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European Corporatism and Freedom of Association

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Abstract
This paper examines the principle of freedom of association and the threat posed by European corporatism. Although the principle is codified in the EU's Charter of Fundamental Rights, important exceptions are allowed. These can easily encompass a variety of situations. Recent evidence suggests that the EU may be attempting to apply such exceptions as it expands its administrative and bureaucratic apparatus across Europe. Additionally, many European states reflect a hearty embrace of corporatism—the very antithesis of freedom of association—instead of remaining open to the arrangements that produced growth in the first place: voluntary association, labor flexibility, and market forces. This is not because they have been given a mandate by the general will of the people but because corporatism benefits the interlocking interests of Europe's big unions, big industries, big financial institutions, and big employer confederations. Corporatism benefits the few over the many and dampens market competition. But it results in uncompetitive companies and lethargic industries, and leads to fewer individual rights, less entrepreneurial freedom—and a violation of the fundamental principle of freedom of association.

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I. Introduction

The idea of freedom of association began to emerge as a principle worth defending in Medieval Europe. This was not so much a result of any conscious political movement towards greater freedom as it was a product of people simply "voting with their feet." Europe was a continent of hundreds of small territories during the medieval period—if a given territory did not satisfy the individuals living in it, they could simply move to another. Thus, rulers of territories had an incentive to give their subjects certain freedoms and privileges—such as freedom of association in some cases—in order to attract human and physical capital.

Centuries later, recognition of this principle was complemented by a growing understanding of the nature and meaning of individual rights and self-government. Historians and legal scholars have noted that the principle of freedom of association also contributed greatly to the initial development of the foundations of civil society and eventually contributed to the development of local co-operatives, artisan guilds, industrial groups, regional associations, and voluntary trade unions. Centuries later in the United States, freedom of association was formalized and guaranteed even further by the First Amendment to the US Constitution.

However, in the birthplace of the concept (Europe), freedom of association has been continually undermined. The voluntary labor arrangements of old have been methodically superseded by the growth of a European super-state. Although existent EU articles continue to pay lip service to the defense of the principle of freedom of association, the increasingly cozy relationship between the EU, European national governments, and diverse industrial groups reflects their collective embrace of the ideology of corporatism—in which the distinctions and boundaries between the private and public spheres are blurred through a series of interlocking arrangements and relationships at different levels of governance.

The effect of this has led to a growing lack of labor market flexibility (that is, growing inelasticity), less competitiveness, and an overall tepid economic performance. The dismal economic record of previous corporatist arrangements in Europe—for example, Italy under Mussolini, Spain under Primo de Rivera and Franco, Germany under Hitler, Portugal under Salazar, Greece under Metaxas—demonstrates the historical truth of this. It would not be hyperbole to suggest that these previous experiences hold important lessons for European leaders today.

This paper argues that corporatism is an elitist and exclusivist approach to economic arrangements that has dampened market competition, limited personal rights, and violated the fundamental principle of freedom of association. It is an approach that is especially attractive to power-hungry politicians, interventionist public intellectuals, and others who believe that society is better off managed by self-selected administrative and bureaucratic elites.

II. The Meaning of Corporatism

The term 'corporatism' is derived from *corpus*, the Latin word for "body." When we speak of corporatism in the context of today's Europe, however, we are referring to a particular societal structure arranged around interest groups, typically characterized by monopolistic, centralized, and internally non-democratic associations. Corporatist arrangements are also often characterized by a very particular policy-making process known as "policy concertation", whereby labor and employee representatives play a role in the drafting of policy.

Corporatism can also be seen reflected in the intricate patterns of "social partnership" across many economies (Baccaro, 2003). Such systems of economic, political, and social organization include the grouping of people and societal groups into strategic corporate circles—of labor or business, for example—to achieve common interests and targeted objectives. These arrangements and the goals they purport to achieve require great administrative capacities as well as extensive planning and coordination, and thus cause great excitement among many of today's European politicians.

