

Is There a Life for Corporatism under New Labour? Examining the UK Blair Government's Policy-Making towards the EMU*

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Abstract

This paper investigates how policy-making in the New Labour/Blair government has operated in regard to the UK's EMU membership. Corporatism, broadly understood as a model of close collaboration between the state and organised interest groups in policy-making, is chosen as the tested model against the background of New Labour's Third Way thinking with its emphasis on the public-private partnership and stakeholding concepts. In accordance with corporatist hypotheses, the empirical investigation was conducted at macro-, meso-, and micro-levels. This paper reveals that while corporatism cannot be detected in the

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centrepiece of the EMU policy—the design and assessments of the five economic tests, it is revisited by New Labour in more technical areas concerning preparations for the EMU launch and a possible future entry. The paper argues that these divergent findings reflect New Labour's ambiguous stance on corporatism, which, on the one hand, intentionally distances itself from 'corporatist old Labour', while reinvigorating an appeal to social partnership with stakeholders in the economy on the other. The conclusion is that, as the EMU policy-making demonstrates, whether corporatism is recalled depends more on the nature of policy issues rather than on a particular period or political-economic paradigm. These findings accordingly put forward several suggestions for corporatist theory.

Key Words: Corporatism, New Labour, the Blair government, the EMU/the euro, five economic tests, Third-Way politics

I. Introduction

Ever since it was agreed at the Maastricht Treaty to establish the Economic and Monetary Union (EMU) by member states of the European Union (EU), the question as to whether the UK should join the European single currency, the euro, has been a momentous issue for policy-makers. This paper is an attempt to investigate how policy-making on the UK's EMU membership, once described by the then Prime Minister, Tony Blair, as "the most important decision this country is likely to face in our generation" (BBC, 1 December 1998), has been developed by the New Labour government. As New Labour's EMU policy is an ongoing issue, the investigation focuses on the formation of the five economic tests, the centrepiece of New Labour's EMU policy, and the Treasury's two assessments.

Corporatist theory is chosen as the tested model for three reasons.

First, corporatism,¹ broadly understood as a model of close collaboration between the state and organized interest groups in policy formation and implementation, has come a long way in the UK politics. Middlemas (1979: 20) observes a 'process of corporate bias' appeared as a new form of triangular system of governance since 1911. This 'corporate bias' developed into an institutionalised phase after the end of the Second World War and the 'Brighton revolution' in 1960 further ushered in a time of corporatist economic management in the following

¹ The term 'corporatism' is used in a variety of ways. It can be found in both authoritarian and democratic countries. As 'state corporatism', a form of authoritarian corporatism, cannot be applied in the study of liberal democratic countries, the meaning of corporatism in this paper exclusively refers to democratic one, often called 'societal corporatism'.

two decades.² Such a policy approach has been eclipsed since the 1980s after the Thatcher government took a U-turn from the post-war consensus on pursuing full employment to a liberal doctrine. The dismantling of corporatist institutions by the Thatcher and Major governments further weakens the case for seeing corporatism as compatible with the UK practice (Cairncross, 1999: 194-224; Boston, 1985: 73; Dearlove and Saunders, 1984: 281-2).

However, there has been seen a notable shift in political ideas and emphasis from the neo-liberal pursuits to a promotion of cooperation and partnership between the public and private sector since New Labour came to power in 1997 with its 'Third-Way' thinking. Giddens (1998), the author of *The Third Way*, contends a need for partnership between government and private sector as the basis for Third Way politics to overcome the problem of separation between them left by the previous Conservative governments. The private sector's involvement, viewed by Third-Way politics, is essential to provide the public sector with expertise so that required services can be effectively delivered. The concepts of 'stakeholder society' and 'stakeholder economy' are introduced, in which the state forms networks with a range of groups--including business, employees and voluntary sectors-- in policy planning and delivery. New Labour's renewed appeal to public-private partnership can be seen in several policy areas, such as health, education and local governance.

² It should be borne in mind that these corporatist practices by the successive UK governments in the 1960s and 1970s should not be regarded as 'full corporatism' in which unions accept the priorities determined by government and employers, but were more in the nature of 'bargained corporatism' in which the state engaged in a bargaining process by continuously making concessions to unions. Compared to the cases of Austria, the Netherlands, Sweden, Switzerland, and to a lesser extent, West Germany, where corporatist participation was relatively established and stabilised by legal and institutional underpinnings, the UK practices of corporatism were characterised by consensual intervention and relied on the voluntary cooperation of employers and trade unions. This is why Grant (1997: 188), a corporatist theorist, terms the UK's case as 'tripartism', a weak form of corporatism.

With respect to economic management, Third Way politics was presented as a distinct model from the old-style social democracy (the old Left) which was characterised by statist and corporatist policies, and from the neo-liberal, laissez-faire views (the New Right), labelled as 'Thatcherism', with its strong belief in the market mechanism and minimal state intervention. The Third-Way economic management accepts the main arguments of liberal economic views in relation to the macroeconomic management, such as keeping inflation low and limiting public borrowing. On the other hand, the government is believed to play a more active role in the supply side of the economy to promote innovation and investment, by which growth and employment, the issues which successive Labour governments had constantly stressed, are underpinned (Blair, 1996: 109-13, 121-2; Giddens, 1998: 7-14). The Third-Way economic thinking, as Blair puts it, 'is to try to construct a partnership between Government and business.'

One may argue that the public-private partnership of Third-Way politics does not in any way resemble a corporatist strategy, as having more consultations and cooperation with the private sector is also compatible with a pluralist perspective. However, the public sector's relationship with the private sector in Third-Way politics is not simply reactive or responsive as pluralist one; rather, the partnership between them is emphasised to be interdependent and inter-penetrative, which corporatist practices characterise. As a consequence, Fishman (1997: 37) argues a case for revisiting corporatist approaches by New Labour, 'if a Labour Government is in earnest in its intention to make Britain a stakeholding society.'³

Second, in spite of New Labour deliberately distancing itself from 'statist and corporatist' old Labour, and sharing a high degree of policy continuity with the Conservative governments, the stance of the Blair government on the exercise of a corporatist strategy is rather ambiguous and sometimes even self-contradictory. Corporatism, as a recognisable mark of the old Labour, is

³ Blair, 1997:<http://www.number-10.gov.uk/print/page1072.asp>, access on October 13 2008.

logically assumed to be excluded from the agendas of New Labour in this sense. Blair has explicitly rejected the 'recreation or importation of a model of the corporate state popular a generation ago' (Blair, 1996: 29).

On the other hand, its Third Way thinking seems to propel New Labour towards a corporatist strategy. The government shows a greater enthusiasm than its Conservative predecessors for tripartite discussions and consultations between the government, business and unions, which have been held on the issues of skill training for the workplace, manufacturing modernisation, and reforms of public services and pensions (*The Guardian*, 10 September 2002). Moreover, while the globalisation argument, embraced strongly by New Labour, is used to justify the inappropriateness of corporatist management, it could, paradoxically, equally be employed to justify the resort to tripartite cooperation. Globalisation, perceived by New Labour, sets parameters by which both governments and individuals are dictated, Blair, accordingly, suggests a need for 'the trade union movement to work with employers and government, mapping out a strategy for the future' (Ibid.).

The third reason is the increasing importance of the EU in the economic regulation of member states. Over 75 per cent of economic legislation across member states is now made by the EU. Since the EU requires a measure of informing and consulting employees, the Prime Minister indicates more consultations to be sought with the Trade Union Congress (TUC) to implement EU provisions (Ibid.).

Against this background of New Labour's ambiguity on the exercise of corporatism, the following questions initiate this research: Will a corporatist approach be revisited by the return of a Labour government after being discarded in macroeconomic policy-making for nearly two decades? Is the decline of corporatism in UK politics less a breakdown than an evolution of corporate bias into new forms, as Middlemas argues (O'Sullivan, 1988: 10)? Will the behaviour of New Labour fulfil Grant's prediction that more interventionist measures will be

taken 'in ways that would draw it into tripartite relationships' (Grant, 1997: 189)? Or, will corporatism as one of the post-war 'luxuries' along with full employment and welfare state be renounced by New Labour, as Hay contends, because it 'can simply no longer be afforded' (Hay, 1999: 30-31)?

Policy-making on the UK's participation in the EMU as the single most important macro-economic issue faced by the Blair government provides an indicative subject for further investigation into the applicability of corporatism in New Labour's depoliticised, Third-Way economic policy-making. The discussion is arranged in five parts. The first section briefly reviews the development of New Labour's EMU policy. The second part follows to explore what corporatism as an analytical model implies for the EMU policy-making. A number of corporatist hypotheses on the EMU policy-making and an investigative framework will be set out. The third section is an empirical investigation into the representative bodies of identified corporate interests of whether and/or how the corporatist hypotheses can apply to New Labour's EMU policy-making. The fourth part summarises the findings of the research and assesses the applicability of corporatism in New Labour's EMU policy. The fifth section puts forward a number of suggestions based on empirical evidence for corporatism in the conclusion.

II. The Blair/New Labour Government's EMU Policy: The Invention of the Five Economic Tests

A. The Historical Context

As the establishment of the EMU is the last stage of the European monetary integration, the policy towards the EMU itself is in such historical continuation. The exploration of the Blair government's EMU policy, as a consequence, should be observed in its historical context. The UK's attitude towards the European monetary integration can be demonstrated by its short-lived participation in 'the snake' in 1972 and its unpleasant experience in the exchange rate mechanism (ERM) in 1990, which has profoundly influenced the UK's subsequent policy

towards the EMU.

