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0521651700 - Organizing Democracy in Eastern Germany: Interest Groups in Post-Communist Society

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Introduction

The emergence of interest group politics in post-communist society is one of the decisive issues of democratic transformation. Interest groups occupy a key position in pluralist democracy, aggregating private interests, representing those interests in the public policy process and thereby mediating between society and the state. The free association of individuals in groups formed to promote their common interests is thus an important tributary of the democratic process. Their emergence in the new states of east/central Europe is widely recognized as one of the main preconditions of democratic consolidation. Research suggests, however, that, whilst interest groups have proliferated across the region, they bear little resemblance to the pluralist model. Their predominant characteristics are continuity with the old regime, organizational instability and fragmentation, elite domination and mass passivity, and an outsider status in the public policy process. This book attempts to explain the hesitant emergence of associational activity in post-communist society, and to predict the sort of associational order we might expect to see in the future.

It approaches the question from the perspective of group theory. The theoretical core of the book is provided by the various strands of pluralist theory which identify the source of associational activity in particular patterns of social differentiation and stratification arising out of economic relations of modern society. Economic interests and the resultant interest group configurations, it is argued, are embedded in the structure of capital, employment relations and labour markets, and it is here that I shall seek to identify the source of associational activity in post-communist society. This analysis provides the background to the central hypotheses of the book.

The first hypothesis relates to the socio-economic conditions of interest group formation. Given the suppression of social differences under communism, and in the absence of a fully developed market economy, post-communist societies may be insufficiently differentiated to generate the kind of interest group activity seen in western democracies. The

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progressive emergence of the market economy, it is argued, can be expected to break up the monolithic structures of communist society, but is unlikely to be accompanied by the sharply defined cleavages and cohesive social formations which gave rise to interest group activity in western democracies. The evidence points instead towards a pervasive process of social dealignment, and to the emergence of rather fluid and atomized societies in which group interests and identities are tenuous, and in which the tendencies identified in 'post-modern' social theory will be unusually pronounced.

A second hypothesis concerns the behavioural dimension of associational activity, addressing the question of why and under what circumstances individuals participate in collective action. Group theory offers a number of approaches to the question. Social psychology links participation to personal security and a sense of competence in the private sphere, contrasting the participant 'democratic personality' with the passivity of the anomic type. A second approach relates participation in associational activity to co-operation and trust in the private sphere that spill over into public life, constituting a form of 'social capital' which sustains associational activity. Finally, rational choice theory explains participation in terms of the incentive structures and organizational resources available to the group.

From all these perspectives, it is hypothesized, the fluidity and atomization of post-communist society militates against participation in associational activity. The evidence suggests that market transition is accompanied by a dual psychological response, either economic individualism or a sense of powerlessness and anomie, neither of which is consistent with participation. The accumulation of social capital, it will be argued, is retarded by social dealignment. The tenuous character of social interaction in a society of free-floating individuals inhibits the formation of those networks of co-operation and trust at the heart of the civic culture. From the rational choice perspective, collective action suffers from a scarcity of organizational resources. In the absence of the supportive social networks and distinctive group identities that provide solidary incentives for participation, group mobilization is overdependent upon individual economic motivations, exacerbating the problems identified in collective action theory.

The behavioural dimension of associational activity cannot but be reflected in the internal dynamics of interest group life. I shall examine group dynamics from two theoretical perspectives. In the pluralist model, interest groups are the product of the autonomous associational activity on the part of the beneficiaries, with a professional staff limited to the function of organizational maintenance. Exchange theory, by contrast, is

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an offshoot of the rational choice approach. Taking as its starting point the professionalization of group activity, this type of analysis characterizes group leaders as 'political entrepreneurs' offering benefits and services in return for membership, in a form of commercial activity. Lacking a supportive social and cultural infrastructure, it will be hypothesized, interest groups in post-communist society will relate to a loosely constituted and shifting clientele, corresponding to the entrepreneurial model identified in exchange theory.