Identifying common interests and working to cooperate with others are laudable goals, but as many economists and philosophers (such as Friedrich von Hayek[1]) have pointed out, because information is diffuse and knowledge cannot be centralized, the best economic and social arrangements are those that spring up organically, naturally, and spontaneously—those that emerge in the course of interactions of different human beings in different parts of society.

There is no need for a state or a top-level government entity to plan for and make social arrangements work; they will work quite well on their own naturally. In fact, because economic value is subjective and individuals in any given group have different sets of values and goals, top-down planning often frustrates such arrangements.

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[1] Hayek, in The Use of Knowledge in Society (1945, p. 519), wrote: "The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess."

However, the main idea driving the corporatist mentality is that society and the economy in a given country should be organized "better"—as determined by the central planner—by arranging companies and entities into major interest groups. The argument is that doing so would be best for reasons of efficiency, planning, and order. But the real motivation is to achieve a mechanism through which the management of specific economic sectors and industrial groups, and the control of their respective labor forces, are brought together in the same sphere of activity and influence and are tied together through common interests.

Such interest groups have representatives who, through negotiations and joint agreements with the state, make decisions and settle any problems for the rest of society. In contrast to a market economy, which operates through direct competition between and among members of the workforce (and between and among labor and businesses with no involvement from the state), a corporatist regime works in collaboration with the state and through collective bargaining. All of this is governed according to the dictates of a particular industrial grouping's "supreme leader." A corporatist regime is one in which the policies and legislation are influenced heavily by corporations, thus neglecting the democratic process.

A. A Brief History

One early and important theorist of corporatism was Adam Müller (1779–1829). Müller can best be described as a reactionary who railed against the "Father of Economics," Adam Smith (1723–1790). Müller was averse to free trade and individualism and instead believed that the state should be used to serve the interests of specific corporations, with each corporation encompassing a specific class or sector of economic activity (e.g., an economy would have a corporation for labor, a separate corporation for industry, etc.).

Müller's views were seen as a possible antidote to the twin dangers of the egalitarianism of the French Revolution on the one hand and the *laissez-faire* approach of Smith on the other. In Germany and elsewhere, there was a distinct aversion among rulers to allow markets to function freely without control by the state. In fact, the broad, general cultural legacy of the Middle Ages was opposed to individual self-interest and the free operation of markets. Markets and private property were acceptable only as long as social regulation took precedence over such sinful motivations as greed. But this did not negate the importance given to free association among and between people with similar economic interests.

The first deliberate corporatist movements, however, began around 1870, when influential religious organizations and other established hierarchical institutions began looking for ways to do two things at the same time. On the one hand, they wanted to accept societal moves towards industrialization; on the other hand, they wanted to continue denying the rapidly spreading forces of individualism and democracy (Saul, 1997).

The establishment of compulsory education was perhaps the most effective method of facilitating corporatism. Public schools were instituted to provide societal groups with a uniform set of ideas and a standard set of morals as well as a common language and a unified form of education. Such schools prepared those being educated to become simple inputs into a well-organized, structured economic machine. Historian Murray N. Rothbard (1999, p. 33) wrote, "[t]he movement for compulsory education in England and Europe in the late nineteenth century was bolstered by trade unionists who wanted more popular education, and upper classes who wished to instruct the masses in the proper exercise of their voting rights. Each group in society characteristically wished to add to State power with their particular policies hopefully prevailing in the use of that power."

Full-fledged state corporatism emerged in the late 19th century, especially in authoritarian systems. State corporatism was of a different variety than Müller version. Instead of society consisting of different interest groups pursuing their own goals, society or the state was considered the ultimate interest group, to which all subjects were expected to be devoted.

State corporatism had several manifestations during the first half of the 20th century, such as Hitler's Germany, Francisco Franco's Spain, and Salazar's Portugal. In each of these cases, society was viewed as a corporate and united entity. More importantly, in each of these cases, the overall economic performance of their economies eventually displayed the weaknesses of collectivism and central planning and, as a consequence of the effects that corporatist states had on individual liberty and the human spirit, left behind a legacy of ruined lives, communities, and societies.

