Political Transitions and New Socioeconomic Bargains in North Africa*

I. Introduction

High unemployment, inequality, and anger at corruption fueled the popular revolts that brought down the authoritarian regimes in Tunisia, Egypt, and Libya. Despite a GDP growth rate in Tunisia of 4.6 in 2008 and 3.0 in 2009, unemployment was alarmingly high. Youths’ unemployment was estimated at around 30% during those years with a national average of 14%. Regional disparities in employment and poverty within Tunisia were distressingly high. The revolution began in the impoverished interior of the country. Meanwhile, prior to regime breakdown Egypt suffered from high unemployment, extensive poverty and corruption, high inequality and inflation. At least 16% of the population lived below the poverty line, official unemployment rates averaged around 9% in the last 30 years, with a spike to 22.5% in 1995 and an average of 11% in 2010. Inflation has hovered around 10% in the last 30 years. The conditions in Libya were not better with 17% of the youth unable to find employment and inflation reaching 12% in 2009. Problematically for North Africa, the transition has exacerbated these challenges.

A complete transition in North Africa will require more than free and fair elections. In addition, there is substantial evidence that these accomplishments must be supplemented by another type of concertive effort: national-level bargaining to achieve some sort of socioeconomic pact that is acceptable to different segments of the population. New socioeconomic bargains legitimize emerging democracies and temper—through a shared-growth, inclusive economic policy-making approach—the volatile conditions of economic crisis, exploding demands, and social conflict.

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2 This refers to Tunisia, Libya, and Egypt the North African countries that meet a minimal definition of a democratic transition—the holding of elections in which the outcome is in doubt.

Ibid.
that often characterize the early period after the breakdown of authoritarian regimes.

National level social bargaining and compromise among the major groups in society is necessary because the socioeconomic pacts will require economic and social policies, which pull in contradictory directions. On the one hand, they need to have the consistency necessary for a viable economy, able to function without constant crises and achieve some economic growth. This partly entails reassuring business interests that a goal of the transition is to insure a healthy business environment including limiting claims that would seriously damage efficiency or outrun productive capacity. On the other hand, economic and social policies have to answer enough of the expectations of the politically aware groups in society to gain and hold their acceptance. This means satisfying workers, farmers, the marginalized, and various salaried groups that their demands for compensation and social justice will eventually be met.

Central to the necessary group compromises will be the institutionalization of representation rights and bargaining mechanisms to enhance the role of organized intermediaries in economic and social policymaking, i.e., neo-corporatism. In order to contain explosive social conflicts in the new context the state probably has to include collective actors in the making of fundamental economic and social policy decisions. Employer associations and trade unions must recognize each other’s rights to act autonomously in defense of their respective interests and to be present at multiple levels of consultation, from the shop floor to macroeconomic policymaking. Typically new social pacts forged through neo-corporatist policy-making and institutions expand beyond wage negotiations to include social welfare policies that can protect the poor and improve the conditions of the marginalized in the informal sector as well.

Without national concertive efforts that result in new socioeconomic pacts governments in transitional settings that are navigating conditions of economic crisis will likely respond to exploding demands in an ad hoc fashion combining capitulation to the demands of protestors with selective repression. The results typically overwhelm national budgets and threaten future economic growth and social peace.

The concertive attainment of a new socioeconomic pact and the institutionalization of neo-corporatist economic and social policy-making offer a way out of the reactive cycle of demand and commitment that threatens economic growth, long-term social peace, and democratic consolidation in North Africa. Neo-corporatism, as it has in other countries, can help North African transitional societies overcome explosive social conditions and conflict. This paper will be organized in the following fashion. The next section summarizes the theoretical literature on corporatism. The second section discusses the preconditions for successful corporatist arrangements. The following section surveys the successes and failures of corporatist practices around the globe. Then the discussion turns to corporatist legacies in North Africa. The paper concludes with recommendations on how to institutionalize neo-corporatist arrangements and strike new socioeconomic bargains as part of an effort to consolidate democratic politics in North Africa.

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5 Ibid.
7 Ibid
As an ideal type, corporatism refers to a form of interest representation that directly links social economic organizations in civil society—centralized, monopolistic associations representing labor, business, and other functional categories—with the decisional structures of the state. These peak associations of organized interests operate largely autonomously in their respective fields, but unite with each other and the state in national-decision making bodies committed to class harmony and national unity. Corporatist interest representation can be distinguished from pluralist interest politics that is characterized by numerous groups within single categories, competing for influence over policy domains within a neutral state.

Corporatism is usually sub-divided into state corporatism and societal corporatism. State corporatism is dominated by elites within the state, who may have even created the functional organizations. State corporatist practices are usually found in authoritarian regimes. Modern examples include Spain under Franco, Peru under Salazar, and many countries in the Middle East and North Africa in the post-independence era.

