipulation of state authorities.” (Schmitter 1985, p.36)

The balance of power relations has shifted in recent years in Austria clearly to the detriment of workers and in favor of capital. In Brussels this imbalance is even more evident.

#### **4.1.) The state should neither be too strong nor too weak**

If the state were strong and autonomous it would not need the associations to “ease the burden of the state”, as e.g., its information and implementation capacities. Instead of a system based on social partnership a “budgetary” one would emerge, as we can see, for instance, in France. If the state, by contrast, is not autonomous enough due to the hegemony of capitalist interests, instead of social partnership arrangements market forces and entrepreneurial interests would prevail. The United States and Great Britain are typical examples of countries with a strong lobbyist orientation. Neither in budgetary nor in market economy countries are market relationships between organized class interests and the state apparatus well balanced enough to enable neo-corporatism.

Historically the Austrian state has fulfilled this condition. As a small, neutral country, Austria is predestined to delegating state activity to associations. It is not by chance that it ranks top in neo-corporatism. (see Schmitter 1975)

Brussels, by contrast, does not fulfill this condition. The Europarliament, even if its value is to be enhanced, is lacking the “European” citizens (Bogdandy 1993). The EU budget is much too low to take care of “state activities”. As Schmitter (1992) stated Europe will become a political construct that never existed historically. In any case it is a structure without a central “head”. It is thus no state which the associations whose function was to “ease the burden of the state” could appeal to.

#### **4.2) Labor must be strongly and well organized**

For the labor to be accepted by business associations and the state as a partner in negotiations, it must be structured adequately. This implies that labor has a monopoly of representatives, a high degree of organization and centralization, effective possibilities of sanctions for disciplining their members and a certain autonomy vis-a-vis their members.

The Austrian labor unions have had to accept a marked reduction in the degree of organization over the last decades. Whereas in 1970 (adjusted in terms of persons entering retirement) around 62% of the workers were organized in labor unions, in 1990 it was only 46% (see table 4). The unadjusted degree of organization in labor unions is higher, but at the same time it also shows a clearly downward trend.

table 4: degree of organization in labor unions

adjusted \*=  
unadjusted=

(Source: adjusted, see Traxler 1994 \*) percentage of labor union members to labor adjusted, of non-working members, such as retired persons, etc. unadjusted. ÖGB-members statistics, Economic and Social statistical Manual, various years and the author's calculations. See also the following graphic.

In spite of an above-average loss in membership in international comparison, the Austrian labor unions show a high degree of organization and centralization. Thus in 1988 the (adjusted) degree of organization in Austria was 58.2%, whereas in the EU of the largest countries GB, F, D and I it was only 40%, and a sum total of 51.6% in the EU-average (c.f. Traxler 1995, p. 171). On a European level, a strong organization of the heterogeneous labor wage agreements is considerably less probable. (see Keller 1995)

#### **4.3) Capital must be weak and amenable to negotiations**

The interests of the business are much more heterogeneous than that of labor which is mainly interested in higher salaries and employment. Even though each enterprise seeks to maximize profits, a large construction firm has other ways to achieve this goal than a small shoemaker (for a contrary view see Offe and Wiesensthal 1979). Firms differ in terms of size, product range, sales markets, capital intensity, internal organization and decision-making. Their interests can even be diametrically opposed (van Waardeb 1992b, p. 526). For instance, a construction firm will be for low import duties on steel, which is a cost factor for it, whereas a steel firm, by contrast, will be for high duties and prices on imported steel which is a competition product for it.

It is thus considerably difficult to organize a heterogeneous management and to find it willing to negotiate than labor. In Austria the historically conditioned lack of big capital and the related weak capital side was a significant reason for organizing small and large companies in associations and for the willingness of the workers to negotiate (see Traxler 1988).

Business is considerably stronger elsewhere in Europe given the existing big capital than in Austria. Big corporations regulate their work relationships themselves. On the European level labor unions often lack the business side for negotiations! (see Schmitter 1992, Traxler and Schmitter 1995). For this reason the idea of a "Eurocommunism" is naive.

