Institutional Transformation in European Political Economy (ITEPE)

1. d. 1. Motivation: Confronting Inter-disciplinary and Historical Challenges

The distinction between the economy and other segments of society is one of the central cleavages characterising modernity, just as this relation has been one of the most important objects of sociological study throughout the history of the discipline.¹ In the past two decades the institutional form through which the relations between the economy and the wider society are framed has, however, experienced a paradigmatic shift through the ‘turn to governance’. Especially in the European setting this development has been associated with a concordant decline of (neo-)corporatism² thereby indicating a deep-seated change in the organisational setup and self-understanding of contemporary society.³ Social science and law have grappled with this development throughout the last 2 decades, resulting in an intense level of conceptual innovation just as large amounts of empirical studies related to specific regions and economic sectors have been undertaken.⁴ The existing literature, however, suffers from 2 main gaps:

Firstly, explaining why the governance phenomenon emerged implies an understanding of why its predecessors experienced decline. The majority of contemporary governance research is, however, a-historical in nature. Consequently, a study capable of systematically illuminating the successive transformations from corporatism through neo-corporatism to governance (from now on: CORGOV) is still missing.

Secondly, within political economy and economic sociology the role of law in the evolution of CORGOV has not received sufficient attention. Legal scholars have of course dealt extensively with CORGOV but a strict sociological analysis of the role of law and legal instruments covering all 3 forms of CORGOV has not yet emerged. This is remarkable insofar as juridification is the decisive factor enabling a successful stabilisation of relations between the economic and non-economic spheres of society through CORGOV institutions.

1. d. 2. Research Objectives

The rectification of these 2 interrelated deficits is approached on the basis of 3 research objectives:

• To **demonstrate** that the 3 forms of CORGOV fulfil identical societal functions under altered structural conditions insofar as they are simultaneously oriented towards the internal stabilisation of economic processes and the establishment of compatibility with non-economic segments of society.

• To **explain** how evolutionary transitions from corporatism through neo-corporatism to governance unfolded through an illumination of the relationship between the emergence and successive transformation of CORGOV institutions and general structural transformations of societal structures.

• To **describe and analyse** the organisational composition of the 3 forms of CORGOV and the function of legal instruments within these compositions; through a reconstruction of the type of organisations, networks, social roles and their concordant legal forms on which the 3 forms of CORGOV rely.

The realisation of the research objectives are unfolded through detailed case studies respectively concerned with the historical evolution of CORGOV within the European steel and pharmaceutical sectors.

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1. d. 3. Definition and Object
CORGOV is defined as institutions that combine private and public elements insofar as they are simultaneously oriented towards the internal stabilisation of economic processes and the establishment of compatibility between such processes and non-economic reproduction processes through the construction and enforcement of overarching frameworks leading to the formation of legal norms and expectations as well as concordant social roles and categories within a limited spatial context.

The object of study is the CORGOV institutions themselves and the legal instruments on which they rely. Thus, the primary object of study is not the market, the organisations, (e.g. firms and public administrations) or the broader social groupings, such as social classes, against which they are oriented. As such CORGOV institutions are understood as autonomous social phenomena producing independent reserves of power and norms just as they are seen as following independent paths of evolution.

1. d. 4. Periodisation and Spatial Context
The period of investigation spans the time between 1850 and today. Great spatial and temporal variation and overlap can be observed. In an ideal type manner, corporatism gained relative predominance from the mid 19th century to the mid 20th century, neo-corporatism in the immediate post-war period and governance from the 1980s onwards. The enquiry is limited to the European setting, but it is the ambition to subsequently expand the scope to other regions of the world (e.g. East and Southern Asia and North America).

1. d. 5. State-of-the-art
ITEPE draws upon, combines and expands several strands of research in order to develop research strategies (see 1.d.6) capable of providing a novel perspective on CORGOV:

• **Theories of social differentiation** provide, in their actor-based, structural as well as systemic variants, a meta-theoretical and analytical framework enabling an understanding of CORGOV as closely linked to increases in the division of labour and functional specification within society as such. These approaches can furthermore be combined with more empirically oriented approaches.

• **Historical institutionalism** and neo-corporatist theory share the feature that they combine an emphasis on historical development paths with a focus on institutions, in the form of rules and norms, and their impact on outcomes and behaviour. This again implies a strong emphasis on explaining change. A different and today somewhat marginalized perspective also emphasizing the time perspective is social evolution theory. Originally focusing on exogenous conditions for internal selection or, alternatively, on endogenous factors, the reciprocal relations between exogenous and endogenous factors have recently moved to the forefront.