The snake, established on 24th April 1972, was an exchange rate arrangement set by the original six European Commission (EC) members to halve the permissible range of the fluctuation of exchange rates under the Bretton Woods system.⁴ The UK, as a prospective EC country at that time, decided to join the snake on 1st May. However, just eight weeks later, it withdrew from the snake. The major reason for the UK's withdrawal was its severe deficit problem in its balance of payments.⁵ This, combined with the uncertainty of the UK's economic performance, induced a speculative attack on sterling. After a vain intervention into the exchange markets, the Heath government decided to withdraw from the snake and allow sterling to depreciate. Although the UK government asserted its intention to return to the snake as soon as conditions permitted, the UK did not return to the snake until it was replaced by ERM of the European Monetary System (EMS) in March 1979 (Gros and Thygesen, 1992: 15-8; Kruse, 1980: 114-6). This short-lived membership of the snake was the first failure experienced by the UK in the European monetary integration.

The EMS was formally established on 13th March 1979 to replace the snake to provide a more effective mechanism for monetary stability within the EC. Although the UK was a member of the EMS and sterling is a component of the ECU, an accounting unit composed of basket currencies of nine member states; it

⁴ Under the Bretton Woods system, in which most Western European countries joined, the margins of any currency of member states against the US dollar was 0.75 per cent. That implied that bilateral rates between any two European currencies were at the maximum fluctuation margin of 3 percent via their respective rates against the US dollar. After the Smithsonian Agreement of December 1971, the fluctuation margins of the exchange rates between currencies of member states and the US dollar in the Bretton Woods system was tripled to 2.25 per cent. That change inevitably meant that any two EC-currencies could fluctuate by up to 9 per cent against each other, a degree which was seen incompatible with the proper function the EC common market and the common agricultural policy (CAP).

⁵ The UK's surplus on the balance of payments, which reached over £800 million in each quarter of 1971, turned into an unprecedented deficit of £13 million in the first quarter of 1972.

did not join its ERM until eleven years later. The decision not to join the ERM at the beginning in 1979 was, in part, political. The opposition of trade unions, combined with the impending general election, which implied unbearable political risks for the then Callaghan Labour government to take, contributed to the final non-participation decision. Similarly, the decision to join the ERM eleven years later was made on both economic and political grounds. Economically, the monetarism that the then Thatcher Conservative government relied on to manage the economy was no longer effective to curb interest rates and exchange rates. The government was under the increasing pressure from the public to join the ERM as a new resort to governing the economy. Politically, the then Prime Minister, Margaret Thatcher, encountered an increasing number of challengers to her leadership within the Conservative party after Nigel Lawson resigned from his chancellorship due to his dispute with the Prime Minister and insistence on joining the ERM. On the other hand, at that time, the EC countries were drafting the Maastricht Treaty by which the EMU was to be established; the fact that the UK would be at risk of being marginalised in negotiations to shape the future of the EMU added another political imperative to joining in the ERM (Thatcher, 1993: 707-24; Thompson, 1996: 154-74; Oppenheimer, 1998: 71-3; Artis, 1998: 135-7; Stephens, 1997: 258-9).

Though the UK waited eleven years to join the ERM, its membership did not last long. Membership, beginning on 5th October 1990, ended on 15th September 1992, the so-called 'Black Wednesday', during the 1992 European financial crisis, which originated from the tight monetary policy adopted by Germany due to the reunification factor. Commentators describe the UK's ERM membership as 'this long engagement followed by a brief marriage [of less than two years] (Barrell, Britton and Pain, 1994: 114).' The ERM episode has had two effects on the subsequent EMU policy-making. Politically, the enthusiasm for European monetary integration, which once rallied on the ERM entry, was divided again on the EMU issue. The perception that the UK suffered from Germany's reunification

but the Bundesbank, the German central bank, revealed little sympathy for the UK during the sterling crisis contributed to the plausibility of the scepticism about the UK's further participation in the EMU (Goodhart, 1996: 199). There was a notable change in the UK attitude⁶ towards the European monetary integration from a strategy of pragmatic involvement to the traditional stance of cautious, if not sceptical, reservation, as exemplified by the Major government's strict conditions of returning to the ERM.⁷ Economically, the unexpectedly high price of ERM membership—unemployment increasing from 1.6 million (about 6 per cent) in 1990 to 2.8 million (around 10 per cent) in September 1992 with a fall in GDP by 2.5 per cent, undermined the initial expectation of the benefits of ERM membership, and dampened occasional passions for the EMU, which once emerged during the well-accommodated ERM membership period (Major, 2000: 312-41).

These unpleasant historical experiences of snake and ERM membership, unavoidably, stimulated the rise of euro-scepticism among UK society⁸, and,

⁶ The ERM episode reinforced the conversion of the Conservative Party from a pro-EC position in 1973 to one of gradual antipathy. In its 1997, 2001 and 2005 election manifesto, the party unveiled its opposition to the scheduled time of the EMU and the UK's entry into it by appealing to 'keep the pound.' See *BBC*, 'How Europe splits the Tories', 26 November 2002, http://news.bbc.co.uk/1/hi/uk_politics/1701003.stm, access on October 15, 2008; *The Conservative Manifesto 1997: You Can Only be Sure with the Conservatives*, <http://www.conservativemanifesto.com/1997/1997-conservative-manifesto.shtml>, access on October 9, 2008; *The Conservative Manifesto 2001: Time for Common Sense*, <http://www.conservativemanifesto.com/2001/2001-conservative-manifesto.shtml>, access on September 28, 2008; *The Conservative Election Manifesto 2005: The British Dream*, <http://www.conservatives.com/pdf/manifesto-uk-2005.pdf> September 28, 2008 for more information.

⁷ These conditions are: first, the speculative turmoil in the foreign exchange markets would have to settle down; second, there would have to be convergence of interest rate between the UK and Germany; third, divergences in their business cycle would have to be reduced, and finally, 'fault-lines' in the ERM would have to be rectified.

⁸ In various polls conducted from 1994 to 2003, over half of UK public opinion has been against the UK's entry into the EMU. Although the results of polls vary slightly, opposition steadily

therefore, cast intangible constraints on the following policy-makers when pondering the UK's EMU membership.

B. The Blair Government's Approach to the EMU Policy-Making

When New Labour came to power in May 1997, the framework of the UK's EMU policy had been set by the previous Major Conservative government. Labour inherited, willingly or unwillingly, a number of policy principles, mainly, an opt-out right of the EMU and the commitment to a referendum.

Being a pro-European party, the Blair government, presumably, would be more inclined to take a more positive attitude toward EMU membership than its predecessor. When in opposition, Tony Blair emphatically distinguished Labour's 'pro-Europeanism' from the relatively sceptical Conservative counterpart both by expressing his support for the UK's EMU membership and by warning of risks of the UK's exclusion (*The Times*, 6 July 1994, *The Guardian*, 5 June 1995). Within the Labour party, however, opinions over the EMU issue were as divided, if not so publicly and openly, as in the Conservative party. The constraints-- the

maintained a level of 50-60 per cent while those in support hardly exceed 33 per cent. On the other hand, perspectives of business were not ascertained. In the light of the weak performance of the eurozone, the Confederation of British Industry (CBI), the biggest organisation of UK employers, switched from originally supporting the UK's EMU membership to its current neutral stance. Another employers group, the British Chambers of Commerce (BCC), which represents small and medium business, has preferred a 'wait-and-see' approach. In general, large multinational companies-- including British Airways, BP, Vodafone and Unilever-- are keener on EMU entry with 46 per cent supporting it, while 50 per cent of small businesses take a wait-and-see position. It is noteworthy that since the Blair government decided that the UK would not join in the EMU in the near future in the Treasury's 2003 assessment of the five tests, it has been very few, if any, polls on euro from September 2003. See <http://www.cbi.org.uk/8025671600.../9d6b8439c37cc6cb802567ae00542526?opendocument>, access on October 6,2008; <http://www.britishchambers.org.uk>, access on October 13,2008; <http://www.ipsos-mori.com/content/polls-03/latest-views-on-the-euro.ashx>, access on October 13,2008; <http://www.icmresearch.co.uk>; <http://www.nop.co.uk>, access on October 12,2008 ,and <http://www.martinhamblin-gfk.com> for more details.

controversy over national interests and concern of party management--faced by the Major government can also be found in the New Labour government.

The New Labour government's EMU policy followed the main strands of the Major government with its variations in detail. It endorsed the opt-out decision of its predecessor; shared the principles of the precedence of economic arguments over political ones, and took over the referendum idea (Rentoul, 2001: 474-5; Stephens, 1997: 315-6). Its EMU policy was embodied in the Chancellor of Exchequer's 1997 statement on the EMU and the Prime Minister's 1999 speech on the euro, which characterise the policy with four principles and five economic tests.

The four principles:

- (A) The government supports the principle of the UK's membership of monetary union;
- (B) There are no constitutional obstacles to the UK's EMU membership, although the government acknowledges the constitutional implications of EMU membership;
- (C) The EMU entry decision should be put to a vote in the parliament and then to a referendum of the British people, once the government decides to recommend EMU membership based on the assessment of economic tests; and
- (D) A clear and unambiguous economic case would be assessed for EMU membership, both at the level of the EMU itself and the domestic economy (Brown, 1997).