The current brand of corporatism is less fascist, and although the oppression of civil liberties that occurred then surpasses in scale the encroachments of today's period, the elitism endemic to corporatist philosophy still prevails, albeit in a less explicit guise.

B. Characteristics

Corporatism has many characteristics and can be analyzed from many perspectives. First of all, it allows for a limited number of associations, particularly those linked to the labor market—this can especially be seen when one looks at corporatist unions' support for minimum wage laws, which limit the freedom of labor to associate with employers.

In 2010, the average annual minimum wage among 10 Eurozone countries[2] was approximately €12,240 (Bureau of Labor Statistics, 2012; Eurostat, 2012a), and the median wage among those countries was €15,596—i.e., the median wage is only 27.41% higher than the minimum wage. In contrast, the average minimum wage in the United States in 2010 was $15,593 (€12,240), and the median wage (Bureau of Labor Statistics, 2012; Eurostat, 2012b) was $26,363 (€20,694)—i.e., the median wage is 69.06% higher than the minimum wage. During that same time, the unemployment rate was 9.6% in the United States and 13% among the 10 Eurozone countries (Eurostat, 2011). Although there were many factors that played into the unemployment rates in both areas, one of the principal factors contributing to the difference in unemployment rates was that the higher minimum wage—compared to the medium wage—in the Eurozone countries priced out a larger proportion of labor than in the United States.

Secondly, corporatism often makes membership compulsory (the section on "The Austrian Case" below will illustrate this point).

Thirdly, there are no competitive units in a corporatist system, meaning that no two individuals can privately compete for their interests. Instead of individual persons bargaining with employees to achieve the best deal they can, they are lumped together in homogenous groups with little regard for individual skill or merit.

Fourthly, the system is hierarchical—both among groups and within them—by definition. A technical definition refers to corporatism as "a system of interest representation in which the constituent units are organized into a limited number of singular,

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[2] These are: Belgium, Estonia, Ireland, Greece, Spain, France, Latvia, Luxembourg, the Netherlands, and Portugal.

compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized 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" (Schmitter, 1974, p. 93–94).

Finally, members of a corporatist system have privileged access to state or governmental decisions, which are often seen as a matter of exclusive right of some members of the group—again, the section on "The Austrian Case" below will illustrate this point.

Several important consequences of the corporatist attitude include the beliefs that monopolies exist naturally in the market, that state power relations are not limited, and that the competition between market and state are not seen as a zero-sum game. This means that group involvement is continuous, work is cooperative, and arrangements are integrated. This is concretely seen in the authoritative allocation of values and in the administration and implementation of public policy.

There is also the notion that the rulers of the state play a vital role in making strategic decisions for the economy, protect important national industries, and in general promote "social justice"—whatever one takes that to mean. Thus, the state in the corporatist worldview is and must be interventionist and ever powerful.

The central core of corporatism, however, is a philosophical one rather than a strictly structural or economic one: It is the idea that human nature can be fulfilled only within a group, a political community, an interest group. This vision of humans sees the corporate group as the best mechanism for the fulfillment or self-actualization of individual members and the achievement of their economic and social objectives; alone, the corporatists argue, they cannot do any of this.

C. Today's Corporatism

The national or state-level corporatism of the last century has been largely replaced in Europe by a new "international corporatism." Whereas early forms of state corporatism sacrificed individual interests for state interests, international corporatism sacrifices both individual and national interests for the sake of the super-state. In the case of Europe, sacrifices are made for the EU.