#### **5.) Social partnership is most likely to be found under the following conditions (for the following list, see Schmitter 1985, p. 45f)**

Macrocorporatism is to be found wherever class hegemony is no longer a realistic option (e.g., in countries where social democratic parties are strong), where there is no strong rift within the classes (e.g., where interest groups are not split by religious, ethnic or ideological conflicts), where the state is not very strong, i.e., in small, neutral countries or in large ones that were defeated and in countries exposed to strong pressure from the outside, e.g., a high degree of openness of the economy.

Whereas Austria fulfills all the conditions of macrocorporatism, none of these criteria is met in the EU. In labor and management the EU shows religious differences (as strong Protestant countries as the Netherlands and strong Catholic countries such as Austria), a strong North-South divide, it is not a small neutral country and a more closed economy than Austria. The degree of

openness (measured in terms of exports + imports)/2 in percent of the gross domestic product was an average of 27% per year between 1990 and 1993 in Austria and only 22% in the EU-15. 64% of EU-trade was within the EU itself, with about half of the trade concentrated on the key countries (group 1 and 2) (cf. table 5). The EU-peripheral countries (Greece, Italy, Portugal, Spain and Great Britain) are, in terms of trade, in a “less integrated” position than the rest of the world. Only some 20% of the EU-15 trade takes place with them. The common “outside threat”, the “sitting in the same boat” of capital and labor, which Katzenstein (1985) saw as being so crucial for corporatist countries, is lacking for developing a sense of “we” in Europe.

table 5: Degree of openness of the economy and trade relations in the EU

(average 1990-1993)

(Exports + Imports)/2

in percentage of gross domestic product

in percentage of total trade of a country

Source : IMF, Direction of Trade Statistics OECD, Arrowsmith 1995, p. 88.

Group 1 includes those countries which form the core of the monetary union. Group 2 includes those countries which rank middle, group 3 the peripheral countries. The last 2 columns add up, rounded off, to 100 percent.

## **VI. The Position of the Social Partners: Flight forward, i.e., Brussels**

For a very appropriate account of the position taken by the Austrian social partners, in particular of the position of the labor lobby which differs substantially compared to other European countries, see Chaloupek (1995). The discussion in Norway and the opposition of Norwegian labor unions in comparison to the EU-monologue being conducted in Austria demonstrate various discourse options that exist even in social partnership arrangements. For a critique of Austria’s EU-phoria see Weissel (1996).

The Austrian argumentation can be formulated as follows in exaggerated terms. Here the fraternizing “we” stands for “Austria” in compliance with the Austrian diction which reflects a desire for consensus.

1.) We became a member of the EU because we were actually already part of it. On the one hand, we have for a long time followed EU-guidelines, now we are able to help design them. On the other hand, international competition limits us this way or the other (see Chaloupek 1995, p. 26).

2.) We will join the European monetary union, since we are already part of it anyway. And since the European monetary union means really only two changes: it excludes high state deficits and devaluation of currency, that is, options the Austrian government and social partners never considered to begin with. It would thus make no sense to speak of a “loss of autonomy” through joining the EU and the monetary union (see Chaloupek 1995, p. 26). Sometimes this point is also legitimized in a different way. Through the monetary union nothing changes, since we already have something like a monetary union through the hard currency policy with Germany. (Note this false confusion of a fixed exchange currency system with a monetary union - a confusion which

seems almost to exist only in Austria and even among experts such as Breuss 1992). For various options of action in a monetary union and a fixed exchange rate system or a hard currency policy see Unger (1995). In a monetary union there are no possibilities to employ the exchange rate or the fear of devaluation as a disciplinary instrument. Even fiscal policy is weaker. All of adjustment rests on wage policy!

From the perspective of social partnership, there is unanimity with regard to the inventory and outline of its future prospects.