The five economic tests were set out accordingly to examine such 'a clear and unambiguous economic case' as follows:

- (A) Whether there can be sustainable convergence between Britain and the economies of a single currency;
- (B) Whether there is sufficient flexibility to cope with economic change;
- (C) The effect of investment;

(D) The impact on [the UK's] financial services industry, particularly the City's wholesale markets; and

(E) Whether it is good for growth, stability and employment (Ibid.).

The then Chancellor, now the Prime Minister, Gordon Brown,⁹ delivered the Treasury's first assessment of the five economic tests in 1997 and the second one in 2003 in the New Labour government's second term. In spite of the facts that the second assessment was announced six years later and the government had undertaken various sorts of preparations in the face of the EMU establishment during the past six years¹⁰, the outcome of the much more in-depth second

⁹ Brown succeeded Blair as Prime Minister on 26 June 2007. Being the Chancellor of the Blair government, Brown was the architect of the five economic tests and the decision-maker of the Treasury's two assessments. The Brown government's EMU policy, as revealed in the government's statement, followed that of the Blair government, which reaffirmed the five tests and the result of the 2003 assessment. It did not undertake further assessments or published any EMU-related documents itself. After assuming the premiership, Brown has not made any public remarks on the EMU issue yet. The only related talk was on 17 July 2007 when Brown was asked by the visiting German Chancellor, Angela Merkel, about the likely timing of the UK joining in the euro. Brown offered only a short and official reply as 'it was constantly under review whether it was in the best interests of the British economy'. Refer to HM Treasury, 'The UK government's policy on Economic and Monetary Union (EMU)', http://www.hm-treasury.gov.uk/documents/international_issues/the_euro/euro_index_index.cfm, access on September 29, 2008; 10 Downing Street, 'Mr Brown meets Chancellor Merkel', 17 July 2007, Newsroom, <http://www.pm.gov.uk/output/Page12488.asp>, access on September 29, 2008 for more details.

¹⁰ These preparations can be separated into two kinds. One is rather practical and technical works, including promulgating the EMU to the public and business by setting a standing committee on preparations for the EMU, led by the Chancellor, holding a series of nation-wide conferences, and making the National Changeover Plan. The other, which has a more profound influence, involves essential, policy-related reforms such as the initiative of 'Getting Europe to Work' to promote the greater flexibility both in the UK and the EU; the introduction of new competition legislation, and the adoption of new monetary and fiscal rules which is expected to deliver to the UK the low inflation and reduction of public deficit as required by the Maastricht convergence criteria for joining the EMU. Refer to HM Treasury (1997), *UK Membership of the Single Currency: An Assessment of the Five Economic Tests* for more details.

assessment¹¹ was still quite similar to that of the first one. In both assessments, all tests but the one for financial services failed (HM Treasury, 1997 & 2003a).

C. The Nature of New Labour's EMU Policy: Still on the Same Track

New Labour distinguishes its EMU policy as being more proactive than its predecessor. According to the then Chancellor, New Labour has been an unprecedented government:

The first British government to declare for the principle of monetary union. The first to state there is no overriding constitutional bar to membership. The first to make clear and unambiguous economic benefit to the country the decisive test. (Brown, 1997)

The government labels itself as pragmatic and being pro-euro realism. A pro-euro stance is because the government supports the UK's EMU membership in principle, while realist because it will judge the membership only by the national economic interests with the rigorous tests. New Labour's approach is claimed to 'prepare and decide' (Brown, 2001), in contrast to the Major government's 'wait-and-see' stance.

These differences between EMU policies of the Major and Blair administrations are, however, more ceremonial than essential, rather formal than substantial. New Labour's policy is composed of three elements: the cabinet's decision based on the assessment of the economics; a vote in the parliament, and then the consent of the British people in a referendum. They are not the Labour government's creation. They are exactly the legacies and continuation of the past. Both the Major and Blair governments ostensibly place economic interests over political issues when formulating policy, and resort to the referendum as an

¹¹ Alongside the 246-page assessment, there were another 18 support studies, comprising 1,738 pages, published at the same time. The 2003 assessment involved the most paperwork that came out of the Treasury in a single day.

instrument of downplaying controversies within their own parties and the society, and diminishing electoral risks that the issue may cause. As commentators point out, the government's decisions on the EMU reflect less about the issue itself but more about the considerations of party management and electoral contests (Moran and Alexander, 2000: 117; Baker, 2003).

This party management consideration inherent in New Labour's EMU policy-making was confirmed by the former Home Secretary, then the Education Minister, Charles Clarke. In an interview with the author (on 9 May 2003), Clarke admitted that, in light of the example of the Major government which suffered from the EMU controversy and its failure in the 1997 general election, partly due to the open split on the issue, one of the concerns of his government on EMU membership is to avoid, or reduce, any rifts within the government and the party.

Constrained by similar parameters, the EMU policy that New Labour has pursued did not surprisingly deviate from the Major government's framework. It is still on the same track of 'wait-and-see'—cautiously waiting to see how the EMU will, and can, perform and only then deciding whether the economic case is sufficiently clear to join, a strategy that can meet multiple political needs, albeit with, seemingly, a more friendly and positive manner and language.

The only major difference, perhaps the most important part, of New Labour's approach, is the specification of the five economic tests. The government for the first time enumerated the economic conditions of its assessment for decision-making. The five tests become the only pillar upholding the 'black box' of the government's decision-making. It can be argued that these five tests are as equivocal as the Major government's abstract concept of national economic interest. However, the appearance of the five tests and the insistence on their supreme status in the decision-making not only draw an explicit line between what specific factors would be considered (and in what way) and what would be excluded; at the same time these tests also highlight the exceptional dominance of the Chancellor and the Treasury in the policy-making process.

The five economic tests, therefore, will be the main focus of our investigation when examining the applicability of corporatism.

III. What Would Corporatist Theory Indicate to the EMU Policy-Making?

When Schmitter first proposed his original definition of corporatism¹² in 1974, his phraseology did not offer a united, single, or homogeneous concept for acknowledging the essentials of corporatism. To different corporatist theorists, the meaning of ‘corporatism’ may vary. For example, Panitch (1977: 66) emphasises more on the interrelationship between large organised socio-economic groups and the state, while for Grant, the elements of intervention, intermediation and incorporation are essential (Grant, 1985: 3-4; 1993: 29). In spite of the different emphases placed by different theorists on the meaning of corporatism, the essential elements, which comprise the core corporatist concept, do not shift. A number of components of a general corporatist model, according to a variety of theorists (Cawson, 1979: 179-98 & 1982: 38-41; Parri, 1987: 71; Williamson, 1989: 223-4; Lewis, 1990: 64-5; Grant, 1985: 3-4; Schmitter, 1974: 93-4; Lehmbruch, 1977: 94; Panitch, 1977: 66; O’Sullivan, 1988: 8-9), can be synthesised as follows:

1. Interest representation: corporatism is a function of interest representation. In contrast to pluralism, only a limited number of monopolistic functional interest groups, usually restricted to producer groups, can be granted privileged access to

¹² Schmitter’s classic annotation of this theory is as follows: ‘Corporatism can be defined as a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.’ See P. C. Schmitter (1974), ‘Still the century of corporatism?’, *Review of Politics*, 36: 93-4 for more information.

the state's policy-making processes, among which those of capital and labour are central in the corporatist interest representation.

2. Interest intermediation: corporatism is a process of interest intermediation in which there exists a degree of brokerage between the state and interest groups. Interest groups act as intermediaries not only by articulating demands for their members, but also by ensuring the compliance and cooperation of their members to agreed bargains that they have reached with state authorities and other organised interests.

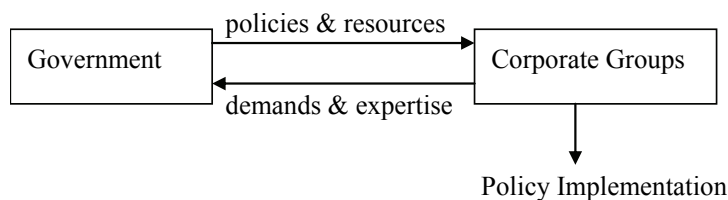
3. Implementation: one of the most important features of corporatist representation is that interest groups play a major role in implementing policies. In exchange for favourable outcomes, the leaders of functional interest groups agree to implement policies by delivering the co-operation and compliance of their members. Corporatist groups have the capacity and authority to discipline their own members to accept and obey the compromises that have been agreed. This indicates that the organisational structure of corporate groups, different from that of pluralistic ones, is internally hierarchically ordered. To that extent, corporatist interest groups can be seen, in a real sense, as a part of the extended state.

4. State intervention: the state functions as a planning and co-ordinating mechanism, which incorporates the main functional interests into a co-operative, interdependent relationship.

5. Mandate from the corporatist economy: corporatism argues that the political power of corporate groups derives from their strategic position in the corporate economic structure. Such an interrelationship between corporatist politics and economy is assumed more evident in the economic policy-making area where corporate groups can more easily translate their economic power into political status. Although, theoretically, each corporate group has its own functional weight and indispensability in the division of labour in the economy, labour organisations tend to be junior partners in corporatist bargains.