• **The regulation approach** is of central relevance due to its attempt to develop a critical political economy emphasising economic as well as extra-economic factors in capitalist development. Especially since the 1990s organisational studies and network theory have moreover sought to include a wider range of institutions and actors in the study of CORGOV. Within the varieties of capitalism perspective there has emerged a relational perspective on the firm which emphasises the importance of national frameworks.

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7 R. Mayntz: Soziale Dynamik und Politische Steuerung (Campus 1997) 38ff..
8 PB Evans et al.: Bringing the State Back In (CUP 1985); S. Steinmo et al. (eds.): Structuring Politics: Historical Institutionalism in Comparative Analysis (CUP 1992).
12 E.g. R. Boyer: Théorie de la régulation: L'Etat des savoirs (La Découverte 2003); J. Hirsch, Materialistische Staatstheorie (VSA 2005); B. Jessop and NL Sum: Beyond the Regulationist Approach (Edward Elgar 2006).
The political science literature on *new and multilevel governance* and especially the variant linking it to the economic system is also of central relevance due to its exploration of new instruments and institutional transformation. The debate on the *transformation of law* through an emphasis on “learning law” and “reflexive law”, as well as the countermovement emphasising the importance of formalised normative stabilisation as the central task of law provides a framework for analysing the role of law within CORGOV.

### 1. d. 6. Research Strategies: Multi-dimensional, Process-based and Reconstructive

3 complementary strategies are advanced and combined in order to go beyond the state-of-the-art and establish a framework for empirical studies capable of addressing the 3 research objectives:

1. **1. d. 6. 1. A Multi-dimensional Strategy: Identifying the Function of CORGOV**

The dual formation of a specialised system of political rule in the form of the modern state and the formation of a distinct modern capitalist economic system implied a systematic breakdown of the kind of intermediate structures, in the form of e.g. guilds and the household, which were central characteristics of the feudal form of social ordering. In the literature this development is often characterised as a “withdrawal” of the state from the economy. This position is, however, based on the false premise that the state already existed and merely opted for a different strategy in its relations with the economic sphere. In contrast, ITEPE departs from the presumption that the emergence of the modern state as a distinct sphere for the reproduction of political power and the emergence of a specific sphere of economic reproduction unfolded in a co-evolutionary manner. Thus, ITEPE systematically changes the perspective to the interactive and mutually constitutive relations between the two spheres over time.

However, a two-dimensional economy vs. politics perspective, as embodied in the political economy discipline, is also inadequate. Instead ITEPE advances the perspective that the modern economic system emerged through far more complex processes that implied not only a severing of ties to traditional forms of political authority but also a reduction of the linkages to, for example, religious belief systems and customary law. This development, however, implied the establishment of *novel forms of re-integrative linkages* not only to politics but also to spheres such as education, health, science and mass media through CORGOV institutions. Moreover, the reliance on *legal instruments*, particularly prevalent within neo-corporatism, is the central mechanism through which the dual function of maintaining the simultaneous separation and mutual stabilisation of economic and a multitude of non-economic processes is achieved. This is also being confirmed by the 2008 financial crisis. The move towards increased de-regulation and reliance on (self-regulatory) governance arrangements operating outside formalised legal frameworks has, with potentially catastrophic long-term consequences, led to the emergence of new forms of coalescence and de-differentiation between the economy and non-economic social spheres.


Corporatist arrangements grew out of already existing feudal institutions. New logics, organisational forms and semantics gradually emerged which initially continued to rely on the institutional arrangements which preceded them. Similar processes can be observed in relation to the subsequent switches to neo-corporatism and governance. On this background, ITEPE advances an understanding of CORGOV institutions as *Eigenstructures* which rely on already existing structures for their emergence while they also increasingly marginalise the structures they rely on over time. Thus, apart from the immediate transformations of...

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CORGOV institutions occurring through displacement, layering, drift, conversion or exhaustion,25 more fundamental structural transformations need to be taken into account.26 Thus, ITEPE emphasise the insight that transformations in CORGOV emerges through different and essentially contingent combinations of endogenous and exogenous factors.

More generally, the idea will be developed that, at the structural level, continued increases in the acceleration of the time structures of society27 have played a pivotal role for the evolutionary changes characterizing CORGOV. As also mirrored in the move towards proceduralisation of legal arrangements the increased speed of societal change has created a pressure for enhanced adaptability and thus provided a basis for the emergence of increasingly reflexive and flexible institutional forms through which societal compatibility can be maintained. In a similar manner the link between the evolutionary switches of CORGOV and expansions in spatial reach and the concordant abstraction of social processes will be investigated. This focus on the dynamics of spatial composition28 will furthermore be combined with a multilevel approach emphasising the overlap, complementarities and tensions between local, national, regional and global spatial constellations.29