3.) The future of Austrian social partnership lies in Brussels. Even if the social partners underscore their reduced influence on a national level, their weakening, on an international or supranational level they seem to feel stronger. In a more “modest” vein, the social partners are envisioned “as an extended arm of Austria, as an interest group representative of Austria in Brussels” (see Novotny, 1991 and 1994). In a more “bold” vein, it is hoped that participating in the “social dialogue” will allow Austria to influence the rest of the world in the direction of solutions based on social partnership (see e.g., Chaloupek 1995, p. 27). Austria’s social partnership as an emissary of the welfare state. In an “omnipotent” form, some even toy with the idea of a “Eurocorporatism”, that is an application of the Austrian model of social partnership to the rest of Europe (see Marterbauer, no year). The future assessment of the Austrian social partners thus seems to have something in common with what Sigmund Freud referred to as the Austrian psyche: a fluctuation between a minority complex and megalomania.

Such argumentation remains weak when it comes to explaining how this strong influence of the social partners whose position is weakened within the country is to be exerted on an EU-level. Hochreiter and Handler (1996), for instance, argue that a sort of adjusted model of social partnership could be deployed on EU-level based on the Austrian version, if adequate institutional conditions could be found for this (see Hochreiter and Handler 1996, p. 16). Chaloupek (1995, p. 27) place their trust in the likelihood of a “development of the presently existing particularist lobbyism at least in the direction of a certain centralization.”

Is the future of social partnership in Brussels only wishful thinking? The “position paper on selected issues related to the government conference 1996” presented by the advisory board for economic and social issues on the topic of perspectives of social partnership on a European level contains in any case a long list of wishes - addressed to whom?

First it is stated how limited the possibilities for participating in the social dialogue actually are. Since it is only possible to contribute to very concrete issues, it is not possible to put together larger packages of measures. A “scambio politico” (see Schmitter 1974), a political exchange is thus not possible! Then it is not demanded that the social dialogue be expanded not only to issues related to labor but also to social and economic policy, the internal strengthening of the European associations, the development of an autonomous political profile of the social partners vis-a-vis the EU-organs and the creation of strong central associations.

## **VII. Austrian Social Partnership given the Disequilibrium of Forces - Some More Recent Examples**

The main problem of Austrian social partnership lies in a shift of power relationships between capital and labor. Whereas capital is strengthened by “internationalization” and a politically conservative turn, the labor side is weakened by internationalization and a decline of members. A package which is well-balanced in the sense of social partnership can only be negotiated when negotiation partners with an equally strong threatening potential sit face to face.

### **VII.1. Capital becomes “stronger”**

The most important threat of social partnership seems to me to be a shift in the equilibrium of forces. Capital has become “too strong” and labor “too weak” through liberalization of the capital markets and through political changes. Austrian entrepreneurs are suddenly toying with international capital. The fear of workers becoming radicalized has decreased since the fall of the Berlin wall and opening of the east. Thus there are now once again business is making more massive demands. For instance, entrepreneurs have recently demanded an extension (!) of (week) work hours to 45 hours.

Hairdressers refuse to conclude collective agreements (interview Legner, 7.25.1996). The labor union section of the hairdressers has traditionally been poorly organized. The degree of organization in the sector of small businesses is 12%. 97% of the employed are women. There have repeatedly been problems in negotiating collective agreements. The last wage negotiations took place with an additional stipulation on a time limit. The new increases set down in the collective agreements were to be an average of 3.8% as of 1.1.96, and then there were to be further negotiations. The labor side has since then been procrastinating further negotiations. On May 13, 1996 the negotiations were blocked by the federal guild, which claimed that its members had no authority to negotiate. Such incidents have existed before. What seems to new to me though is the fact that the federal master of the guild Franz Pfister turns to the public with demands such as “abolishment of the vacation and Christmas money”. The leadership of the entrepreneurs, by contrast, has kept itself in the background. The federal guild refuses to conduct further negotiations. The unions countered by offering the public free hairdressing services on June 3 at Viktor Adler Platz in Vienna, two weeks later in Linz and one week later in Innsbruck. The labor conflict had not been resolved by July 1996. In the cosmetics sector, there had been no new wage agreements since 1992. Negotiations are also becoming increasingly difficult among metal workers. It is any case striking that conflicts on the lower level are no longer resolved internally but rather in public and that the chamber of commerce adopting a policy of wait and see.