The final hypothesis concerns the relationship between organized interests, the state and public policy. Pluralism suggests a loose-jointed relationship, with a competitive multiplicity of interest groups jostling for influence whilst the state retains its autonomy. Corporatism, on the other hand, postulates the institutionalization of a bipolar configuration of class interests in the public policy apparatus of the state. A symbiotic relationship between *interest mediation* and *policy-making* – the two faces of corporatism – is the defining characteristic of the genre. In post-communist society, it will be argued, the spectrum of interests is too diffuse to be accommodated in a bipolar system of interest mediation. Moreover, the entrepreneurial interest group is too loosely constituted to be able to bind its members to the terms of corporatist exchange. Thus, without the function of genuine interest mediation, the institutions of corporatist policy-making which have proliferated across eastern and central Europe can be seen as no more than attempts by hard-pressed governments to legitimize the social costs of economic transformation. All of these hypotheses contribute to the central project of the book – predicting the sort of associational order we can expect to see emerging alongside the consolidation of market transitions in post-communist society. Before pursuing these hypotheses further, however, we need to embed them more firmly in theories of associational activity, and it is to these that we now turn.

The idea of association

Associational activity occupies the ground between state and society, mediating the two spheres and thereby resolving the central problematic of democratic theory: the tension between the state as the source of authority and civil society as the embodiment of popular sovereignty. In the Athenian polis or Roman republic, the tension did not arise, since state and society were synonymous. Civil society *was* the political order, based upon the principles of citizenship and law, in which liberty and authority were two sides of a single coin. The distinction between state and society that emerged with the Enlightenment was initially

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accompanied by a libertarian perception of civil society as guardian against the authoritarian potential of the state. Taking society to be a body of undifferentiated individual citizens, Enlightenment thinkers postulated a synthetic definition of 'the general will', embedded in a unitary conception of civil society, exercising sovereignty over the state.

Changing conceptions of the relationship between state and society reflected the transition of *Gemeinschaft* to *Gesellschaft*. With the progressive dissolution of the organic community in the face of the more differentiated forms of social organization accompanying the market economy, the idea of a *unitary* civil society became unsustainable. Market society was seen as a sphere of competitive individualism, dominated by the pursuit of private interests, its egotistic particularities governable only under the 'higher surveillance' of the state (Keane 1988b: 53). For Hegel, the state was the ultimate instrument of social integration: 'the highest purpose of public life is to generate a rational universal identity that he equates with the patriotic ethos of the state' (Cohen and Arato 1992: 113). Thus, in place of the social restraints exercised by civil society over the state in earlier conceptions, Hegel cast the state in the role of regulator of the egotistical tendencies of civil society.

Others sought to restore the earlier libertarian emphasis in state-society relations by identifying a source of social integration within civil society itself. In de Tocqueville's terminology, 'civil society' was equated with private economic interests. The sphere of civil organization between economy and state, to which others have attached the term, he called 'political society'. It is the function of political society to counteract both the egotism of private interests and the tyrannical potential of the modern state. Democratic revolutions had stimulated a drive for social equality and welfare, in the course of which a panoply of 'public utilities' had been created in the form of an all-pervasive state administration. Unchecked, the state is penetrated by and subordinated to private economic interests, stifling social and political liberties. The tyranny of the state and civil society is prevented by vigilance of the 'independent eye' of political society, the realm of autonomous associational activity comprising local self-government, parties, churches, newspapers and public opinion (Kumar 1993: 382). Thus de Tocqueville sees the 'art of association' as fundamental to the democratic well-being of society (de Tocqueville 1988).