Societal corporatism, in contrast, is characterized by the spontaneous, gradual development of interest groups, and consensual and voluntarist arrangements. These interest groups effectively penetrate the state as much as being penetrated by it. Societal corporatism is associated with democratic regimes with modern manifestations emerging initially in northern and central Post-World War II Western Europe. The Great Depression was the main impetus for this corporatization of interest representation. According to Phillippe Schmitter, societal corporatism was related to certain imperatives of capitalism to reproduce the conditions for its existence by incorporating subordinate classes into the political process through concertive efforts that improved their material conditions within a still growing capitalist economy.

Along these lines in the literature, advocacy of corporatist interest representation centers on explanations for why capitalist democracy, counter to the predictions of Marxian class analysis, can survive for extended periods of time, even in the face of acute and prolonged economic crises. These explanations focus on the role of the state in effecting and maintaining class compromise between capitalists and labor through institutions and policies that improve the material conditions of both class actors and garner their consent to the political and economic system. In other words, workers consent to the institution of the private appropriation of profit by owners (even though the labor of workers is the main reason for the profit) and capitalists commit to democratic institutions, (including societal corporatist institutions and collective bargaining) through which workers can effectively press for material gains. The role of the state consists in institutionalizing, coordinating, and enforcing the terms of the compromise that represents the preferences of both workers and capitalists.

The macroeconomic core of democratic class compromise rests on establishing mutually acceptable aggregate rates of investment of profit, maintained at levels that ensure that the material standards of living of both workers and employers increase over time. In order to guarantee satisfactory rates of investment, regardless of short-term fluctuations in profit, the democratic state offers a series of legal and material inducements and constraints. In terms of capital, “state mediated or enforced measures include regulating rates of interest and exchange, tax on profits and or capitalist consumption, investment tax credits and low-interest loans, depreciation allowances, differential taxation of capital gains, lower import and export duties for raw materials and finished goods, legal restrictions on capital flight abroad, surcharges, fines, and other incentives and disincentives that help spur employers’ interest in pursuing high rates of saving out of profit, which is essential for fulfilling the structural terms of the compromise.”

For workers state inducements and constraints include cost of living allowances, temporary leave programs, guarantees of job security,

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10 Schmitter, op. cit.
11 Ibid
12 Ibid
insurance and pension plans, etc. More generally, the compromise for labor includes certain basic rights of association and monopoly representation awarded to their collective representatives, all these measures are designed to mitigate wage militancy and promote wage restraint. This institutional network fostering labor consent in capitalist democracies also includes policies relating to wages, industrial relations, labor disputes, social security, promotion of equal rights, occupational safety and health, protection of migrant workers, conditions of work, participation in the process of economic and social planning, inflation control, vocational training, and environmental protection. For both workers and capitalists, state inducements and constraints to foster class compromise and legitimate capitalist democracy include public goods and services, cost of living allowances, social security and other welfare benefits, low interest mortgage rates and or public housing, ceilings on

14 Adam Przeworski and Michael Wallerstein, “The Structure of Class Conflict in Capitalist Societies,” American Political Science Review, Volume 76, NO.2 June 1982,
15 Ibid
17 Ibid
18 Ibid
19 Ibid
20 Ibid
III. Preconditions for Successful Democratic Societal Neo-Corporatism

Given the assertion that societal corporatism can help surmount the most difficult challenges facing capitalist political economies while contributing to democratic consolidation, much of the literature discusses the conditions for the success of corporatist policy-making. Organizationally, centralized and monopolistic class associations are key, “if there are any lessons to be gleaned from analogous efforts by consolidated political democracies at pursuing incomes and other ‘concerted’ [neo-]corporatist policies, it is that success depends on the presence of authoritative, monopolistic, and centralized class associations sharing a high degree of consensus about macro-economic goals.” Without monopoly power, encompassing union movements, and centralization, neo-corporatist interest mediation is more likely to face rank-and-file revolts due to member dissatisfaction. Members may hive off from hierarchic peak associations to follow more specialized and independent courses of action; engage in unauthorized collective action (wildcat strikes, opportunistic breaking of group rules); question peak association leaders as spokesmen and challenge them in court; form and vote for opposition slates; or leave the organization altogether. Class mobilization may occur if peak association leaders are unresponsive to membership and so tied to their privileges that they weaken their associations bargaining potential. Workers may turn to political parties or social movements to represent their interests limiting the chances of successful bargaining and compromise among various socioeconomic groups in society.

In addition to centralized, authoritative, and monopolistic interest associations, corporatist policy-making success is also tied to cultural preconditions. In Europe corporatism, as opposed to the neo-corporatism discussed here, was tied to feudalism. Corporatist theorists in 19th and early 20th century Europe contended that class harmony and organic unity were essential to society and a part of Europe’s cultural heritage. “Looking backwards to the mutual rights and obligations of presumably united [European] medieval estates, they proposed a social and political order based on functional socioeconomic organizations in civil society, operating largely autonomously in their respective fields, but united with each other and the state in sectoral and national-decision making bodies and committed to maintaining the functional hierarchy of an organic society.”