It is also striking entrepreneurs pay less taxes in spite of increased income. As Otto Farny (1996) aptly showed, Austria is already a paradise of low tax rates. With the 1988 tax reform, American principles of tax rate reduction were also strived for in Austria with the introduction of the assessment basis (by eliminating tax benefits). The corporation tax rate was reduced from 55 % to 30% (later raised to 34% again). Thus companies are taxed less than in the United States (New York 39,9%), the Netherlands (35%) or Belgium (39%). With the 1993 tax reform, the trade tax, inheritance tax, and the special tax of banks was abolished altogether (Farny, 1996 p. 61 and p. 72). With regard to taxing of property Austria thus falls below the level of Turkey to the lowest rank of the OECD (see Farny 1996, p. 74). The already low tax burden is complemented by tax evasions and tax debts. The evasion of sales tax and invested income tax is estimated at about 40 billion shillings by Farny. The still open tax debts amounted to about 54 billion shillings in

September of 1995, with 24 billion still being recoverable and the remaining amount irrecoverable (Farny, p. 80f).

Whereas between 1988 and 1996, the undistributed profits of corporations rose by 95%, the enterprise taxes on earnings and property have only risen by 38%. In comparison, the level of wage tax rose in this period by almost 50% in spite of numerous tax reductions (Farny 1996, p. 82). It is obvious that the capital side is becoming more flexible in evading potential financial burdens, the political side is giving capital more forthcoming treatment and that this is to the detriment of the workers. In the discussion that keeps flaring up in Austria on taxing the 13th and 14th wage month (in the meantime this has calmed down again) it should be taken into account that the 13th and 14th wage month were historically conceived of as compensation for a more flexible tax structure of enterprises for workers. The tax structuring for enterprises has become more flexible in the nineties than ever before. Capital no longer fulfills its tax obligations.

## **VII.2. Labor becomes weaker**

Labor has not just become weaker due to the ever-stronger capital side and the drastically reduced number of members. Institutional changes, too, have also been detrimental to labor. Austria's labor unions were once the only ones in the world which could bargain not only the nominal wage but also the real wage. The wages were controlled by the wage subcommittee, and in the price subcommittee prices were set down. For price increases in a number of products the entrepreneurs had to submit an application to the price subcommittee. As Nowotny et al. (1978) stated, already in the late seventies a marked weakening of price regulation competence took place in the wake of increased imported goods for which an application was not obligatory. The study found that market prices lay well below the prices approved which could be explained by evasions by means of discounts, etc. Rosner (1983) argued that the price subcommittee never had a price control function. Nevertheless, the price subcommittee was a central part of Austria's economic and social partnership. It was abolished at the beginning of the nineties and remodelled as a "price and competition committee", which did not process any applications for prices. Now there were only branch-related consultations on sales development, future prosperity, import shares, price development, etc. of the branch. The competition committee meets about once a month, whereas the price subcommittee convened weekly (interview Kovarik, 7.18.1996). Some of the functions of the early price subcommittee are now assumed by an independent arbitration committee which is located in the ministry of the economy. In the past, so-called *Gleitklauseln* (flexible clauses?) according to which companies with public clients could raise prices in the case of wage increases were approved by the price subcommittee, and passed on to the parity commission when an agreement could not be achieved. The independent arbitration commission now assumes such tasks. In this commission the ministries have stronger leverage than in the joint commission.