Sociological theory, however, adopted a new perspective on the problematic of social integration. Abandoning the attempt to *overcome* social difference, either through a comprehensive, synthetic definition of the general will or through the universal state, Durkheim's (1964) conception of civil society not only recognized but was rooted in social differenti-

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ation. Like his predecessor, his starting point was the division of labour, but instead of taking this to be the source of social fragmentation and conflict, his solution focused on the bonds of interdependence and co-operation engendered by this complex and differentiated form of social organization (Saunders 1993: 70–1). The progenitor of functional representation, Durkheim took the professions as his model, seeing in professional ethics the essence of civil morals and the antidote to the egotism of the marketplace. Simmel had a similar view of group affiliation arising out of social conflict, with society ‘binding itself together through its own internal divisions’ (Simmel 1955: 17–20), whilst Parsons formulated social relations in terms of a ‘societal community’ composed of a multiplicity of voluntary associations, in which solidarity is the product of discussion and deliberation between individuals bound together through consensus and common values (Parsons 1969: 11–20).

The idea of association thus arose out of attempts to revive the pre-modern community in the face of the social differentiation and egotism of modern society. Instead of subordinating economic interests to political surveillance, either under the state as in Hegel or through autonomous political activity as in de Tocqueville, the sociological tradition entrenched the idea of association in economic life. The sociological theory of group behaviour thus provided a blueprint for the design of a social order regulating the clash of egotistical private interests and reconciling societal pluralism with social solidarity. Simultaneously, by postulating a pluralistic formula for the aggregation of private interests, it provided the foundations for a ‘a system of interest representation . . . linking the associationally organized interests of civil society with the decisional structures of the state’ (Schmitter 1979b: 9), the defining characteristic of modern pluralism.

Association in post-communist society

The pluralist conception of civil society had a strong resonance in the context of the transition from state socialism to liberal democracy. Democratic revolution entailed a fundamental re-ordering of the relationship between state and society, which lies at the core of democratic theory. The diverse groups that made up the anti-communist movement in 1980s Poland, Hungary and to a lesser extent Czechoslovakia were conceptualized by dissident intellectuals in terms of the emergence of an autonomous sphere of organizational activity alongside or against the weakening apparatus of the party-state. Part of a long-term strategy geared to the liberalization of the state, civil society was identified both as a force undermining communist regimes, and as the foundation of the new

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post-communist order (Arato 1981; Arato and Cohen 1984; Pelczynski 1988: 362; Miszlivetz 1997: 31).

The attraction of civil society is its offer of a pluralist model for social integration in societies that had previously known no more than an illusion of politics, representing an alternative to the 'pathological' maladies that threaten post-communist societies: either an anomic 'post-modern' individualism, or fundamentalist forms of collective identity based on nationality or ethnicity (Offe 1992: 2). Thus the emergence of civil society is widely regarded as one of the main preconditions of democratic consolidation in post-communist society.

The fall of communist regimes generated expectations of a rapid outgrowth in associational activity, spilling over from mobilization against the communist regime and augmented by autonomous initiatives expressing the spectrum of views and demands that had been suppressed under socialism (Wiesenthal 1995c: 33). In retrospect, it is easy to see how these expectations were misconceived. Amorphous in composition, brought together only by their reforming mission, the movements that accompanied the breakup of communist regimes lacked social foundations and were unsustainable once their mission was complete. Paradoxically, as we shall see in chapter 1, democratization was accompanied by 'the strange death of civil society' (Lomax 1997). The central question of this book is whether we can expect to see its rebirth, and to answer that question we begin by seeking to identify the social roots of associational activity in group theory.

The social foundations of association

Pluralists and corporatists echo earlier themes in group theory, locating the roots of associational activity in the combination of social differentiation and interdependence generated by economic relations in modern society. Thus, 'the conflict generated by structural differentiation and interdependence serves as the midwife to pluralistic interest formation' (Schmitter 1979a: 78). Interest groups are 'constituted on the basis of their function in the social division of labour' (Cawson 1985a: 4), reflecting the institutionalization of the cleavage structures of capitalist society. At the root of this conception of associational activity is the employment relationship, representing the source of the 'categoric cleavage' between employer and employee, around which economic interests form. Interest organization thus reflects the ordering of exchange between capital and labour in employment relations.