The most relevant example of individual sacrifices made for the benefit of the EU can be found in the EU's Common Agricultural Policy (CAP), which provides a uniform policy for all EU farmers. One of the major components of the CAP is its agricultural tariff policy. Agricultural tariffs are by far the highest tariffs in the EU—at an average of 18%, they are more than four times the average tariff on all other goods. CAP also contains a subsidy program in which the largest 20% of farms receive 80% of the subsidies, demonstrating the hierarchical aspect of corporatism—i.e., the aspect that some actors within the corpus will have more power than others (Reform the CAP, 2010). Although certain individual nations would surely have lower agricultural tariffs and more equitable subsidy programs if given the opportunity, the corporatist ideology on the international level unfortunately has stifled such opportunities.

Although CAP is the quintessential example of international corporatism organizing individual businesses into a single corpus—with some businesses obtaining hierarchical advantages over others—the EU has been slowly arranging member nations into a corpus as well. "If the euro fails, Europe fails," German chancellor Angela Merkel has said—a statement that implies that Europe is a homogenous entity rather than a collection of diverse national, ethnic, and economic units.

The extent that the proponents of international corporatism are willing to sacrifice national interests for the sake of the international collective is astounding. For example, although it has been made clear that wealthier countries such as Germany will have to pay for the bailouts of Greece, Spain, etc., even the poorer countries will have to do so as well. In a recent speech at the Cato Institute, Slovakian President of Parliament Richard Sulik noted that "Slovakia is still the poorest country in the Eurozone, and we will pay for much richer countries. We have the lowest wages and pensions, but no one seems to care. What matters to our political elite is to appear to be 'good Europeans,' without apparent regard for the individual states within Europe." He added, "What's being currently contemplated in Brussels is more restrictive than the economic organization of Soviet times," (Cato Institute Policy Forum, 2012).

III. The Austrian Case

As many studies suggest, overall participation in establishing the pillars of corporatism and the maintenance of such structures is very extensive in Europe. This is especially true in my native Austria, where the system of social partnership is the salient feature of industrial relations.

The purpose is to reconcile the many divergent interests of the parties and stakeholders who are seeking to achieve their goals. The idea is that this will eventually benefit "the entire society." But has it? Let us consider a broad overview of the Austrian system.

A. Systems of Representation

We should begin by looking at the sheer size of the Austrian state. It is true that the Austrian system of social partnership is based on a voluntary system of cooperation between employees, employers, and the authorities of the state. But the state has a heavy hand in all this.

Consider the following: In Austria, there are 63 members of the Federal Council and 183 members of the National Council, the two house of parliament; 9 governors for each of the 9 "lands" or states, each with their respective deputies; 84 district captains and their respective deputies within each state; and 2,357 municipal mayors and their respective deputies and assistants. We should not forget that there are also 14 ministers of state, 4 Secretaries of State with different functions, and, finally, one federal president.

Employers and employees are currently represented by a very small circle of major organizations, all of which are called "social partners." The side of employers is represented by the Austrian Chamber of Commerce (WKÖ) as well as by the Standing Committee of Presidents of the Chambers of Agriculture (PKLWK) and the Federation of Austrian Industry (VÖI). The side of the employees is comprised of the Austrian Federation of Trade Unions (ÖGB) and the Federal Chamber of Labor (BAK). Furthermore, every Austrian company is obliged by law to be a member of the Austrian Chamber of Commerce and is responsible for paying the appropriate annual dues, in accordance with the size of the company, the number of employees, the industry or business type, and other features.

Among all of the labor groups, the Austrian Federation of Trade Unions is the largest organized structure. Employees from most companies and firms can be found in the membership of the following unions: the Union of Salaried Private Sector Employees; the Union of Printers, Journalists and Paper Workers; the Union of

Public Services; the Union of Municipal Employees; the Union of Railway Workers; the Union of Hotel, Restaurant and Personal Service Workers; and the Union of Commerce, Transport and Traffic Workers. There is also the powerful Union of Teachers, which commands a great deal of influence, as teachers' unions seem to do in most European countries.