Given the fact that the committee convenes considerably less often, it can be assumed that communication between the social partners is substantially reduced. With regard to the price control, the unions suffered considerable losses in influence. First, a reduced effectivity of price application approvals through import goods and discounts, then the abolishment of the obligation of having to submit an application for price changes. Thus the unions can no longer set down the real wages. This means substantial inroads into their scope of action since the seventies. The high

real wage flexibility in Austria could be controlled to a much greater extent through control of nominal wages and prices than in the case that there was only an instrument - the wages. The Austrian unions have oriented themselves on average productivity and inflation rate in wage negotiations, they have also actively give shape to them. Both from the aspect of cost pressure, given moderate wage demands, and the aspect of demand, given moderate approvals of price increases, as well as from the monetary aspect given the possibility of having a say in the committees of the central bank.

Here it must be stated that the planned economic and monetary union means one further step in the direction of weakened unions. The task of the fixed exchange rate system and the transition to a unified currency means that the exchange rate is no longer available as a potential instrument for averting crises. Even if none of the social partners in Austria wish devaluation, the exchange rate can still serve as a potential threat and a fill-in for crises. A threatening devaluation is a disciplinary instrument both for labor with its fear of inflation and real wage losses and for business with its fear of profit losses. In an economic and monetary union the exchange rate policy is no longer necessary. The budget consolidation demanded by Maastricht paralyzes a second presently existing instrument for warding off crises: fiscal policy. Thus there only remains a third instrument for absorbing shocks: wage policy. The entire burden of adjustment is placed on wage policy in a monetary union. A monetary union thus represents a significant institutional shock and should be accepted as such by the social partners and not played down (see Unger 1995). The monetary union moves wage policy more to the fore than ever before. But also wage policy will change dramatically. For, as Schuberth and Wehinger (1996) stated, the entire wage bargaining process will thus change. At present, unions orient themselves on the Austrian inflation rate. But what economic objective should serve as orientation for a monetary union? The average EU-inflation rate which will be markedly higher than the Austrian one? The resulting wage agreements could be disadvantageous in competition for Austria which has now become a region and lead to a further increase in unemployment. Or should the unions orient themselves according to the amount of money targeted by the EU instead of following an inflation goal? Or should they continue orienting themselves according to the Austrian inflation rate even though it cannot be controlled nationally, having become a sort of regional inflation? In the future one will have to consider what dimension nominal wage demands should be oriented according to and what this means for real wage flexibility.

A further “debilitating element” of labor is the increase in illegal workers. In Holland one uses bread consumption to estimate the number of illegal workers which is markedly higher than that of legal workers. In Austria the increase in accident statistics on the second day of working shows that entrepreneurs increasingly tend to employ illegal labor. If an illegal worker has an accident then he is retrospectively registered by one day (not on the same day, for this could result in checks). In accident statistics this has led to a marked increase in accidents on the second day of work (interview Kovarik 1996). Precarious and illegal employment conditions evade collective bargaining agreements and increase the danger of wage dumping.

### **VIII. Social partnership is robust - the chamber polls as a most recent case**

In spite of the shift in power relationships it is a myth to speak of the “death of social partnership”. Institutions are robust and fairly enduring when it comes to survival. This is also true for Austrian social partnership. Recently they were radically threatened “from within” by the

calling into question of obligatory membership in the chambers. For “the Austrian chamber system is a central piece of social partnership” (Prisching, 1996, p. 95 and Traxler 1987) and without obligatory membership there are no chambers. Every worker is a member of the workers’ chamber, every free-lance person a member of the chamber of commerce. To abolish this would amount to the end of the Austrian model of finding consensus. This existential threat of both systems came mainly from those political forces which had hardly been represented in it before and see themselves as belonging to a new “opposition culture” (cf. Pelinka 1989 and Prisching 1996 p. 115).

In the spring of this year the members of the chamber of commerce and the chamber of labor were asked whether they support the maintenance of their respective chamber. The results clearly show that the foundations of Austrian social partnership are not so easily shaken.