Characterised with these essential elements, corporatism, as a distinct mode of policy formation and implementation, signifies a number of assumptions for policy-making. First, the theory holds that the state has to deal with organised interests on a discriminatory basis, because economic producers begin to exert significant influence over the market. Second, only a limited number of organised interest groups can be granted privileged access to the closed bargaining process of the state's policy-making (see Figure 1). These privileged, limited corporate groups are filtered on the basis of their economic function in relation to the division of labour and their relatively monopolistic representation in respective categories.

Figure 1 Corporatist policy-making



Source: Cawson (1982: 40), *Corporatism and Welfare*.

Third, corporatists differentiate the influence mechanisms of corporate groups in the corporatist policy-making process into three action areas: initiating; consultation, and resolution. While the theory recognises that the involvement at the consultative stage is not equal to the influence at the resolution stage, for example, corporate groups in Sweden have more influence at the consultative phase but less influence on the resolution stage; it is assumed that corporate groups should be involved in all these three phases. Fourth, corporatism, in the words of Cawson as 'a method of economic administration' (Cawson, 1979: 185), is argued to be most conspicuous in the area of economic policy-making. Fifth, countries with much more internationally penetrated economies or in a relatively

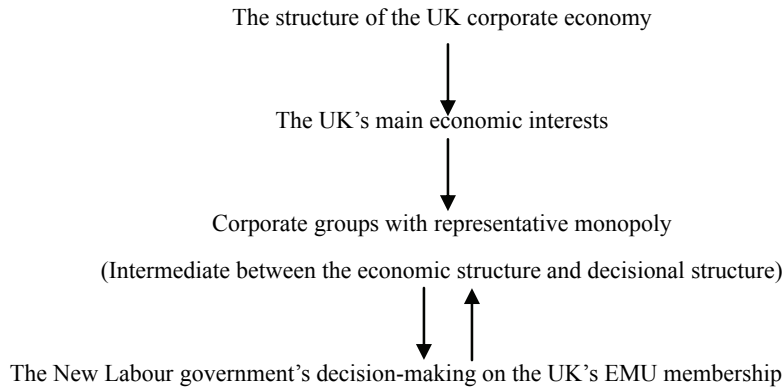
good economic condition are predicted to provide grounds for developing corporatist policy-making (Schmitter, 1985: 42-6; Regini, 1984: 135-6).

What would these corporatist policy-making arguments indicate to the New Labour government's EMU policy-making? Three hypotheses can be drawn out as a result:

Hypothesis One: Corporatist theorists would argue that some forms of corporatist arrangements should be found in New Labour's EMU policy-making for three reasons. First, in an advanced capitalist economy, such as the UK, the state is increasingly dependent on producer groups. Second, the EMU policy as a case of economic policy-making should be especially demonstrative of corporatist policy-making. Third, as a highly internationally-penetrated economy, the UK is assumed to employ corporatist policy-making to meet its national needs. The relatively good condition of the UK economy under the management of New Labour further provides a plausible base for the case.

Hypothesis Two: Accordingly, in the corporatist theory's prediction, a limited number of corporate groups would be selected to incorporate into the corporate politics of the EMU policy-making process. The selection would accord with the contribution and strategic positions of corporate groups in the UK economy. These corporate groups would mediate between the UK economic structure and the decisional structure of the Labour government, as Figure 2 illustrates.

Figure 2 The linkage of the economic structure with the decisional structure



Source: Author's draft.

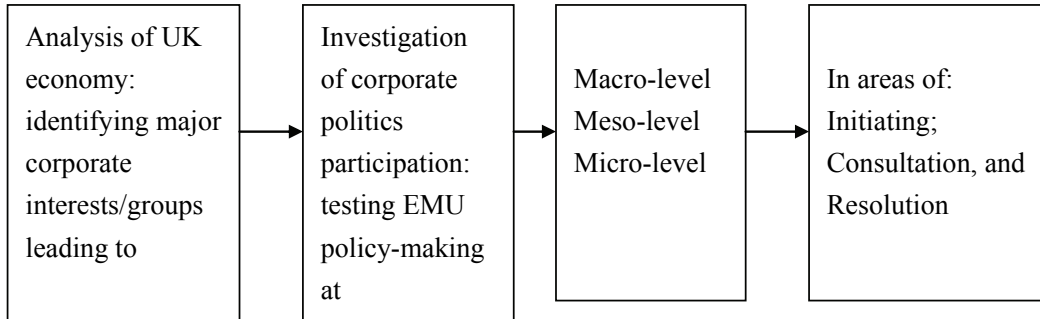
Hypothesis Three: Corporate groups would be expected to participate in the three phases of the EMU policy-making: i.e., initiating, consultation, and resolution as a corporatist pattern, although the extent of their involvement in each phase may vary from each other.

The investigation in the next section will test whether these three hypotheses drawn from the arguments of the corporatist theory can apply to the New Labour government's EMU policy-making. This research is based on the author's interviews with a number of corporate groups, complemented by a documentary approach. As *Hypothesis Two* indicates, a limited number of corporate groups/interests will be identified first by initially exploring the structure of the UK corporate economy. The investigation will focus on the involvement of these identified corporate groups/interests in the formation and the two assessments of the five economic tests, as they are not only at the center of New Labour's EMU policy, but also, as argued in this paper, the major, if not the only, difference from its predecessor's. As to the testing procedures, since corporatist arrangements can be held at macro-, meso- and micro-levels¹³ through the three action

¹³ This paper acknowledges that there are debates among corporatist theorists about whether corporatism can be argued to exist at the micro-level. For example, Streeck (1984) and Williamson (1989) contend that corporatism cannot be held at micro-level, while Cawson (1986)

areas—initiating, consultation and resolution-- the empirical testing should be conducted at each individual level and in each action area. An investigative framework can be summarized as illustrated in Figure 3.

Figure 3 The framework for examining corporatism in EMU policy



Source: Author's draft.

IV. The Identification of Corporate Interests

The industrial structure of the UK economy distinguishes itself from that of other advanced industrial countries in a number of ways. First, the UK economy has a much smaller, if not the smallest, agricultural sector. Both its shares of agricultural employment and output are the lowest among major EU countries and are only a third of the EU average in 1998 (European Commission, 2001; Eurostat, 2000: 91). Second, the UK economy has the highest proportion of services, especially the financial services, with a 73 per cent employment ratio in relation to total civilian employment compared to the EU average of 66.7 per cent in 1997 (OECD, 1996). Third, the UK manufacturing industry did not revive with the

and Grant (1985) justify the existence of micro-corporatism. This disagreement, to a large extent, reflects the different emphasis that theorists place on the nature and composition of corporatism. In order to provide a thorough and comprehensive empirical examination, this paper adopts a broad concept when defining corporatism. However, this should not be interpreted as exhibiting any preference of this paper for any schools involved in this argument.

recovery of the post-war international economy, as did occur in the cases of Germany, France and Japan, but has been in steady decline. This decline is reflected by the fall of the UK's manufacturing share of the world market by value from 25.5 per cent in 1950 to 5.4 per cent in 1999 (Select Committee on Trade and Industry, 1994: 13-20; WTO, 2000). The manufacturing industry accounted for only 17 per cent of national value added and employment by 2000 (see Table 1), and has been replaced by the financial services industry, which accounts for 28 per cent of national value added and 18 per cent of employment, to become the biggest sector in the UK (Office for National Statistics, 1999: 382-5).

Table 1 Sectoral breakdown of the UK economy (indicated in p.8)

	Value added / Employment (as % of total)			
	1960	1970	1986	2000
Agriculture	3.4 / 4.7	3.0 / 3.2	1.7 / 2.5	1.0 / 1.5
Manufacturing	32.1 / 38.4	31.1 / 34.2	21.5 / 24.4	17.0 / 17.1
Services	53.8 / 47.6	51.4 / 52.0	65.7 / 66.7	71.5 / 73.0

Source: OECD (1995), *Historical Statistics 1960-1993*; - (2001), *Historical Statistics 1970-2000*, Table 2.9, 2.11, 2.12, 5.1, 5.3, 5.4.

Though the importance of the manufacturing industry in the UK's corporate economy has declined, its strategic position has not disappeared. Manufacturing is still the second largest single industry, supplying over 80 per cent of merchandise exports coming from this sector. After experiencing a severe market selection through deindustrialization since the early 1970s, the UK manufacturing now is relatively specialised in the high-tech, high-growth sector of information and communication technology (ICT). High-tech exports now account for one third of the UK's total manufacturing exports, the second highest ratio next to the US, with a one-tenth market share of the world's high-tech manufactured goods (OECD, 2000: 74; 2001: 60). This is, to a considerable extent, the outcome of

foreign direct investment (FDI). FDI accounts for a quarter of the entire manufacturing employment and output, with a better productivity of 1.4 times that of the average level of UK firms (*Britain in Europe*, 2001 July; Moore, 1999:314; Davies & Lyons, 1991:584-595). Successive governments have thus regarded FDI both as a means to compensate the capacity loss and as a mechanism for introducing new work practices and techniques to the UK manufacturing industry.

The selection of the financial services sector and FDI in the Treasury's five economic tests fairly reflects the strategic importance of these two sectors in the UK corporate economy, and, therefore, their imperatives to policy-making, as corporatist theory assumes. The ICT industries, however, are unjustifiably missed out. The financial services industry; the ICT sector, and FDI are the significant corporate interests that this paper identifies. They will in turn be investigated in the next section.