1.d. 6. 3. A Reconstructive Strategy: Analysing the Compositions and Legal Forms of CORGOV

Corporatist institutions relied on a mixture of feudal institutional forms and explicit modern forms of formal organisation. In contrast, neo-corporatism is not only state-centred in terms of its strong external orientation vis-à-vis the state but also in its organisational core which is ‘state-like’ in the sense that its central feature is a strong hierarchical component. But in contrast to contemporary ideas concerning a breakdown of hierarchical formal organisation, ITEPE advances the perspective that contemporary governance also has formal organisation as its core component insofar as governance arrangements can be understood as institutional forms which stabilise relations between legally consolidated formal organisations. As such, the evolution of CORGOV has gone hand in hand with a progressive strengthening rather than a weakening of the role of formal organisation and juridification in society.

The 3 forms of CORGOV share the characteristic that they rely on networks. In relation to this dimension the thesis is that substantial transformations can be observed. In corporatism networks played an essential role as instruments of exclusion in the sense that they were forms through which social entities secluded themselves from other spheres of society through normatively based ramification processes. In relation to neo-corporatism the network element was increasingly marginalised through formal organisation leaving only policy-networks of the kind which tend to surround the hierarchical peaks of all formal organisations as a dominant feature. In relation to contemporary forms of governance this is however fundamentally different insofar as networks have become a central instrument for the stabilisation of relations between formal organisations. That is not only the case in relation to inter-firm relations through supply, production and distribution networks but also in relation to formal organisations operating within other areas, for instance through lobbying networks, Corporate Social Responsibility networks and network based partnerships with organisations dealing with issues such as research and education.30 Thus, the idea advanced is that early corporatist and contemporary governance networks fulfil opposite functions insofar as the former is oriented towards maintaining normative closure and the latter form is oriented towards the maintenance of cognitive openness. The emergence of new but still rather embryonic types of legal frameworks that are aimed at stabilising contemporary forms of networks can therefore be observed.

The 3 forms of CORGOV respectively construct and legally consolidate social roles31 through overall references to, crudely expressed, social class, professions and expertise. ITEPE will develop a specific view on such roles by developing a twofold perspective: Externally they are used as inclusion/exclusion mechanisms delineating the section of society which a given CORGOV institution reflexively observes and against which it orients its actions. Internally, they serve a dual stabilizing and legitimising role. The distinction, for example, between employers and employees serve both as a formula enabling intercession between the two sides as well as a basis for developing claims through the development of ‘justifying narratives’ aimed at advancing e.g. ‘economic freedom’ or ‘social justice’.

28 E.g. H. Lefebvre: La production de l’espace (Galilée 1974).
29 E.g. for local set-ups: C. Crouch et al. (eds): Changing Governance of Local Economies (OUP 2004).
1. d. 7. Examples of Case Studies: CORGOV in the Steel and Pharmaceutical Sectors

A number of case studies will be conducted in order to provide in-depth knowledge of the functioning of CORGOV. Central examples are the CORGOV institutions related to the European steel sector and pharmaceutical sectors, both of which have the advantage that they have a long history while also having undergone profound transformation from the mid-19th century onwards. The 2 sectors, however, went through drastically different development paths with steel being a ‘traditional’ and, from the mid-20th century, a ‘declining’ industry while the pharmaceuticals industry has undergone a massive expansion and transformation in the same period. As such they represent most different rather than most similar cases. The handling of the relation between economic production and the reproduction of non-economic factors enabling economic production through CORGOV institutions will be the central focus point.

Departing from the research strategies the various case studies will rely on an identical setup compromising 4 major steps: First, a mapping of the production dimensions of the sectors on the basis of objective indicators (size and composition of the sectors, ownership, number of employees etc). Second, the development of a detailed two-dimensional typology containing a mapping of the time and space dimensions of reproductive CORGOV institutions related to the 2 sectors; a mapping of the sub-variants of the different components (organizations, networks and social roles) they rely on; a mapping of the functions which the institutions internally seek to address (e.g. wage bargaining, health and safety at work and education); the number and type of other institutions they externally establishes linkages to (e.g. state bureaucracies, intra- and inter-sectorial frameworks; inter-firm relations) and the functions which they seek to fulfil through such linkages. Third, an interpretative mapping of the ideas, justifications and self-understandings (e.g. related to concepts such as class struggle and professional ethics) guiding CORGOV actors. Fourth, a verification of the extent to which institutional setups and ideas (step 2 and 3) are reflected in and influenced by concordant legal forms. This will furthermore imply a specification and mapping of the different types of legal instruments (e.g. substantial norms through legislation, target oriented procedural frameworks and self-regulation) which are activated and the social objectives which different legal instruments are linked to.