However, it is the Austrian Federation of Trade Unions and the Federal Chamber of Labor that are the exclusive representatives of the interests of all workers in Austria. Their counterpart on the employer side is the Austrian Chamber of Commerce, which acts exclusively on behalf of Austrian employers.

The connections and links between these many different associations and the diverse participation within the trade unions sometimes leads to one individual holding various leadership positions (something known as multiple office-holding). Furthermore, the collaboration between state authorities and these employer and employee groups is close and intimate. The pretext is that they must all be involved closely with each other to work together on social and economic considerations—and so that benefits may be achieved for the "benefit" of society.

B. Social Partnership Types

Within different groups and associations, two main types of social partnership can be found: *bipartite* consultations involving negotiations between the social parties and *tripartite* consultations involving a process of "concertation" between involved parties—which refers to a system of economic, political, and social arrangements among strategic corporate circles to achieve common interests. The first type of partnership (bipartite) includes the spheres of informal negotiations, collective bargaining, and co-determination. The second type of partnership (tripartite) works broadly across all social and economic policy issues and formally defers or succumbs to the state. The tripartite process has the negative effects of stifling competition and leveling the labor force to a common denominator.

In addition to the tripartite process, there are informal discussions taking place all the time between government representatives and their social partners. There is understandably a great deal of pressure on the government to dictate policies if it detects a united view on a particular issue of interest. The government is also influenced by different social partners, all of which perceive they have the right to be helped by the state on all issues affecting their members. The bottom line is that "membership has its privileges."

In 2007, the Social Democratic Party of Austria (SPÖ) and the Austrian People's Party (ÖVP) amended the Austrian Constitution (*Verfassungsrang*), adding a rule stating: "The Republic recognizes the role of the social partners. It respects their autonomy and promotes social dialogue and partnership through the establishment of self-government bodies." According to law, rules in the constitution can be established, altered, and abolished only by 2/3 of the votes in the parliament. Both the SPÖ and the ÖVP previously (in 2007) had the necessary votes. But now they are dependent on the vote of the opposition party.

The rationale behind the 2007 rule was that the "obligatory membership" that forces businesses to belong to the Federal Chamber of Labor (BAK) and the Austrian Chamber of Commerce (WKÖ) should have to be approved as a structural element. The problem is that this same rule that purports to respect the autonomy of different groups also makes it almost impossible to abolish or weaken existing corporatist structures, as it is not very likely that 2/3 of the votes in the current Austrian parliament would agree to such a proposal. Therefore, this rule makes sure that groups are not free to choose whether or not to belong to the BAK and WKÖ.

C. Historical Background

The history of Austria's system goes back to the class struggles and high unemployment levels between the World Wars, which prompted representatives on both sides to promote "shared values benefiting everyone." These ideas filtered down into society, which was susceptible to the initiatives of the state due to many years of collectivism. The predominance of small firms in Austria's economic structure favored a system of collective regulation. Organized associations were seen as necessarily tied to the large political parties, and multiple-office holding ensured that a party or industrial group was always dominant.

Since the 1960s, however, it is interesting to note that trade union membership levels in Austria have fallen (see Table 1), primarily due to structural transformations of the national economy and company downsizing.

Table 1: Trade union membership and density, 1990–2007

	Total trade union membership (number of persons)	Trade union density (% of all employees)
1990	1,644,841	56.2
1995	1,583,356	51.6
1999	1,465,164	47.1
2004	1,357,933	41.6*
2007	1,247,795	36.0

Source: Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund).

Certainly this trend has provided a bit more political "space" for free organized unions, an arrangement that does not bind firms and individuals to be part of the in-advance structured-scheme system in which decisions are made that do not include rank-and-file workers. But, generally, the social partnership arrangements of yesteryear continue—without any clear benefits to either employers or employees.

One thing that can be asserted with certainty is that to make the Austrian economy more competitive, significant efforts toward reducing the administrative structures and groups mentioned above need to be made. More importantly, perhaps, it is important to remember that no one person or group is to blame. The bloated, bureaucratic structures that exist now in Austria are not the fault of government officials alone; rather, they are a consequence of a statist mentality, the lack of a culture of liberty, and the strong sense of entitlement that has developed in Austria over decades.