V. The Investigation into Identified Corporate Interests/Groups

New Labour has constantly characterised its EMU policy as adhering to the principle of 'prepare-and-decide', this paper thus distinguishes these two parts of the EMU policy: the *preparatory phase* and the *deciding phase*. In testing the deciding phase, the design, formation and assessments of the five economic tests will be the focus of the examination. In testing the preparatory phase, the design and implementation of the National Changeover Plan (also known as simply the Plan), which sets out concrete steps and guidelines for EMU preparations, will be the key points for testing.

A. Testing Corporatism at the Macro-Level

The Confederation of British Industry (CBI) and the British Chamber of Commerce (BCC), as the peak organisations representing different fractions of capital, and the TUC, the representative for UK organised labour, are selected for

investigating macro-corporatism.

In their interviews with and replies to the author, the CBI, the BCC and the TUC all indicated that, at the deciding phase, they have not been involved in any of the three action areas—initiation, consultation and resolution of New Labour's EMU policy-making. They have neither participated in the design and formation of the five economic tests, nor have they held any discussions and consultations with the Treasury over the two assessments of these five tests, in spite of their frequent contacts with the Treasury.

The closed process of the Treasury's decision-making on the five economic tests particularly disappointed the BCC and the TUC. Unlike the CBI, which was constrained by divergent views among its members, the BCC, with more consistent opinions and its own assessment of the five tests, took a keener approach to influencing the government's EMU policy-making. It was revealed that the BCC has used contacts with the Treasury to 'keep them informed of the views of our members' (Karen Clements, replied on 23 & 27 October 2003), though these attempts did not work. As for the TUC, during the period of the second assessment, then TUC general secretary, John Monks, called for a corporatist-style dialogue and discussions between the government, the CBI and the TUC (The TUC, Press release, 17 March 2002). It received no response from the government. Monks attributed the minimal level of debates and engagements by unions to the lack of permanent or formal tripartite machinery or institution in the UK. He explained New Labour's EMU policy-making as placing 'far more emphasis on ad hoc meetings on specifics and bi-lateral discussions over particular issues and concerns' rather than focusing on the 'big picture'. The TUC was critical of the formation and assessments of the five economic tests as being 'confined to an internal debate within Whitehall.' (Minutes of Evidence of Select Committee on Treasury, 2003)

By contrast, in the preparatory phase, the CBI, the BCC and the TUC have all been engaged in the design, administration and implementation of the Plan,

though to a various extent. The CBI, the BCC and the TUC were all invited to join the Standing Committee on Euro Preparations, set up by the Chancellor in 1997 to steer and administer all kinds of preparations for EMU membership across the country. The CBI and the BCC further participated in several subordinate working groups under this Committee. For example, they both were the members of the Business Advisory Group (BAG); the Project Management Group (PMG), and the Managed Transition Advisory Group, designed to assist the government's construction of the Plan over business-associated issues. In addition, as the government asked, the CBI, the BCC and the TUC were also involved in providing information, advice and support for their members. The CBI's publication of *Guide to Preparing for EMU* and the BCC's *The Euro Fitness Guide* were the examples. The input of these three peak organisations in the initiation, consultation and resolution in the preparatory phase of the EMU policy were widely acknowledged in the Treasury's three outlines of the *National Changeover Plan*, and *Lessons for the Changeover in the Euro Area*.

One interesting finding of the investigation was that, whether or not they were dissatisfied with the closed policy-making process in the deciding phase, all three investigated subjects tended to endorse the government's conduct of the EMU policy. Roger Davison, the chief press officer of the CBI (interviewed on 18 September 2003) indicated that the CBI supports 'the basics of the five tests', and its general views on the Treasury's two assessments are affirmative. The BCC, though commenting the design of the five tests as 'subjective and can be answered in many different ways' by its advisor on EU affairs, Karen Clements (replies received on 23 & 27 October 2003), supports the outcomes of two assessments, since they are in line with opinions of the BCC. The TUC welcomes the Treasury's exercise of providing a full economic evaluation and regards the design and formation of the five tests as 'all sensible and highly relevant to making that decision'. It also interprets the outcomes of the two assessments positively as a 'not yet' rather than 'not likely' verdict (The TUC, Press release, 9 June 2003),

though Ian Brinkley, the chief economist of the TUC, commented it as still ‘a de facto policy of wait and see’ (replies received on 1 & 6 October 2003).

The testing of macro-corporatism paints two different pictures. One is that there has been virtually no significant involvement of the three bodies in formulating and assessing the five economic tests. It seems that the government intended not to introduce any corporatist-style discussions or consultation in the deciding phase. At the preparatory stage, on the other hand, we find a good deal of consultation and coordination with organised interests of capital and labour both in shaping and implementing the Plan.

B. Testing Corporatism at the Meso-Level

Corporatism classifies interest representation and intermediation at the sectoral level as meso-corporatism. It is concerned with sectoral interests rather than system-regarding issues. Meso-corporatism is sandwiched between the broad concerns of class interests of the macro-level and far narrower concerns of individual firms of the micro-level. This non-class, sectorally-differentiated nature of meso-corporatism is the major distinctive difference from that of macro-corporatism. It tends to occur where the state intervention is sectorally differentiated, either within the framework of industry-wide policy or of a sector-specific policy. Policy areas such as agricultural policy, industrial policy, investment, competition and training, which can be industry-wide or sectorally differentiated, are appropriate for the development of meso-corporatism, while policy areas, which require national planning and coordination such as prices and income policies, are more likely to associate with macro-corporatism (Williamson, 1989: 156-62; Cawson, 1986: 72-3 & 160-1).

The previous section of this paper has identified the financial services sector and the ICT industries as the most significant sectoral interests in the UK corporate economy. As a result, the British Bankers’ Association (BBA), the Association for Payment Clearing Services (APACS), and the Association of

British Insurers (ABI)-- as the representative organizations for the UK financial sector-- are selected to be investigated, while the Information Technology, Telecommunications and Electronics Association (Intellect) is selected to represent the ICT industries. For sectoral trade unions, the UNIFI and Amicus-AEEU, as the largest financial sector union and the manufacturing union respectively, represent organised labours in these two industries.

The evidence collected from these six investigated subjects indicates that *none* has been consulted over the shape and assessments of the five economic tests in the deciding phase, even though these bodies have regular meetings with the Treasury and the Bank of England, and one of the five tests regards the financial sector. As revealed by its policy advisor of the EU, Nigel Peaple, the ABI once took the initiative to raise this issue in their contacts with the Treasury; as criticised by Peaple, however, the policy-making process, criticised by Peaple, remained closed (reply received on 22 October 2003). These investigated subjects were only consulted on practical and preparatory issues related to the EMU policy-making. The BBA, the APACS, the ABI, and the Intellect all can be found to have worked with the government in policy coordination and implementation in the preparatory phase; their involvement does, however, reveal a sectoral differentiation. Since the financial sector is critical in providing a financial infrastructure in the EMU changeover, the input from the representative bodies of the financial sector was found to be much more than that from the ICT industries.

The BBA and the APACS, in charge of the retail and wholesale financial markets transition respectively, played a substantial role in developing and realising the Plan, as the Prime Minister specified in his speech to the House of Commons (Blair, 23 February 1999). In planning the timetable for a changeover, they have worked with the Treasury and the Bank of England to produce an estimated framework. Under this framework, 24 months was suggested as a period necessary for developing the full capability of euro payment system for UK banks, and 6 April is scheduled as an optimal date for introducing euro cash (the

so-called E day) (HM Treasury, 2003b: 9-11 & 59-62). In collaboration with the government, the BBA and APACS co-published *The UK Banking Industry Outline Euro Blue Print* as an instruction manual for the banking sector.

Individually, the BBA, by co-chairing with the government in the Managed Transition Advisory Group (MTAG), produced an estimated cost for the government of each task at each stage that a changeover would cause to the banking sector, as its executive director, Roger Brown, revealed (interviewed on 8 October 2003). The BBA's suggestion of a clear but flexible regulatory framework was also incorporated in the Treasury's third Outline National Changeover Plan (HM Treasury, 2003b: 9-11 & 59-62). The APACS, on the other hand, through the participation of the City Euro Group (CEG) and Notes and Coins Working Group (NCWG), estimated coinage requirements by society for a changeover on behalf of the payment sector. One distinct contribution of the APACS, as the APACS's manager of Euro Coordination, Neelam Jobanputra, indicated, was to propose the adoption of a phased approach to a changeover as the most cost-effective way (replies received on 21 October & 12 November 2003). The Treasury has set up a working group on phased approach, also known as a managed transition, as embodied in the third Outline of National Changeover Plan (The APACS, 2000: 30-1; 2001: 33-4).

Similar close policy coordination in the EMU policy's preparatory phase was also found with the ABI. As one of the key retail services providers, the ABI, along with the British Retail Consortium (BRC) and the Association of Convenience Stores (ACS), is a member of the Treasury's Regulated Sectors Working Group (RSWG) entrusted to develop core principles of conduct codes for the insurance industry by publishing the *Guidance Document for the Industry* (HM Treasury, 2000: 47-9; 2003b: 43-51). The ABI's other contribution to the Plan, confirmed by People, was in the Managed Transition Plan, Communications Plan and the Consumer Group.