Historical and cultural antecedents of corporatism in the Arab world include medieval and pre-modern Islamic political theory that treats the state as analogous to the human body with parts that work together harmoniously. The concept of one community of Muslims, the umma, is inherently hostile to conflict and emphasizes the harmony of brotherhood through submission (Islam) to God’s will.

An authoritarian state’s corporatist institutional legacy is the third precondition commonly noted in the literature for societal neo-corporatist policy-making success under democratic auspices. In an analysis of democratic consolidation and neo-corporatism Spanish, Omar Encarnacion argued:

“This analysis emphasizes the following state structures and institutional legacies as the critical variables in determining a favorable environment for social acceptance of concertation at the juncture of regime transition to democracy: first, a corporatist culture with a predilection for policy mechanisms of class compromise and accommodation; second, a bureaucratic apparatus with well-established patterns of administrative capacities over both capital and labor; and third, a framework of industrial and labor relations that embodies an institutionalized context of social control, dialogue, and representation.”

The Arab world possesses all three preconditions for societal neo-corporatist success. It possesses the amenable cultural heritage. State corporatism, the vital institutional legacy, was widely implemented in the post-independence period; and third, the state either created or coopted monopolistic peak interest associations. In addition to these

21 O’Donnell and Schmitter, op.cit., p. 46.
23 Ibid., 269-270.
24 Ibid.
26 Ibid.
27 Encarnacion, op.cit.
three main points, in most Arab countries there is a bureaucratic apparatus with well-established patterns of administrative capacities over both capital and labor. Policy mechanisms seeking class compromise existed before the revolutions. There were frameworks of industrial and labor relations that embody an institutionalized context of social control, dialogue, and representation.

State corporatism developed in the Arab world for similar reasons as elsewhere around the globe. At independence, leaders in the Arab world faced the challenges of state and nation building while they attempted to improve the material lives of their citizens. It was an era in which no ruler could condone wide disparities in wealth nor easily manage severe social conflict. That context led to region-wide state corporatist experimentation.

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The policy matrix in the post-independence Arab world—especially in the Arab socialist republics—targeted workers and peasants through social policies, land reform, and jobs in state-owned enterprises. The masses were mobilized (and controlled) through state corporatist structures, which also provided a base of support for the new authoritarian regimes. State corporatism was frayed by the region’s economic liberalization policies, but still remained a prominent part of government strategy and state-society relations. Thus, Tunisia, Egypt, and Libya, at this current juncture of possible regime transitions to political democracy, have the preconditions necessary to achieve societal neo-corporatist policy successes, which would help contain explosive social conditions and conflict while aiding in democratic consolidation.

Libya has these preconditions to a lesser extent than Tunisia and Egypt.
The modern history of Western Europe validates the potential of neo-corporatist institution building and policymaking to help governments overcome explosive social conditions and conflict. In a number of cases neo-corporatism also helped consolidate fragile new democratic regimes. The two world wars and the economic depression/crisis of capitalism that occurred between them led to post-World War II neo-corporatist solutions and the development of the advanced capitalist welfare state. The successes of these efforts were clearest in the northern European countries of Sweden, Norway, the Netherlands, Belgium, and Austria during periods when democratic socialist parties participated in government. In these countries wage bargaining took place at the national level between highly organized and centralized interest groups, which exerted broad influence on government policy through neo-corporatist arrangements. There were either explicit or implicit sets of political bargains between successive governments and the major interest groups, which effectively provided the context for national wage agreements.

In Norway, incomes policy was stretched to the level of a new socio-economic contract:

"The kombiniert oppgjor enlarged the familiar centralized wage agreement to cover not only industrial wages, but also taxes, salaries, pensions, food prices, child support payments, farm support prices, and so on. All organizations in a position to nullify the deal had access. The principals were committed to the agreement since the bargaining mode of arriving at the package deal implied a unanimity decision rule: parties had to agree before any agreement could be struck."

Implementation of the kombiniert oppgjor agreement was largely the responsibility of each highly centralized interest group.

The social contract aspect of incomes policy in these countries also included, in exchange for wage constraint, compensation in the form of tax deductions, cost-of-living indexation, price controls, special treatment for lower-paid-workers, capital sharing, and workers’ participation in management.

Beginning with the French resistance movement under German occupation in World War II a bargained economic model of shared growth provided major dividends for France:

“A previously stagnant economy, weakened by bitter conflict was in a sense renegotiated by wartime resistance leaders. They were able to gain agreement on extensive nationalization, the creation of a planning commission to introduce more active government direction of investment backed by major public financing, changes in labor legislation to improve conditions for workers, and a new system of social security, all to be put in place as soon as foreign domination ended. It was all put in place, and the economy proved to be much more dynamic for the next twenty years than it had ever been before. The new system in turn grew less flexible and eventually less successful, but that is the fate of all human institutions. Changes that make a significant positive difference for the better part of a generation are not all that common, and not to be disdained.”