The challenge, then, is not only to pare back the size of government but also to educate people so that they will no longer feel entitled to all sorts of government services. In this way, they may remember what it is like to live in a free society as free and independent individuals. This is a dignity that no government system can give people, certainly not corporatism.

IV. Corporatism and Economic Performance

The corporatist model focuses on keeping costs and inflation low so that the country can be competitive in international trade and maintain a high domestic standard of living. In this kind of model, a country has to have central associations that are able to enforce the agreements between business, labor, and the government. Some countries with major group associations that dominate their respective economic sectors are Scandinavian countries, Germany, Austria and Switzerland, so they can best explain the major interest group aspects of corporatism.

But there are many ways that corporatism negatively affects the dynamic that creates engaging work, faster economic growth, and greater opportunities for people. Despite the many attempts to justify the existence of corporatist policies across Europe, the fruits of such a system point to its faults: Corporatism maintains wasteful, unproductive, and well-connected firms at the expense of dynamic newcomers and outsiders, and under the banner of pursuing declared goals such as industrialization, economic development, and national greatness, it ends up trampling over individuals' economic freedom and undermining personal responsibility.

It is appropriate to recall in passing two contemporary examples of how labor groups and overly powerful unions, often working closely with powerful industrial groups, can undermine the competitiveness of an economic sector or a country and hamper the entrepreneurial drive of individuals. On the one hand, several decades ago, the labor unions and workers' groups of Great Britain threatened the national economy. They did not seem to understand or accept that the economy was in dire straits and certain industries nearly bankrupt. But Margaret Thatcher, through her unshakeable conviction in competition and markets, was able to stand firm and eventually broke the backs of the unions. Her stalwart defense of free-market principles, nourished and inspired by an active network of free-market think-tanks in Britain, helped to turn the situation completely around.

On the other hand, we can contrast that example with the more recent case of Greece, where protests over austerity measures and the inaction—or, rather, the inept actions—of its economic policy-makers have exploded repeatedly into street violence. Worker groups and labor unions have played a very significant role in turning an already tense situation into a violent one. The response of European policy-makers has been to offer bailout after bailout, which does nothing to force Greek leaders to implement the reforms that are required. And, unfortunately, there is no Greek version of Lady Thatcher.

For a broader view of the effects of corporatist labor organizations, consider the recent membership levels of trade unions in different countries: The countries with the largest percentage increases are Belgium (6.8%), Greece (6%), and Cyprus (5.7%); the countries with the largest declines in trade union membership were Lithuania (34.1%), Slovakia (34.1%), and Estonia (18%) (EIRO, 2012).

The 2011 economic performance of these respective nations gives a clear indication on the effects of membership on economic growth: The nations that had the largest percentage increases—Belgium, Greece, and Cyprus—had dismal GDP growth rates of 2%, -6%, and 0%, respectively. Contrast this with the nations that had the largest percentage decreases: Lithuania, Slovakia, and Estonia, which had GDP growth rates of 6%, 3.3%, and 6.5%, respectively (CIA, 2012).

In arguing against corporatism, it is important not to overlook the importance of the labor market to a national economy. The role of workers should not be underestimated. But whether or not their interests are best served through complex, inter-related associations of industrial groups and the state, or through greater flexibility, mobility, and freedom, is the crux of the argument. Indeed, perhaps the most telling lesson of all is the changes currently under way in the former Soviet Union and Eastern Europe, where they have introduced—or are attempting to introduce—more flexible labor markets. This means that the responsibility for finding a job is left to workers and that the responsibility for finding workers is left to firms. They are given the power to make exercise choices in hiring and firing.