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[More information](#)*Employment relations and the structure of capital*

The pluralist model is characterized by fluidity and decentralization, with a multiplicity of employers and trade unions engaged in competitive relationships which fluctuate between co-operation and confrontation. Employment relations are seen as private economy arrangements, outside the political arena. Order and stability are imparted by a mutual desire to contain conflict within a web of rules – ‘a commonly shared body of ideas and beliefs regarding the interaction and roles of actors which helps bind the system together’ (Dunlop 1958: 383).

In corporatist theory, by contrast, employment relations are institutionalized in a network of formal structures, either backed by legislation as in Germany, or deriving from historic ‘basic’ agreements between capital and labour as in the Nordic countries. Weaker forms of corporatism may be based on more voluntary and informal arrangements regulating employment. Common to all these systems, however, is the institutional support given to *collective* forms of organization, either by law or by mutual recognition between employers’ associations and trade unions. At its most basic level, this means collective wage-bargaining, but the corporatist model also encompasses the institutionalization of employment rights, labour market regulation, worker participation and vocational training.

Collective action in trade unions is embedded in the labour market, where the common interests and status of union members as employees counteract the more diverse spectrum of interests arising out of occupational hierarchies, as well as those product-market related interests which workers might share with their companies. Trade union solidarity thus goes hand in hand with labour market homogeneity (Streeck 1992b: 97–9). Segmented labour markets, on the other hand, can generate a complex pattern of interest divergence along the lines of earning capacity and skills and qualifications between workers with different types of contract (Baglioni 1990: 8–18), as well as between wage-earners and the unemployed (Offe 1985). Divergent interests also reflect labour market variations between high-technology growth sectors and rust-belt industries, and between sectors exposed to international competition and sheltered sectors (Crouch 1993: 17–20, 242–3).

Associational activity amongst employers also stems from their common interests in labour market relations, but this is by no means the exclusive source of collective identity and action in the business arena. Their interests are defined also in relation to the status of firms as owners of capital and producers. Business organization thus reflects the different configurations of interests arising from the structure of capital, and the

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complex mixture of competition and co-operation surrounding product markets. Variations in the strength and cohesion of business organization are explained in terms of capital concentration, and the relationship between national and international capital (Atkinson and Coleman 1985: 28; Streeck and Schmitter 1992: 208–14). Particular attention has focused on the configuration of large and small firms in the economy or sector. A continuous and even distribution of firms along the size axis promotes sectoral solidarity and co-operation, whilst polarization between large and small firms gives rise to divergent definitions of collective identity, exacerbating a conflict that is endemic to business associations (Grant and Streeck 1985: 162).

Social dealignment and the dissolution of group interests

A model of associational activity embedded in economic relations is, of course, sensitive to shifts in the mode of production. Pluralist and corporatist conceptions, it has been argued, are derived from a pattern of institutionalized employment relations replicating the mode of standardized mass production in which they were rooted. In the late twentieth century this has been undermined by the related syndromes of economic globalization, accelerated technological change and post-Fordism. The shift from national to transnational capital and the accompanying polarization between multinationals and SMEs are difficult to contain within traditional forms of business organization (Streeck and Schmitter 1992: 212–14; Marginson and Sisson 1994: 46–7). Increasingly competitive, specialized and fast-moving product markets are reflected in a more differentiated and polyvalent labour market (Piore and Sabel 1984), undermining institutionalized systems of employment relations and eroding the organizational foundations of trade unions (Baglioni 1990; Visser 1994: 81; Baglioni and Crouch 1990; Hyman 1994: 109–13). Complexity in production is reflected in consumption, with new technologies of customization and marketing leading to market segmentation and cultural differentiation (Beck 1986: 13).

The effects of these tendencies can be seen in shifting patterns of organizational activity, the order and hierarchy of corporatist systems giving way to ‘the mobilization of more and more groups’, suggesting a ‘less orderly model of the policy process’ and ‘a move back from the corporatist pluralism of the 1970s to the competitive pluralism of the 1950s’ (Jordan 1993: 66–7). This ‘de-structuring’ of interest group systems is seen by others as the breakdown of pluralist interest representation. Increasingly complex and shifting patterns of social differentiation, it is argued, have eroded the group interests and identities on which

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pluralist association rests. Private interests 'no longer correspond to stable social groups sharing a definite place in the hierarchy of power and influence' (Melucci 1988: 257). Decoupled from their social foundations, interest groups must relate instead to loosely constituted and shifting clientele (Fuchs 1993) with inevitable effects upon the logic of collective action.