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29 Ibid.
31 Marks, op.cit, p. 255
32 Don Schwerin, quoted in Marks op.cit.
33 Flanagan, Soskice, and Utman, op.cit.
34 Sheahan, op.cit., pp. 157-158.
Like anywhere else in the world, the challenge to neo-corporatist policymaking in Western Europe had been how to attain some combination of conflicting goals: (1) constraining wages in order to increase global economic competitiveness and raise national income, and (2) improving the real income of workers, including social policies. Negotiations on wages had to be within norms consistent with the sustained growth of employment and income. In countries with high unemployment and underemployment wages needed to be guided by extra-market decisions because if market forces were left to operate freely, wage-earners would have been left out of rising national income far too long for any possible political acceptance. Wages needed to be raised gradually if national income was increasing, but raising them too rapidly would have stopped growth and worsened unemployment. Western European countries experienced some failures but many successes in working within these parameters. Success depended partly on the actors ability to reach agreement about the country’s macroeconomic goals.

Experimental neo-corporatism in Central and Eastern Europe has been far less successful than in Western Europe. Oustensibly to aid in the tricky transition from communism to capitalism and democracy, tri-partite corporatist bodies were installed in post-communist Czech Republic, Slovakia, Bulgaria, Poland, and Hungary. Formal tripartism began in Hungary in 1989, in the Czech Republic, Slovakia, and Bulgaria in 1990, and in Poland in 1994, “with duly constituted commissions holding regular meetings bringing together formal representatives of the state, trade unions, and employers…” [however, this] façade [was] in no position to bring about the politically stabilizing and economically inclusionary class compromise that was West European neocorporatism’s great achievement.

In 1994-1995 in Hungary, amid calls for a new social pact, the state made a show of conducting broad negotiations then unilaterally withdrew and imposed austerity measures, rendering nascent neo-corporatist institutions ineffective. In the Czech Republic tripartite bargaining often took place outside of the formal institutions for that purpose, The Council of Economic and Social Agreement (CESA). Annual bargaining sessions within the CESA were mainly advisory, with employers retaining significant opt-out power and the government uninterested in enforcing binding labor agreements. In Slovakia tripartite institutions were retained after the 1993 breakup of the country, but meetings were infrequent, the government put little effort into them, and refused to enforce their results. In 1997 the government started ignoring them completely, imposing unilateral wage controls. Nominal tripartism was reinstalled after the next electoral cycle, but did little other than affirm the most basic of labor rights.

In Bulgaria the communist government initiated nominal tripartism in 1989 as a way of managing the transition. The objective was to undermine the independent trade union Podkrepa, which was good at organizing strikes and direct action. The institution rubberstamped radical austerity measures in the early 1990s and then withdrew. It was revived in 1997 with a new government, who again used it to legitimate a new round of austerity. In Poland formal tripartism was hobbled by the lack of support of the Solidarity movement. When Solidarity-supported governments came to power, the official union organization again walked out of tripartite negotiations. By 1999 the neo-corporatist bargaining framework had basically broken down, or had an essentially anesthetic effect on labor without giving workers genuine bargaining power.

Some analysts argue that neo-corporatism was ineffective in Central and Eastern Europe due to the historical legacies of the communist era. Large trade unions organized during the communist era were institutionally ill-equipped to deal with a capitalist environment and were not set up to deliver goods to their members in the new environment. Also, the association with the communist era limited their legitimacy and appeal to new members. Others viewed neo-corporatism in Central and Eastern Europe as policies linked to a desire to “join Europe,” rather than as direct efforts to address internal domestic challenges. Somewhat linked to this notion is the assertion of neo-corporatism as a political shell for a neo-liberal economic strategy.

It should be noted that at least one analyst viewed the literature’s general negative assessment of neo-corporatism in the region as off-the-mark. Elena Iankova highlighted the social peace aspect of Central and Eastern
European tripartism. In times of great political and social uncertainty due to dual transitions, she asserted that neo-corporatism kept the political systems from complete breakdown and made an important contribution to transformation.

Out of all of the global neo-corporatist experiments, Southern Europe, especially the Spanish case, probably most powerfully demonstrates the potential of neo-corporatism to help consolidate a nascent democracy and arrive at new, regime legitimizing, socio-economic bargains. Spanish neo-corporatist success was built upon the calamity of the Spanish Civil War (1936-1939) and state-corporatist fascism, which had resulted from the failure to consolidate a capitalist liberal democracy. One analyst described the broad historical dynamic, "The Civil War was both a product of, and an attempted solution to the historical processes which tried unsuccessfully to implant a capitalist market, a liberal [democratic] state, and a secular culture."