By contrast, the involvement of the Intellect was very limited, and even

amounted to nothing in the cases of trade unions. In the preparatory phase, the Intellect was consulted by the Treasury only on the issues of technological requirements for software changeover, especially for the financial industry. As these preparations were completed, Libby Kinsey, the Intellect's programme executive, said that there is no further cooperative scheme between them in the Plan's next stage (interviewed on 14 November and 16 December 2003). Moreover, unlike the involvement of employers' organizations in the preparatory phase, there has been no participation of investigated trade unions at the sectoral level. Interestingly, in spite of being excluded from the policy-making process both in the deciding and preparatory phase, UNIFI and Amicus-AEEU seem to be 'reasonably satisfied' or 'pleased' with the conduct of the government's EMU policy-making, as their research officers, UNIFI's Ben Richards (reply received on 2 October 2003) and Amicus-AEEU's Alison James (interviewed on 24 February 2004), commented.

The examination of meso-corporatism presents a similar picture to that which emerges at the macro-level. None of the surveyed corporate groups has been involved in the EMU policy's deciding phase, while most of them have substantially contributed to the formation and implementation of the Plan in the preparatory phase. The only difference from the outcomes of the macro-level is that there is no evidence of any participation of trade unions at the sectoral level.

C. Testing Corporatism at the Micro-Level

Some corporatist theorists assert that it is not only functional interests or sectoral interests that influence the operation of the market at the macro- and meso-levels, but also large firms that exert great power over the market as price-makers at the micro-level, so that their actions and decisions actually affect medium and small companies as price-takers. The oligopoly of the market power held by large firms thus provide motives for the state to intervene by negotiating with them directly over policy formation and implementation without resorting to

intermediate representative associations. They identify corporatism at this level as micro-corporatism.

However, there have been debates among corporatist theorists about whether the state intervention at the micro-level can be qualified as corporatism. This disagreement among the theorists, to a large extent, reflects the different emphasis that they place on the nature and composition of corporatism. Those, such as Streeck (1984: 291-8) and Williamson (1989: 164-5), who view interest intermediation as constituting the core element of corporatism do not classify individual firms as intermediaries between the state and collective interests of companies so that corporatism can not occur at this level. In contrast, those, such as Cawson and Grant (Cawson, 1986: 74-5), who place more emphasis on interest representation rather than intermediation support the concept of micro-corporatism, since individual firms can be seen as a kind of interest aggregation able to mediate between the state and society in a real sense as long as their representation is a monopolistic one.

While the aims of this study are to examine the applicability and utility of corporatism in the New Labour government's EMU policy-making, it does not intend to join the purely theoretical debates to argue what should be the most prominent characteristic of corporatism. Instead, in order to provide a thorough and comprehensive empirical examination, this paper adopts a broad concept when defining corporatism. As a result, it will look into whether, or how, large firms have any influence on the EMU policy-making as an examination of micro-corporatism.

Large firms, as the likely objects of the exercise of micro-corporatism, can be either domestic or foreign. This paper will focus on large *foreign* firms for two reasons. First, this paper has identified FDI as one of the strategically important interests in the UK corporate economy, especially in the manufacturing industry. Second, corporatist arrangements are assumed more likely to occur when investment/disinvestment decisions with considerable employment/

disemployment consequences are taken by individual firms (Cawson, 1986: 118-21). Since a number of key foreign investors reportedly required of the government an early entry of the EMU by connecting their UK investment with EMU membership, it is then theoretically possible that foreign investors may offer a more likely arena than their domestic counterparts for the formation of micro-corporatist arrangements.

While a majority of big foreign investors came out in favour of the UK's early entry into the EMU, this paper will select only those who either have publicly withdrawn or frozen their UK investment based on the linkage of EMU membership, or have warned consistently the government of the likely withdrawal of their UK investment.¹⁴ By maintaining such criteria, the examination is expected to be more in line with the assumptions of micro-corporatism. Accordingly, seven large foreign investors are selected for testing: Agco; Black & Decker in Europe; Ford of Britain; Nissan UK; Toyota Motor Manufacturing UK; Unilever UK, and Vauxhall UK are the prominent foreign investors in the UK. All have made noticeable remarks that their investment is associated with EMU membership in their respective industries of agricultural machinery (Agco); power tools and accessories (Black & Decker); car manufacturing (Ford, Nissan, Toyota, and Vauxhall), and consumer goods (Unilever).

All of the surveyed companies confirmed that they have held talks and consultations with the government over the EMU issue, although the outcomes of negotiations varied across cases. For Agco, the government negotiated with the

¹⁴ For example, due to its relatively small scale the case of Jungheinrich-- a German truck manufacturer which closed its UK plant in Leighton Buzzard, Bedfordshire and moved back to Germany with the loss of 180 jobs in January 2003 because 'consolidating all our manufacturing in the eurozone was an attraction'-- was not selected in the examination. Also, the cases of BASF and Alsom UK, the former a German chemicals and plastics manufacturer and the latter a French engineering firm, were not selected because of their comparatively less exposed addresses on the EMU issue with the company's operations. Refer to *The Independent*, 'Six in 10 Britons opposed to joining euro zone', 17 January 2003, p.23 for more details.

company after it issued a warning of a plant closure in Coventry (*Financial Times*; *The Times*, both on 26 June 2002a). These negotiations, however, did not succeed, as revealed by the company's vice president of Corporate Relations, Molly Dye (reply received on 21 October 2003).

In the case of Black and Decker in Europe, the Prime Minister assured the company's president, Ian Carter, that a referendum would be held as soon as the five economic tests are passed; this assurance followed the company's warning of an intended 2,000-job cut during a private meeting. At the same time, the government negotiated with the company for a seven-figure financial aid package. In return, the company reduced the scale of redundancies from the initially suggested number of 2,000 to 950 workers (*The Times*, 11 July 2002b; *The Independent*, 4 October 2002b; *Financial Times*, 3 February 2003a, Hardi Davis, PA to the president of Black and Decker, reply received on 2 December 2003).

In the case of Ford of Britain, the company's decision to close its plant in Dagenham in 2000 led to the government's engagement in negotiation. The Prime Minister agreed with the company's then president, Jac Nasser, that the government would provide financial aids to ease the impact of the event (*Financial Times*, 3 February 2000; *Evening Standard*, 12 May 2000). The company's chairman, Nick Scheele, again warned of disinvestment in the UK since late 2002, and demanded the company's views to be taken into account given that Ford is one of the UK's biggest employers (*The Daily Telegraph*, 23 October 2002; *The Times*, 26 November 2002c; *The Guardian*, 10 June 2003). In her reply to the author, the company's coordinator of Public Affairs, June Cook, confirmed that the government continued to hold discussions with Ford on the EMU issue, though she declined to reveal details (received on 7 November 2003).

In the case of Nissan UK, the company has been seeking financial support from the government since early 1999, after warning it would transfer its car production to the eurozone, a move that would cause considerable job losses. In the negotiations between the Prime Minister, the then Trade and Industry

Secretary, Stephen Byers, and the company's chief executive, Carlos Ghosn, the company was offered a public aid of £40 million to offset the currency risks and was assured that a referendum would be held during the first half of the next (2001-5) parliament. In return, the company expanded its UK investment in Sunderland (*Sunday Times*, 29 August & 5 September 1999; *The Guardian*; *The Daily Telegraph*, both on 1 August 2000; *Financial Times*, 16 January 2001). During a late-2002 meeting between Blair and Ghosn, there again were speculations that the company might seek additional financial assistance if the government failed to hold a referendum in this (2001-5) parliament (*BBC*, 7 October 2002; *Financial Times*, 8 October 2002; *the Observer*, 11 May 2003).

In the case of Toyota UK, the company connected its future investment with EMU membership in 2002 by ruling out any new investment in its UK operations due to 'the euro problem' (*The Independent*, 25 September 2002a). This disinvestment decision, however, was broken several months later by expanding its production in Burnaston. The company's specialist of Public Relations, Steve Carter, confirmed that his company's was continuing talks with the government, but declined to reveal whether this change of mind was in any way related to the government's intervention (reply received on 20 October 2003). On the other hand, the Chancellor was reported to clarify his decision to delay the referendum to the president of the parent company, Toyota Motor, and assured the president to reconsider EMU membership in the autumn of 2003 (*Financial Times*, 19 July 2003b).

In the cases of Unilever and Vauxhall, both companies have been consulted by the government on their views on the EMU with the concerns over their investment movements, as Unilever's senior official, Mike Haines (interviewed on 24 October 2003), and Vauxhall's head of Government Affairs and Public Policy, Katherine Bennett (reply received on 20 October 2003), revealed. The warning of disinvestment from Unilever was particularly seized on by the media and was viewed as being indicative of the government's policy-making, because it was

widely believed that its chairman, Niall Fitzgerald, who is also the chairman of the pro-euro pressure group, Britain in Europe, has a direct link with the Prime Minister (*BBC*, 12 June 2001).

The examination of micro-corporatism finds that all of the surveyed companies, to a greater or lesser extent, have held talks and consultations with the government over the EMU issue. Although the decision to invest or disinvest is made upon a complex mixture of several factors, the government consulted with these companies when EMU membership was referred to be an influential consideration. It was found that these talks and consultations seem to become more like corporatist-style negotiations and bargaining when the withdrawal of investment had taken, or was expected to take place. The data also shows that the results of these negotiations and bargaining varied. Some were successful in reaching agreements, as in the cases of Black & Decker and Nissan UK, while some failed, as in the case of Agco.