The chamber of commerce directed the following question to its members in February of 1996: “Are you for the maintenance of the chamber of commerces with their guilds, committees, trade groups and professional associations as a common legal interest group for all entrepreneurs.” The A participation of 36 % in the poll corresponded to the the normal participation in elections in the chamber of commerces. Of the 116,800 valid votes, 81,7% voted for maintaining the chamber. (see table 5)

The members of the workers’ chamber were asked a similar question in the first half of this year. In May and June of 1996 the members of the workers’ chamber were asked: “Are you for the workers’ chamber continuing to exist as a legal lobby of all workers?” The poll was a considerably more delicate matter, since the work done by the experts of this chamber for the members is less transparent. In particular the questioning of the workers’ chamber clearly shows the system-maintaining characteristics of Austrian social partnership. Whereas the questioning of entrepreneurs involved the normal (low) participation of members, the participation on the part of the workers’ chamber was clearly above normal. The participation in the vote of the AK in 1994 was 29% in 1994, whereas in the poll in 1996 it was almost twice as high, at 57,7%.

The realization of the poll in the chamber of labor shows that considerable forces were mobilized for it. In Vienna, for instance, the following activities took place. From May 6 to June 15, 1996 about 1,100 Members of the chamber of labor visited Viennese companies and polls were carried out in the companies. In companies with 50 workers up, the poll was supported by the staff councils and staff representatives. In addition, so-called “flying” commissions were active in smaller businesses with 3 and more employees, distributing ballots and ballot boxes. About 13% of the 57,7% participation in Vienna took place through the “flying” commission. Whoever did not take part in this first phase of the poll received a poll card in the mail which he or she could also send back to the chamber of labor.

In comparison to the chamber of labor elections it is striking that a large part of this poll took part in companies. This could also be proof that business was also interested in a high participation in the poll. Business, above all smaller companies, know that they need the chamber of labor for their concerns. Without the chamber of labor there is also no chamber of commerce. Business must have thus been interested in a positive outcome of the chamber of labor poll!

table 6: Poll results regarding the maintenance of the chambers 1996

	eligible to vote	votes casts	% participation
valid votes	YES	votes	% YES

chamber of commerce

Austria  
of this Vienna  
chamber of labor  
Austria  
of this Vienna

Source: Press source of the Vienna Chamber of commerce and my the author's calculations, as well as approximations

### **IX. The Future of Austrian Social Partnership**

The future of Austrian social partnership is not to be found in Brussels but in Austria. Social partnership is a national arrangement and national realms of action should be used more in the future. On a supranational level, the disequilibrium of forces is too large for social partnership arrangements. As an "emissary of the welfare state" they certainly have an important moral function in Brussels, but their political function is limited.

Social partnership should primarily remain related to Austria. With growing uncertainty, a package of measures are more promising than single measures (see Unger 1990). Thus the perception of social partnership functions on a macro, meso and micro level (e.g., through company agreements) and the interlocking of levels is assuming greater importance.

On the macro level the demands have become greater. In particular with regard to internationalization, the status quo-maintaining and petrifying effects of social partnership, however, take on a new meaning for a small country. An upward movement in the internationalization wave means growing uncertainty, greater fluctuations in output and employment, quicker reactions and more intense overreactions of the economic subjects given the greater mobility of financial capital, real capital and labor. This, however, also means that crises can appear too quickly and too drastically, what entails in particular high social costs. Social partnership can have a buffer effect on these excessively high and too quick fluctuations.

Social partnership structures thus become all the more important for a small country in view of growing internationalization so as to protect it against extreme external shocks.

The stability-ensuring function through absorption of international shocks which is becoming increasingly important for small countries must thus take place on the macro level and on the meso level. On the macro level, it ist still important to reduce short-term fluctuations in output and employment by creating a climate of "trust" and of "consensus". That this will become more difficult in the future is undisputed. However, as the chamber poll showed, institutions prove to

be considerably more stable than economic processes. This means that at least on a mid-term basis the macro economic, crisis-absorbing, stabilizing function of social partnership will be maintained. As compared to less, or not at all, corporatist countries, at least Austria's relative advantageous position remains in terms of a stable climate.