Francoism (1939-1975) gradually eroded during its last 15-20 years. The integration of the Spanish economy with Western nations during that time-span increased industrial growth and transformed agriculture. The economic changes fostered civil society development beyond the reach of the Spanish state corporatist system dominated by the Spanish Syndical Organization, or the Vertical Syndicate. Informal collective bargains emerged between management and producer groups outside of the state corporatist trade unions and business associations. Overtime, the official trade unions were infiltrated and subverted by communist party members and others. New university student movements with different beliefs replaced fascist student organizations. The leaders of the new student organizations along with trade union leaders from locally organized grass-root organizations supplied the political class, which articulated the alternative to Francoism and carried out the mainly peaceful democratic transition.

The Spanish transition to democracy and institutionalization of neo-corporatism occurred from 1977-1984. The background political context was a fear of a military coup during the democratic transition if transition leaders could not demonstrate to the army the moderation of trade unions and left-wing parties. In the foreground during the transition, different governments sought a political formula for integrating a militant working class movement into bureaucratized neo-corporatist trade unions in the mold of the northern Western European countries so that bargains and pacts could be negotiated, which could protect and secure the fledgling democratic regime.

Both formal and informal social pacts contributed to neo-corporatist success in Spain, along with a historical, pre-Franco corporatist cultural legacy. State agencies, trade unions, and business associations lacked strong control over their social basis, but informal pacts helped to overcome this hurdle.

In the formal arena, the Pact of Moncloa was introduced in 1977. The Moncloa pact is widely viewed as the linchpin of democratic consolidation in Spain. It was negotiated by Aldofo Suarez in the Moncloa Palace following his triumph in the 1977 elections, which made him Spain's first democratically elected prime minister. The elite political consensus contained in the 1977 pact served as a surrogate for democratic cohabitation until a constitution was drawn a year later. The constitution stipulates that the government shall make economic policy with the advice and collaboration of the trade unions, employer associations, and other professional and economic organizations, making the Spanish constitution one of the few in the world that refers explicitly to the role of peak associations in economic policy making. The Pact of Moncloa also consolidated the negotiated approach to policy making as a way of confronting the challenge of achieving democratic normality.

The main objective of the initial Moncloa social pact and subsequent ones was a wages policy and setting up an institutional framework for industrial relations and trade union action. In a broad sense, however, the pacts included a wide-ranging package of economic and redistributive social policies that were more or less agreed upon by all the main political forces, with some reservations by class organizations.
A wage band was instituted to curb inflation while making sure that wages would be maintained or increased\(^6\). To compensate workers for their willingness to moderate wage demands, “the Moncloa accord committed the government to a 30 percent increase in investment in unemployment benefits along with increases in spending on education, housing and job training. To pay for these expenses, the government passed a comprehensive tax reform program...that eliminated secret bank accounts, increased the penalties for tax evasion, expanded the finance ministry’s auditing services and introduced a new wealth tax. These measures represented a commitment to create a modern European-style welfare state\(^6\).”

In terms of economic results the socioeconomic pacts in Spain in this period, were most positive in terms of the reduction of inflation\(^6\). Neo-corporatism also assisted economic restructuring schemes such as privatization by providing a consultative process to meaningfully discuss the pace and scope of economic reform\(^6\). Spain’s Neo-corporatist policy process led to compensatory schemes and facilitated the acceptance of economic reform by the working class\(^6\). Spain was spared the destabilizing impact of antigovernment general strikes, because the trade unions that participate in the pact-making were reluctant to join those pushing for a general strike\(^6\).

Finally, the Spanish case reveals the symbolic potential of neo-corporatism at meeting the challenge of consolidating new democracies during difficult economic junctures:

“The signing of the pacts has always been accompanied by an air of expectation and ceremony on the part of politicians, the media and the general public. The signatures have been major symbolic events, the culmination of a dramatic process with a message of compromise, moderation, discussion and the assertion of common objectives, joint responsibility in the progress of the economy, and mutual recognition between the signatories. The spectacle of a political game, along with the ornamental rhetoric surrounding the pacts has been, and remains a very important (and possibly educational) part of the efficacy of such agreements\(^6\).”

**Asia**

There have relatively few studies of neo-corporatism in Asia and Sub-Saharan Africa, either due to the lack of neo-corporatist experimentation or the lack of scholarly studies of the phenomenon in those regions of the world. The few available studies largely focus on South Korea or South Africa. In South Korea between the late 1980s and early 2000s, political elites pursued reforms to transform the political and economic institutions inherited from the authoritarian regime into institutions more compatible with liberal democracy and a liberal market economy\(^6\). In this context, the state and social actors pursued neo-corporatist arrangements\(^7\).