Social structure and group interests in post-communist society

As we have seen, group theory locates the foundations of associational activity in patterns of conflict and interdependence arising in economic relations. Given the suppression of social difference under communism, societies in the early stages of market transition are unlikely to be sufficiently differentiated to generate the socio-economic issues and cleavages around which group interests and identities form (Wiesenthal 1993). 'In a society in which the labour market is unknown . . . the social structure lacks the requisite . . . differentiation of status, interest, and cultural identity that only a developed market society will generate' (Offe 1991: 876–7). Most authors have assumed, however, that, as the market economy expands and the communist legacy recedes, interest group policies will converge with the model with which we are familiar in the west. This book challenges this assumption.

Trajectories of market transition are, of course, subject to cross-national variation. Poland, the Czech Republic and, to a lesser extent, Russia adopted radical strategies of 'shock therapy' involving a rapid divestment of state assets to the private sector through mass privatization. Hungary initially took a more gradualist path, building on market economy developments which had begun under the old regime, but subsequently adopting more radical measures to step up the pace of transition. The Balkan model reflects the continuing exercise of power by communist elites, retaining a large part of the state sector in a mixed economy in which entrepreneurial activity remains restricted and regulated. These different trajectories, however, have been subject to convergence, as radical strategies encountered political obstacles which slowed the pace of privatization. Even in the countries that pursued shock therapy, privatization has failed to penetrate parts of the state sector, a residual core of which continues to coexist with the private sector in a dual-track economy not totally dissimilar from the mixed model which predominates in the Balkan countries.

Market transition, it is argued, is not yet reflected in a consolidated structure of capital ownership, or a fully developed labour market. The predominant mode of mass privatization produces a dispersed

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distribution of capital and a weak property structure which retards the formation of an entrepreneurial business class. Cross-cutting cleavages between state and private sectors, large and small firms, indigenous and foreign capital, and the liberal and 'nomenklatura bourgeoisie' are replicated in organizational activity, with an anarchic plurality of business circles and entrepreneur clubs. With underdeveloped structures of capital ownership inhibiting role differentiation between managers and employees, employment and labour market relations are ill defined. The dominant trend, however, is towards decentralization and individualization, with little evidence of institutionalized forms of collective bargaining. Across the associational order, then, the inchoate character of economic relations means that associational activity is deprived of the social infrastructures that support collective action in the pluralist model.

Chapter 2 of this book examines the social foundations of interest group politics in post-communist society. It is motivated by one central question: is the emergent market economy likely to generate the cohesive social formations and interdependent interests underpinning the pluralist model of the associational order, or do the indications point instead towards rather fluid and atomized societies in which group interests and identities are tenuous, and in which the tendencies identified in contemporary social theory will be unusually pronounced? With societies still in flux, the countries of eastern and central Europe provide no more than a tentative answer. An accelerated transition to the market economy means that eastern Germany should provide a sharper image of the social structures and cleavages shaping associational activity in an *advanced* post-communist society.

Organizational design

Organizational design occupies a prominent position in corporatist analysis. Corporatist systems make heavy demands upon the associational capacity of their constituent groups, the representation of broadly based class interests through centralized organization being the defining feature of the genre. Centralization is often seen in terms of hierarchical discipline, focusing on the strength of 'peak' confederations at the apex of the system, and the authority that they are able to exert over their constituents (Schmitter 1981: 294). Corporatist systems are monopolistic, with unitary groups dominating their respective interest domains.

Whilst centralization is the dominant form of corporatism, an alternative perspective uses the concept of *articulation* to define its structural prerequisites (Crouch 1993: 54–5). In place of hierarchical discipline, an articulated structure is characterized by strong relations of interdepen-