Many studies have been conducted and research has been undertaken to investigate the effects of corporatist structure versus non-corporatist structures and the benefits accrued to workers themselves. One such study (Andersson, 2000) showed that corporatism in fact yielded lower wage rates and lower productivity rates. Furthermore, examples from Finland and Sweden, where corporatism is rampant, indicate that even with corporatist systems, the national economies there were not immune to high unemployment.

For example, Sweden's official unemployment rate as of May 2012 is 8.1%, a rate that is below that of the average European country. However, these official statistics are highly inflated, as the government counts individuals on sickness benefits or early retirement as employed (Karlsson, 2006).

One question that some have asked is whether workers are better off under voluntary trade union arrangements or under corporatist regimes. But this is a badly conceived and misleading question. First, corporatist arrangements and non-corporatist trade unions have different objective functions. Corporatist unions are allowed by governments to take part in political decisions only under certain conditions (such as, for example, if they act with "social responsibility"). Second, explicit cooperation between a government and a labor group occurs only at the highest levels in a corporatist system; it does not facilitate the participation or the involvement of those on the ground, at the grassroots levels, and on the street, so to speak.

Many cases also show that in addition to these factors, there is a high dependence of corporatist states on the economic environment. In other words, corporatist states do well only when the broader economic environment is doing well, but there is nothing peculiar or unique to corporatist systems that makes them particularly more prone to robust or healthy economic performance than non-corporatist systems. In fact, as stated earlier, wages are usually lower in corporatist structures than in non-corporatist systems. And during times of economic shocks or crises, there are adverse employment effects and depressed or curtailed levels of aggregate output and production.

In this light, poor economic performance in corporatist states requires a serious reconsideration of its benefits in light of its costs. Research on corporatist states has proven the unsustainability of such systems and the fundamentally undemocratic nature of having special interest groups disproportionately receiving a larger share of power than other labor groups. In other words, under corporatism, special interest groups benefit at the expense of others. This should be no surprise: Having a labor union or industrial group connected closely with the government and its policy-makers facilitates the creation of such unfair conditions.

One of the focal points of corporatism is centralism in bargaining and social contracts. But today, with the manifold effects of globalization, the democratizing impacts of technological innovation, and the broad deregulation of financial markets, national economies can no longer be viewed as being solely based on national grounds.

The domestic focus of today's corporatist policy-makers is at odds with the ongoing and irreversible trends of the global economy, which increasingly requires nimbleness, innovation, quick reflexes, and a freedom among both employers and workers to respond as they best can to the constantly evolving challenges of our interdependent economy.

Corporatism is one of the last vestiges of a world that no longer exists, in which power to make economic, political, and social decisions was held solely by elites in business and government. Corporatism is simply not a desirable way to organize society in the today's economy.

V. Concluding Remarks

Let us imagine the world as if every industry were organized along corporatist lines. It would mean having an obligation to be a participant in some corporate circles, complying with decisions you neither voted for nor were asked to vote for (primarily because someone else has done so for you) and having the same working standards for everyone (even though the nature of jobs is different) and similar job incentives. Income would be earned not on the basis of productivity but on the basis of consensus and agreement with industrial leaders, other social partners, and the state. It would be dreadfully monotonous to exist in such a world. The result would be a lack of innovation, stagnation, and the disappearance of motivation.

This shift of power from owners and innovators to state officials is the antithesis of capitalism. Yet this system's apologists have the gall to blame all these failures on "reckless capitalism" and "lack of regulation," which they argue necessitates more oversight and regulation, which in reality means state favoritism.

Europe's stagnant economies reflect their embrace of corporatism and unionism as well as an inability to accept the forces of creative destruction. Their overall lack of dynamism and innovation is a direct consequence of the big unions, big industries, big financial institutions, and big employer confederations that are all mediated by a big public sector. The problem is that if European politicians cannot eliminate corporatism, national economies will continue to atrophy, and European states will continue to be buried in debt and default.

No one wants to live in such a world. But if we want to avoid this fate, we need to abandon the ideals of corporatism and re-embrace the ideals of individualism and freedom of association.

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