The biggest efforts were made in the late 1990s to deal with the economic crisis that swept through the region\(^7\). The economic crisis in South Korea reached most of the country. Numerous enterprises went bankrupt, exchange rates fell, and unemployment soared\(^8\). In 1997 the Kim Young Sam government requested and received a 58 billion dollar bailout from the IMF. The IMF required significant socio-economic reforms in exchange\(^9\). The next government was forced to carry out the structural adjustment of major industries and the deregulation and liberalization of the main institutions of the socio-economic system\(^9\). Economic crisis and IMF conditionality led to wage cuts, layoffs, and the contraction of benefits and welfare programs. The country turned to neo-corporatism to try to handle the economic difficulties and maintain social peace. In 1998 South Korea concluded the Grand Social Pact and moved forward on institutionalizing the Korean Tripartite Commission\(^7\).

Most analysts assert that neo-corporatism was not very successful in South Korea. The number of strikes more than tripled between 1998 and 2002 from 100 to 322\(^7\). South Korea may have lacked the preconditions for neo-corporatist success. It was an atypical transition

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\(^6\) Encarnacion, op.cit., 2005  
\(^6\) Ibid  
\(^6\) Encarnacion, op.cit, 1997, p. 404.  
\(^6\) Ibid  
\(^6\) Ibid, p., 405.  
\(^6\) Ibid, p., 404  
\(^7\) Ibid  
\(^7\) Ibid, p., 59  
\(^7\) Ibid, p., 60  
\(^7\) Ibid  
\(^7\) Ibid, p. 63. For a dissenting view see Sang-Hoon Lim among others, who noted successful aspects of neo-corporatism and the capacity to rapidly develop effective new corporatist institutions on the ground. See "A Constructivist Approach to the South Korean Social Pact." Unpublished dissertation, University of Wisconsin.
country. The country had achieved miraculous success in economic development and became a member of the OECD by the mid 1990s. Some analysts point to neo-corporatism as a poor fit for a country with a strong state tradition that limited the power and autonomy of social partners seeking to influence economic policymaking. They emphasize the strength of bureaucrats as one of the major factors that hindered the consolidation of tripartism in South Korea. Noting the lack of social welfare gains in the pacts for labor, some viewed the effort as pure attempts at cooptation and repression. Others argue that a fragmented trade union movement lacked critical political party social partners, which would have increased their bargaining power.

**Africa**

In Sub-Saharan Africa studies of neo-corporatism are scant and focus largely on South Africa. In the 1990s, the ANC government sought to institutionalize neo-corporatism. It created the National Economic Development and Labor Council (NEDLC) and charged it with seeking consensus to conclude agreements pertaining to social and economic policy. The Labor Market Chamber of the NEDLC, responsible for overseeing the most important pieces of labor legislation, is the most important. It promulgated three acts that collectively entered labor in an industrial partnership by making provisions for workplace forums, and bargaining councils for conciliation, mediation, and arbitration. Following the organization’s view that economic classes are not necessarily destined to be in conflict, the International Labor Organization (ILO), declared that tripartism was dynamic and successful in South Africa. In contrast, critics view South-African neo-corporatism as a process of working class containment and roll-back of welfare. Tom Bramble and Neal Ollett assert that incomes decreased between 1995-2000, and black unemployment rose to 40%.

Presenting a balanced view, Mark Harcourt and Geoffrey Wood note the potential benefits of neo-corporatist success in South Africa—addressing unemployment and social inequality, yet creating the conditions for economic growth. However, they view the efforts so far as limited because the key actors—labor, capital and government—are unwilling or unable to strike a comprehensive deal.

**Latin America**

Corporatism has been most associated with Western Europe and Latin America. In Latin America it was mainly imported from Europe during the long (1492-1820s) colonial occupation of the continent by Spain and, in the case of Brazil, Portugal. With the concept of “organic statism,” Alfred Stepan has carried out significant research to establish the historical and cultural antecedents of corporatism in Latin America. While state corporatism was the common form in the post-World War II decades, Howard Wiardi argued that Latin American countries would gradually become neo-corporatist along Western European lines: democratic, involving peak-level negotiations between business and relatively autonomous unions organized by a state headed by a pro-labor party.

Until recently, Venezuela had been considered the most successful instance of modern, neo-corporatism in Latin America. Neo-corporatism likely contributed to the relative robustness of democracy there, which survived the authoritarian tides of the 1960s and 1970s in the region. Paul Buchanan argued that horizontal pacts among elites, including political party leaders, aided the transition to democracy in Venezuela by establishing the terms for the restoration of elected rule, while neo-corporatist, “vertical” pacts between the state and producer groups were the vehicles for regime consolidation and reproduction. He noted, “In Venezuela from 1960 on, one could speak of a tacit agreement among parties, worker organizations, and industrialists to maintain in the country what came to be called labor peace.