VI. Findings, Applicability and Assessment

The investigation has produced a number of findings. First, very little, if any, corporatist-style consultation and discussion with corporate interests/groups on the five tests has been sought by the government both at macro- and meso-levels. The formulation and assessments of the five economic tests seems to have been confined to the internal debates and discussions within the government, centring on the Treasury in particular.

Indirect evidence from those who have access to key decision-makers pointed out a similar picture. Phyllis Starkey, MP for Milton Keynes and the private parliamentary secretary to the Minister for Europe, replied to the author that ‘they [the five tests] are from the Treasury’, and she, as well as a number of her colleagues did not get involved (interviewed on 19 February 2004). Norman Lamb, MP and member of the Treasury Select Committee of the House of

Commons, tends to believe that 'the five tests have been designed by the Treasury', and there has been no 'significant outside influence', including that of the Select Committee itself, on the formulation and assessments of the five tests (reply received on 13 January 2004).

Journalists, on the other hand, provided a 'hearsay', although not necessarily untrue, account. Philip Whyte, a senior editor/economist for the *Economist Intelligence Unit* (interviewed on 10 February 2004), and Ed Crooks, the economic editor of *Financial Times* (interviewed on 19 February 2004), both believe that the shape and design of the five economic tests were decided simply by the two men, the Chancellor and his chief economic advisor, Ed Balls. They 'came out in 20 minutes in the back of cab' when the Chancellor and his advisor were on their way to meet US treasury officials in Washington in February 1997 when Labour was in opposition. Indirect evidence collected indicates that the five economic tests were devised by the very inner circle of the Chancellor without consulting outside groups.

Second, the closed policy-making process does not prevent the government from receiving the support of these corporate groups for the design and assessments of the five tests.

Third, at the micro-level, all of the surveyed foreign investors have held corporatist-style discussions and negotiations with the government on the EMU issue in relation to their investment in the UK. Although these negotiations did not exceed the range of the provision of financial aid and left the assessments of the five economic tests untouched, it can be said that micro-corporatism has been detected.

Fourth, a corporatist strategy has been found to be comprehensively employed by the government in preparing the launch and possible future entry into the EMU, even though the government prefers to term this as 'partnership with stakeholders in the economy' (HM Treasury, 2002: 25).

Fifth, it is debatable whether the participation of these representative bodies

of corporate groups in the EMU policy's preparatory phase corresponds to their importance to the UK corporate economy as corporatist theory argues. It may be more realistic to explain the differential participation of these corporate groups by virtue of their strategic positions in EMU preparations rather than their position in the corporate economy, since the involvement of the ICT industries was found limited compared to that of the British Retail Consortium, which cannot account for its strategic position in corporate economy.

Sixth, the findings confirm the theory's prediction that trade unions tend to be a junior partner in the collective bargaining, as they have been involved much less than their employer counterparts in the corporatist management of EMU preparations.

These findings cannot completely match the three corporatist hypotheses drawn above. The applicability of the theory to New Labour's EMU policy-making is partial. It provides a clear picture in describing, explaining and predicting policy-making in the preparatory phase. Overall, micro-corporatism also applies well to several cases of the government's negotiations and bargaining with big foreign companies. One may argue that these negotiations and bargaining between the government and big companies could also be covered by other theoretical models than just micro-corporatism. For example, a 'company state' model, in which policy-makers privilege direct contacts with big firms and take the main responsibility for disciplining the workers at the workplace,¹⁵ could provide its own explanations well; a Marxist account¹⁶ could in turn interpret

¹⁵ This concept is from Michael Burawoy, who works on Marxism and crafts it to describe a relationship between production, labour, and the state. For more discussion, refer to M. Burawoy's famous works on the company state: *The Politics of Production* (1985), London: Verso, and "Karl Marx and the Satanic Mills: Factory Politics Under Early Capitalism in England, the United States, and Russia" (1984), *The American Journal of Sociology*, Vol. 90, No. 2., pp. 247-282.

¹⁶ The position of Marxism on policy-making derives from its analysis of politics. Marxism argues that the state is the expression of the mode of capitalist production, and the product of power

these outcomes as the state being dictated by capitalist interests and thus any policy must accommodate the commands of the capitalist class. Indeed, the two models elaborate on exchanges between the state and big companies effectively; however, neither of them can explain the involvement of big companies in policy implementation, following their successful bargaining and negotiation with the government at the stage of policy formation, as we have seen in the cases of Black & Decker and Nissan UK. Unlike they are in a corporatist model, big companies in the both alternative models have no obligations and responsibilities to incorporate into policy implementation of compromised agreements or policies. The collected evidence that big companies were involved in policy implementation, fusing with their participation in the EMU policy formation, is the very essence that micro-corporatism characterises.

Nevertheless, this research has found that corporatism has almost no explanatory utility in the deciding phase at the macro- and meso-levels. When explaining why no corporatist consultations were sought in the deciding phase, political practitioners attribute this mainly to the referendum factor. Phyllis Starkey pointed out that 'it [the government] has to be confident [that] the decision can convince the electorate and there will be a yes vote' (interviewed on 19 February 2004). In the views of Norman Lamb, 'the government could have reached the view that the five economic tests were passed...only if they believe

exertion of the capitalist class. The main function of the capitalist state is to facilitate capital accumulation, while the responsibility of the capitalist government is to create and improve conditions which are expected to promote the production of profit. Marx and Engels describe the meaning of state as nothing 'but a committee for managing the common affairs of the whole bourgeoisie.' Policies, as a product of the state and government, mirror the interests of the bourgeois class and the dominant economic system. For more discussion, refer to Marsh, D. (2002), 'Marxism', in D. Marsh and G. Stoker (eds.), *Theory and Methods in Political Science*, Basingstoke: Palgrave Macmillan, pp.153-6; P. Dunleavy and B. O'Leary (1987), *Theories of the State*, pp.204-223; P. John (2002), *Analysing Public Policy*, pp.93-100; M. Hill (1997), *The Policy Process in the Modern State*, pp.52-57

they can win such a referendum and if the cabinet is fully on board' (reply received on 13 January 2004).

Such mixed results detected at different levels of the Blair government's EMU policy-making confirm New Labour's ambiguous and sometimes self-contradictory attitude towards corporatism. On the one hand, as Starkey and Lamb explained, with the involvement of more realistic and complicated political concerns, corporatism seems unlikely at national level; however, with its renewed appeal to social partnership with stakeholders in Third-Way politics, a corporatist strategy has been revisited by New Labour at the sub-levels in the EMU policy planning and delivery. Paradoxically, such seemingly conflicting approaches pursued at different levels of policy-making are logical and understandable for New Labour's Third-Way thinking. This is because the avoidance of corporatism at national levels distinguishes New Labour from 'corporatist old Labour', a strategy seen as crucial for electoral success, and is compatible with New Labour's liberal views on macroeconomic management. On the other hand, the revisiting to meso- and micro-corporatism in the preparatory phase of the EMU policy-making meets New Labour's expectations for the government playing a more active and interventionist role at the sub-levels. Although the Blair government prefers the term 'Polder Model', which is based on tripartite consultation and cooperation between the government, employers' associations and trade unions (HM Treasury, 2002: 25), when describing its policy-making at the preparatory phase, overall, corporatist practices are identified.

These mixed findings from the macro-, meso-, and micro-levels provide some clarifications and indicative points to the debate on New Labour in relation to corporatism. They suggest that the issue of whether New Labour would revisit or renounce corporatism because of its Third-Way politics is not a question of dichotomy. Rather, it is more about a question of what policy areas and what levels of policy-making are being involved. As the investigation reveals, policy areas of less political sensitivity and more executive orientation, as in the EMU

policy's preparatory phase and at micro-level, would allow more room for corporatism to practice, when compared to those of high politics at the national level. It is in this sense that the divergent findings, on the one hand, are in line with Middlemas's argument that the decline of corporatism in UK politics is an evolution of corporate bias into new forms rather than a breakdown, and also verify Grant's prediction that more tripartite measures will be taken by New Labour. On the other hand, they cannot dispute Hay's assertion that corporatism, as an unaffordable 'luxury', will be rejected by New Labour.

VII. Conclusion

The investigation indicates that the applicability of corporatism to New Labour's policy is rather mixed than definite; more partial than complete. The exclusion from outside influences, including those of corporate interests in the formation and assessments of the five tests, to a large degree, reflects New Labour's overall economic strategy of depoliticisation. Such a move, however, as Burnham (2001: 136) argues, is highly political itself. It shields the government from directly encountering controversies within the government, the Labour party and the society, and from taking risks in elections. Nevertheless, the lack of well-defined criteria for evaluating the five tests leaves room for political manoeuvre. The power struggle between Blair and Brown in the second assessment also echoes the historical evidence regarding the past decision-making on the UK's membership of the snake and the exchange rate mechanism (ERM) that political considerations are just as important as economic arguments.

These findings, accordingly, have several implications for corporatist practices in the future and for the theory itself.