The orientation of wage policy will assume important strategic importance in the future. The wage policy of the ÖGB was oriented in Austria on average productivity. As Schreckeneder (1994) studied, the change in real wage between 1968 and 1993 at 2.75% was very close to the change in total economic labor productivity at 2,64%. A high real wage flexibility will be even more important in the future, but at the same time more difficult. In a monetary union wage policy will have to bear the whole burden of adjustment to international shocks (Unger 1995). The question as to which target wage policy should be oriented according to will thus assume central meaning also in terms of real wage flexibility.

On a **meso level**, sector-specific demands will also be important in the future. In addition to wage political aspects, mainly structural demands will be decisive. As a comparative study on steel, car and tool machine industry showed, corporatist structures have the advantage that they facilitate orientation after long-term calculuses of action. They can create conditions for economic action, through short-term adaption processes, which, in the long run, prove to be suboptimal for structural change, less "awarding" and thus more unlikely (for instance, in the realm of education, research and development there can be an undersupply through the market) (see Traxler/Unger 1990).

On a **micro level** new demands arise given growing destandardization and heterogenous labor interests. With the "end of mass-production", orientation after an "abstract worker" (without professional and company identity) is become increasingly problematic, since production-related labor interests move to the foreground and since these can be very ununiform in companies (see Hinrichs/Unger 1990). The heterogeneity of interests can only be found on a micro level. At the same time feedback with the central office is to be reinforced, total union goals are still to be reached and the threatening potential of a centralized organization is still to remain.

The main issue should remain how Austria can continue to follow its "Austrian way." A high level of employment (e.g., maximum 2% rate of unemployment), a satisfactory distribution of income, ecologically acceptable businesses should be a point of departure for offensive considerations. Instead of defensively chasing after the alleged constraint of internationalization (i.e., the interests of capital), offensive strategies of breaking away from undesired effects of internationalization should be considered. EU-measures should not be as restrictive, so that they do not allow any national field of action. In issues related to the social realm, the national autonomy of tax and expenditure structures of the budget, national fields of action remain even within a monetary union. As long as perfect capital and labor markets do not exist, as long as we have an economy of imperfections and adjustment delays, adequate margins for a social economic policy remain.

If social partnership is to remain an an economic and social partnership even in the future, it is also important to recognize new focuses of economic policy in time. An important prerequisite is perceiving problems as such. Joining the EU, the monetary union, NATO and the future all mean

massive institutional shocks. It is not true that nothing has changed, as some “visionaries” of social partnership would like to lead us to believe. And it is also not true that nothing more can be done.

It is important to reduce the “deficit in perceiving problems on the part of the social partners” in the future and to thus once again enlarge their scope. A conceptual aid is the idea of the tetralemma borrowed from Indian logic which Matthias Varga von Kibéd dealt with in a lecture (see Unger 1996).

### *Tetralemma*

neither one nor the other	view from the outside
the one	the other
both the one as well as the other	

Four alternatives of decision should be examined: one, the other, both the one as well as the other, neither one nor the other. In addition, the problem at hand should be viewed once again from the outside, to see it is relevant anymore. In connection with budget consolidation, this could be formulated as follows: Should the budget be consolidated now with high social costs of savings? Should it be consolidated later with high interest payments and debits for the following generation? Should it be consolidated both now as well as later? Should it not be consolidated and should we simply trust in countries not going bankrupt? Or does the problem lie elsewhere? For instance, that the budget is only a hidden element of a turn in economic policy towards conservatism and should therefore other goals be aimed at? The horizon of perception would certainly be clearly expanded by an approach based on the tetramma model. There would then be five ways leading to the future instead of only one leading to Brussels.