80 Park, op.cit.
82 Ibid.
83 ILO, 1197-170.
84 Bramble and Ollett, op.cit.
86 Howard Wiardi, Corporatism and Comparative Politics (New York: M.E. Sharpe Inc.), p. 74.
88 Ibid.
89 Paul Buchanan, op.cit.
90 Ibid. Neo-corporatist institutions, like any institutions, may erode over time weakening their capacity to aid in democratic consolidation and social peace.
Neo-corporatist institutions and policymaking were part of the well-known pact between political parties in Venezuela, the Punto Fijo pact. In 1968, an intra-party accord was negotiated by the nations leading parties (Democratic Action, AD; Committee for Independent Electoral Political Organization, COPEI; and Democratic Republican Union, URD) to facilitate the transition to democratic politics following the end of the dictatorship of Marco Perez Jimenez, widespread guerilla violence, and mobilization by the working class and labor. The pact incorporated a worker-employer agreement to prevent destabilizing economic conflict, and a commission to reconcile the interests of the participating parties.

Despite a near consensus that the Punto Fijo pact helped to consolidate democracy and dramatically reduce socio-economic conflict for over a generation, since the 1980s the pact has been widely criticized for having caused or perpetuated mismanagement, waste, corruption, inefficiency and unresponsiveness. Democratic stability disappeared as well. Analysts suggested that the pact ‘froze democracy’ and produced privilege. In the view of critics, the pact became a cartel of incumbents against contenders, restricted competition, barred access, and distributed the benefits of political power among insiders. Democracy turned into a private project of leaders of some political parties and corporatist associations, an oligopoly in which leaders of some organizations collude to prevent outsiders from entering. In 1998, the electorate revolted against the status quo. This led to the collapse of the major parties and the rise to power of Hugo Chavez:

“Whose fiery populist rhetoric struck a cord with the electorate. Chavez campaigned on a platform to dissolve the political arrangement created by the Punto Fijo pact, which he blamed for the ills of Venezuelan democracy. In April 2002, in the face of Chavez’s erratic policies, Venezuela experienced a veritable democratic meltdown when the military, acting in concert with several civil society groups, violently tried to remove him from office. Ironically, a pact institutionalized to cement political stability in Venezuela itself contributed to bringing the nation to the brink of civil war.”

The events in Venezuela raise questions about the role of neo-corporatism in long term democratic consolidation, but the Punto Fijo pact seemingly worked for over a generation and played a critical role in Venezuela’s late 1950s transition to democracy during a fragile period of civil strife and economic crisis.

Terming it segmented-neocorporatism, Sebastian Etchmendy and Ruth Berins Collier, document the emergence of Western European style, democratic neo-corporatism in Argentina in the current post neo-liberal era. The segmented piece refers to the divide between formal and informal sectors. The neo-corporatist policies that emerged from the negotiations, while improving the lives of labor in the formal sector, did not apply to the substantial informal sector workers. In addition, “segmented neo-corporatism” led to the typical exchange of wage gains compatible with the inflation targets of the government, but did not include social policies. Formal sector workers did receive particularistic benefits: a union enhancing labor law, appointments to the state office of the union-controlled health care system, transport subsidies for truck drivers, and appointments to the board of renationalized enterprises (water, post mail). This suggests the need to include the informal sector in tripartite negotiations, perhaps under the authority of national labor federations.
In addition to getting the military back to the barracks and getting political parties to compete according to the rules of political democracy, successful transition in North Africa will likely also depend on a third national concursive effort: achieving some sort of new socioeconomic pact similar to the successful efforts discussed in the previous section. During this transition period we are already witnessing the difficulties of governing without new national level socioeconomic bargains. Transitional governments in the region are in a difficult position. Sharp declines in economic activity due to falling tourism and foreign direct investment have made economies contract. Unemployment was distressingly high under the prior regimes and has worsened since. Due to the high expectations of the revolutions, which brought down long-standing dictators, transitional governments face an explosion in demands from workers, farmers, employers, and all other segments of the population.

The path of least resistance for these governments is to fall into a reactive cycle of demand and commitment, which is politically as well as economically unsustainable in the long term. The varying demands of the population pull economic and social policies in contradictory directions. However, in order to ensure everybody’s economic future, class actors, employers, and governments have to be willing to collaborate, trust, and compromise within a long-term national economic development strategy. This requires mutually satisfactory procedural arrangements and socioeconomic pacts. Neo-corporatist institutions, including centralized, authoritative, and monopolistic peak associations for all class actors, are designed to create these procedural arrangements.

Societal neo-corporatism seeks to change the fundamental relationship between governments and their citizens. This is an inclusive form of economic policymaking that aims to make all segments of the population participate in the policy process by including them from the shop floor to macro-economic policymaking. If successful this would be a powerful tool to weather current explosive social conditions and conflict.