First, a corporatist strategy is still likely to be revisited not only by New Labour but also by its Conservative counterparts in the so-called era of globalisation, even though the role of governments nowadays has been changing

from a 'command state' to a 'regulatory state' (Moran, 2000: 2-8). This paper contends that, as the EMU case illustrates, the utility of corporatism depends more on the nature of policy issues than on a particular period or political-economic paradigm adopted by individual governments that most people might assume. It does not necessarily link with 'the politics of production' as was seen in the 1960s and 1970s (Grant, 1993: 6), just as it does not necessarily disconnect from 'the politics of collective consumption' after the 1980s, to which liberal macroeconomic belief has prevailed (Ibid.). A corporatist approach to policy-making would predictably be more likely to appear in policy areas of technical- or implemental/executive orientation and at the micro-level rather than in areas of high politics at the macro-level, as corporatist arrangements in these areas would be relatively easier to reach and would cause lesser political side effects.

While macro- and meso-corporatism may be more confined to selective policy areas, the persistence of micro-corporatism is especially noticeable. The selective use of macro- and meso-corporatism reflects the changing nature of UK politics, which is embodied in the rise and fall of corporatism from the 1960s to the 1980s, and the persistence of micro-corporatism witnesses the ever-interdependent and inter-penetrative power relationship between the state and business. Even in the Thatcher years when most corporatist consultation and cooperation were demised at national level, the use of micro-corporatism could still be identified.

Second, the findings challenge a major corporatist argument regarding the interdependence between the state and corporate interests. The government can equally gain the support and endorsement of corporate groups without incorporating them into the policy-making process. Also, whether the engagement of corporate interests in one or two action areas, for example, in the area of resolution, can lead to their support-- or even penetration--in other areas, requires further consideration by the theory.

Third, empirical evidence suggests that the participation of corporate interests does not necessarily correspond to their strategic position in the economy, but is more reflected by their functional use in a particular course of policy-making. Therefore, it is suggested that corporatist theory can reinforce its major proposition about the nexus between corporate economy and corporatist politics with more considerations by extending the corporatist participation from the association only with corporate economy to other possibilities. For example, the attention to individual functional needs for the administration and implementation of a particular policy may be more realistic.

One final implication for the theory is that a main reason for the failure of corporatism in applying to the deciding phase of New Labour's EMU policy is its narrow focus on corporate economy, and its ignorance of the political factors involved in policy-making. The arrangements of the five economic tests, indeed, reasonably reflect the imperatives of the UK corporate economy. However, this cannot explain the effects of political factors on the range and final choices of the policy. A notable intention of New Labour on the EMU issue is to depoliticise policy-making. Such a strategy, however, cannot be understood if it is not put in a historical and political context. Historical lessons from the ERM and the Major government, and complicated political calculations—potential risks not just in the referendum, but also within the party and in elections-- all indicate that a safer approach to this highly political controversial issue is to depoliticise the decision-making. Similarly, the interpretation of the outcomes of the Treasury's two assessments would be incomplete if it did not grasp the picture of the changing power dynamics between Blair and Brown. It is then suggested that the corporatist theory could be strengthened by considering political factors along with its existing arguments.

Along with these implications for the corporatist practices and theory construction, what light can this case study shed on policy-making in general and policy-makers in practice?

For policy-making in general, this case study demonstrates that political-economic paradigm would not necessarily shift with government changes. In spite of the fact that politicians are used to appealing to specific political-economic paradigms in elections in order to distinguish themselves from their opponents and win more votes, as in the case of New Labour's appeal to Third-Way politics in the late 1990s and Thatcher's resort to neo-liberal macroeconomic ideology in the 1980s, paradigm shifts in policy-making are not as swift and thorough as we may assume. They are rather electoral languages and for political marketing than substantial changes of policy contents. As the EMU case illustrates, old political-economic paradigms and ideologies can be persistent just as new ones do not prevail right away. In addition, political calculations and historical contexts are just as important, if not more, as the paradigm/ideology factor. Policy-makers who encounter the same political and historical contexts are confined to the similar paths of policy-making. Therefore, any perceptions or expectations of dramatic U-turn in the policy-making of particular issues out of government changes are not practical. A high degree of policy similarities and continuity, as can be seen in the UK's EMU case, is expected to be found in more case studies.

For policy-makers in practice, the EMU case shows that any policy issue regarding participating in economic or monetary integration in a region is not a purely economic or trading matter for a country. It involves more strategic thinking in it. It is at this point that this case study is especially indicative for policy-makers in Taiwan where how to maintain its economic relationship with China is debating. As with the UK, Taiwan is an island country neighbouring with the continent, and develops a close economic tie with China as a result. Both the UK's EMU policy and Taiwan's economic policy towards China reflect a basic question of how to seek an optimal economic distance/relationship with their continental neighbours. At the international level, this question involves the bigger strategic issue of how a country positions/repositions itself in the international

political economy as a response to the ever-changing challenges of globalisation. Should the UK/Taiwan be more economically integrated with the European/Chinese dimension as a way to encountering globalisation? Or should they pursue more integration with the global economy as an approach to globalisation?

At the domestic level, the economic policy towards its continental neighbour is highly controversial in both the UK and Taiwanese societies. As with the EMU issue in the UK, Taiwan's economic policy towards China is viewed not only an economic issue, but also a political one. Opinions divisions exist not just between and within political parties, but also in the society and different fractions of business interests. How the Blair government employed the depoliticisation tactic by inventing the five economic tests in order to shields the EMU policy-making from controversies within the Labour party and the society, and from risks in elections is referential for Taiwanese policy-makers. It is true that such a depoliticisation tactic can not prevent conflicts and compromises during policy-making, nor did it guarantee the prevention of re-politicisation in the future. Nevertheless, it can effectively reduce the cost that such a highly controversial issue may have caused for the society and policy-making.

Based on these similarities, the investigation into the UK Blair government's EMU policy-making is hoped to enrich, as well as inspiring, the ongoing debates on Taiwan's economic relationship with China for both policy-makers and the society at large.

Appendix

Interviews with:

Alison James, the research officer of the Amicus-AEEU, on 24 February 2004

Charles Clarke, MP (member of the Parliament) and the former Education Minister and Home Secretary of the UK Blair government, on 9 May 2003

Claire Scantlebury, the press officer of the Intellect, on 23 October

Duncan McKenzie, the director of the economics of IFSL, on 19 December 2001

Ed Crooks, the economic editor of Financial Times, on 19 February 2004

Libby Kinsey, the programme executive of the Intellect, on 14 November & 16 December 2003

Mike Haines, the senior official of Unilever UK, on 24 October 2003

Phyllis Starkey, MP and the private parliamentary secretary to the Minister for Europe of the UK Blair government, on 19 February 2004

Philip Whyte, the senior editor/economist of Economist Intelligence Unit, on 10 February 2004

Roger Brown, the executive director of the BBA, on 8 October 2003

Roger Davison, the chief press officer of the CBI, on 18 September 2003

Written replies from:

- By emailing

Ben Richards, the research officer of the UNIFI, on 2 October 2003

Cliff Dammers, the secretary-general of IPMA, on 7 January 2002

Ian Brinkley, the chief economist of the TUC, on 1 & 6 October 2003

Karen Clements, the advisor on EU affairs of the BCC, on 23 & 27 October 2003

Katherine Bennett, the head of Government Affairs and Public Policy of Vauxhall Motors, on 20 October 2003

Molly Dye, the vice president of Corporate Relations of Agco, on 21 October 2003

Neelam Jobanputra, the manager of Euro Coordination of the APACS, on 21 October & 12 November 2003

Nigel Peaple, the policy advisor of the EU of the ABI, on 22 October 2003

Norman Lamb, MP and member of the Treasury Select Committee of the House of the Commons

of the UK, on 13 January 2004

Steve Carter, the specialist of Public Relations of Toyota Motor Manufacturing UK, on 20 October 2003

- By facsimile

Hardi Davis, PA to the president of Black & Decker Europe, on 2 December 2003

- By post

Amanda Copp, the Direct Communications Unit of the Prime Minister Office of the UK Blair government, on 10 June 2004

June Cook, the coordinator of Public Affairs of Ford of Britain, on 7 November 2003

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統合主義在新工黨執政下的再起？ 檢驗英國布萊爾政府的歐元決策

羅至美*

摘 要

本論文探索英國新工黨 / 布萊爾政府對英國是否加入歐元的決策過程。基於新工黨執政下標榜公部門與私部門伙伴關係的第三條路政治思維，強調政府與重要經濟團體合作為決策模式的統合主義被選為本文所檢驗的理論架構。依照統合主義的理論假設，依據理論的假設，本文的檢驗分別在總體（macro-）、中間（meso-）與個體（micro-）三層面進行。根據本文調查相關團體與決策人士發現，在總體層次上有關歐元決策的核心部分——即有關五項經濟檢驗標準的設計與評估上，布萊爾政府並未訴求統合主義的決策模式以反應其所謂的第三條路政治。相反地，在歐元政策中有關準備與技術性質的部分，卻充分運用了統合主義的決策模式，積極尋求與重要經濟團體的合作以達成政策目標。針對此一分歧的結果，本文認為反映了新工黨政府對統合主義的模糊態度——即一方面刻意與過去標榜統合主義思維的舊工黨做區隔；但另一方面卻又積極重新訴求與經濟團體的社會伙伴關係。本文結論為：以布萊爾政府的歐元決策為例，統合主義是否會在英國政治中再現取決於政策議題的本質，而非如論者所謂依附於特定的政經意識型態或特定的政治時期。依據此一研究發現，本文因此對統合主義的建構提出多項建議。

關鍵詞：統合主義、新工黨、布萊爾政府、歐洲經濟與貨幣聯盟 / 歐元、五項經濟檢驗、第三條路政治

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