Inclusiveness, bargaining, and compromise among different segments of the population will be necessary for the transition governments in North Africa to forge viable long-term economic and social policies that both grow the economy and satisfy demands for compensation and social justice made by mobilized populations. What is ultimately at stake in implicit compromises and formal pacts is less the exchange of substantive concessions or the attainment of material goals than the creation of mutually satisfactory procedural arrangements whereby sacrifices bargained away in the present have a reasonable possibility of being compensated for in the future. The institutionalization of representation and bargaining mechanisms for class actors is key to the process. Under democratic auspices this form of societal corporatism (interest representation) would be voluntaristic and therefore would reinforce democratization, even serving as a unifying factor to contain the factionalism of new multi-party political systems.

**Recommendations:**

It is not easy to make recommendations for the three transitioning North African countries taken together, due to the enormous diversities in economic environment and institutional and political histories. However, lessons can be gleaned from analogous efforts by consolidated political democracies at pursuing neo-corporatist institution building and policy-making while reinforcing democratic politics. In this context North African governments should:

- take steps to institutionalize representation rights and bargaining mechanisms for national labor and employer associations in order to enhance the role of peak association leaders. This may involve empowering one labor federation or employer association over others. Success largely depends on the presence of authoritative, monopolistic, and centralized associations, with which the state can work to reach broad consensus on economic and social policies. The state should select the most representative interest associations and enter into social dialogue instead of social control.

- Pay special attention to the development of labor administrations that can help maintain labor’s support for the socioeconomic bargains and the economy. The goal is to create mutually...
satisfactory procedural relationships—within new or reformed state institutions dedicated to this task—whereby sacrifices bargained away in the present have a reasonable probability of being compensated for in the future.\textsuperscript{101}

- Empower labor peak associations to bargain collectively, veto the negotiated settlements of their affiliates, and control access to strike funds. Also enable union leaders by providing them with the formal power to stop union members from striking or to enforce guidelines for maximum wage increases.

- Establish the right of employer associations and trade unions to act in defense of their respective interests and to be present at multiple levels of consultation, from the shop floor to macro-economic policymaking, in order for the dominant preferences of society and compromise to guide the country’s economic policies.\textsuperscript{102}

- While the scope, subjects, and even some of the principals may change once the democratic regime is installed, institutionalize neo-corporatism so that the initial avenues of communication, forms of dialogue, institutional guarantees, and levels of mutual trust can pave the way for the formal, regularized use of concertation as an institutional linchpin of new democratic regimes. Institutionalized neo-corporatism is founded on a premise of enforced cooperation that is designed to overcome the inherently antagonistic positions of propertied and non-propertied groups in capitalist societies, as well as the rationally calculated incentives to secure sectoral advantages at the expense of all others.\textsuperscript{104}

- Follow a policy of repeated social agreements, with the participation of the economic organizations in the definition of key aspects of economic policy. Gradually, this should reinforce the role of these organizations. Utilize both formal and informal social pacts between state agencies, trade unions, and business associations to reinforce neo-corporatism.

- Encourage labor leaders and leaders of employers associations to help each other to acquire a reciprocal capacity for governing the behavior of their respective members, or else the compromises they hammer out will be voided by the defections of opportunistic employers or intransigent workers.\textsuperscript{105}

- Consider stipulating in the new constitutions that the government shall make economic policy with the advice and collaboration of the trade unions, employer associations, and other professional and economic organizations.

- Institute a new socioeconomic bargain for the nascent democratic era. Address the core conflict between social groups—constraining wages in order to increase global economic competitiveness and raise national income, while improving the real income of workers at the same time. As a rule of thumb, in order to do address this, negotiations on wages have to be within norms consistent with the sustained growth of employment and income. Since North African countries suffer from high unemployment and underemployment wages need to be guided by extra-market decisions because if market forces were left to operate freely, wage-earners would be left out of rising national income far too long for any possible political acceptance. A reasonable goal would be a wage norm equating the trend rate of real wages to the growth of output per capita. This would mean that the increasing real wages could come out of increasing output and not out of either an import surplus or a reduction of profits.\textsuperscript{106}

- Include redistributive social policies in the socioeconomic pacts paid for by progressive tax reforms (including consideration of a new wealth tax), closing tax loopholes, and effectively addressing tax evasion.

- Include the informal sector in tripartite negotiations, perhaps through national labor organizations.

- To promote a sense of national cohesion and to bolster nascent democratic institutions utilize the symbolism of signing ceremonies for national socioeconomic pacts or agreements.

\textsuperscript{101} Ibid
\textsuperscript{102} Ibid
\textsuperscript{103} Paul Buchanan, op.cit.
\textsuperscript{104} Ibid
\textsuperscript{105} Ibid, p. 47.
\textsuperscript{106} Shehan, op.cit., 156.