
**The Critical Junctures Approach
Remoulded: Explaining Change in Trade
Union Influence Over Public Policy in Four
Countries**

John W. Hogan

Dissertation submitted for the degree of Ph.D. (Doctor of Philosophy)

under the supervision of

Professor Robert Elgie

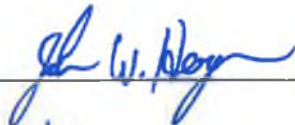
Dr Gary Murphy

Dublin City University,
Faculty of Humanities and Social Sciences,
School of Law and Government

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Declaration

I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of a Ph.D. (Doctor of Philosophy) Degree is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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Contents

	Page
List of Diagrams	v
List of Tables	vi
Abstract	vii
Acknowledgements	viii
Abbreviations	x
Introduction	1
Chapter I	Literature Review 5
	From Old Institutionalism to New Institutionalism 7
	An Examination of Historical Institutionalism 16
	Critical Junctures 30
Chapter II	Methodology 44
	Why Trade Unions 46
	Comparative Approach 48
	A Descriptive Inference Approach 56
	Hypotheses and Observable Implications 57
Chapter III	Proposed Critical Junctures 72
	Ireland 74
	The United Kingdom 82
	The United States of America 90
	Sweden 96
Chapter IV	Ireland 105
	Potential Critical Juncture 1: 1959 – Lemass, Institutions, and Trade Unions 106
	Potential Critical Juncture 2: 1970 – Centralised Pay Agreements and the Trade Unions 123
	Potential Critical Juncture 3: 1981 – Decentralised Agreements and the Trade Unions 138
	Potential Critical Juncture 4: 1987 – The Return to Centralised Agreements 159

Chapter V	The United Kingdom	184
	Potential Critical Juncture 1: 1945 – War, The Labour Party, and the Trade Unions	186
	Potential Critical Juncture 2: 1970 – The Cracks in Consensus	205
	Potential Critical Juncture 3: The 1973 Oil Crisis and the 1974 Election	223
	Potential Critical Juncture 4: 1979 – The Conservatives Return to Power	242
Chapter VI	The United States of America	266
	Potential Critical Juncture 1: 1946 – The Truman Years	269
	Potential Critical Juncture 2: 1960 – The Kennedy Years	285
	Potential Critical Juncture 3: 1980 – The Reagan Years	303
	Potential Critical Juncture 4: 1992 – The Clinton Years	325
Chapter VII	Sweden	347
	Potential Critical Juncture 1: 1976 – The SAP’s Fall from Power	351
	Potential Critical Juncture 2: 1982 – The SAP’s Return to Power	365
	Potential Critical Juncture 3: 1991 – The SAP’s Second Fall	383
Conclusion		407
Appendix A		413
Appendix B		416
Appendix C		419
Appendix D		425
Bibliography		432

List of Diagrams

Figure	Title	Page
2.1	Lijphart's two dimensional conceptual map of democracy	51
4.1	The Critical Juncture Grid, Ireland, 1959	122
4.2	The Critical Juncture Grid, Ireland, 1970	137
4.3	The Critical Juncture Grid, Ireland, 1981	158
4.4	The Critical Juncture Grid, Ireland, 1987	179
4.5	The Critical Juncture Grid for Ireland, 1945-2000	183
5.1	The Critical Juncture Grid, Britain, 1945	204
5.2	The Critical Juncture Grid, Britain, 1970	222
5.3	The Critical Juncture Grid, Britain, 1974	241
5.4	The Critical Juncture Grid, Britain, 1979	262
5.5	The Critical Juncture Grid for Britain, 1945-2000	265
6.1	The Critical Juncture Grid, America, 1946	284
6.2	The Critical Juncture Grid, America, 1960	302
6.3	The Critical Juncture Grid, America, 1980	324
6.4	The Critical Juncture Grid, America, 1992	343
6.5	The Critical Juncture Grid for America, 1945-2000	346
7.1	The Critical Juncture Grid, Sweden, 1976	365
7.2	The Critical Juncture Grid, Sweden, 1982	382
7.3	The Critical Juncture Grid, Sweden, 1991	403
7.4	The Critical Juncture Grid for Sweden, 1945-2000	406
8.1	The Critical Juncture Grid for Ireland, Britain, America, and Sweden, 1945-2000	410

List of Tables

Table	Title	Page
4.1	The Empirical-Theoretical Fit 1959	120
4.2	The Empirical-Theoretical Fit 1970	135
4.3	The Empirical-Theoretical Fit 1981	156
4.4	The Empirical-Theoretical Fit 1987	177
5.1	The Empirical-Theoretical Fit 1945	202
5.2	The Empirical-Theoretical Fit 1970	220
5.3	The Empirical-Theoretical Fit 1974	239
5.4	The Empirical-Theoretical Fit 1979	260
6.1	The Empirical-Theoretical Fit 1946	282
6.2	The Empirical-Theoretical Fit 1960	300
6.3	The Empirical-Theoretical Fit 1980	322
6.4	The Empirical-Theoretical Fit 1992	341
7.1	The Empirical-Theoretical Fit 1976	363
7.2	The Empirical-Theoretical Fit 1982	380
7.3	The Empirical-Theoretical Fit 1991	401

Abstract

The aim of this dissertation is to improve our understanding of the concept of critical junctures in political science. In this regard the dissertation examines the approach's evolution to this point. It is argued here that the critical junctures approach, as it had developed up to now, has lacked rigour. Consequently, the approach is remoulded in ways that add to its rigour and applicability. Improving upon the approach will involve specifying clearly defined standards that enable the identification of levels of change in order to see if that change constitutes a critical juncture. This systemisation of standards will improve the usefulness of the critical junctures approach in identifying change both within and across countries over time.

The remoulded critical junctures approach is employed in examining changes in the trade union peak organisations' influence over public policy in a series of case studies in Ireland, Britain, the United States of America, and Sweden spanning the period 1945-2000. This is in order to see if these changes in the trade unions' influence over public policy constituted critical junctures. This research is based on the extensive assessment of trade union documentation, the media, government and political party publications, and other policy papers, along with the extensive use of secondary source material from these countries.

This dissertation argues that the remoulded critical junctures approach, as set out here, possesses a clarity that was lacking in the literature up until now. The clear criteria concerning the levels of change permits the identification of critical junctures. Thus, uncertainty surrounding the concept of critical junctures is diminished. What is more, the approach as set out here is designed to be readily applicable to any research project concerned with the issue of change.

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Abbreviations

ACAS	Advisory, Conciliation and Arbitration Service
AFL	American Federation of Labor
AFL-CIO	American Federation of Labor - Congress of Industrial Organization
AnCO	Industrial Training Authority
BES	British Economic Survey
BIS	Bank of International Settlement
CBI	Confederation of British Industry
CIO	Committee for Industrial Organisation (1935-1938)
CIO	Congress of Industrial Organization (1938-1955)
CIU	Congress of Irish Unions
COPE	Committee on Political Education
EEC	European Economic Community
EIU	Economist Intelligence Unit
ELC	Employer-Labour Conference
EOC	Equal Opportunities Commission
ESRI	Economic and Social Research Institute
FAA	Federal Aviation Authority
FUE	Federated Union of Employers
HES	Health and Safety Executive
ICTU	Irish Congress of Trade Unions
IMF	International Monetary Fund
INPC	Irish National Productivity Committee
ITGWU	Irish Transport and General Workers' Union
ITUC	Irish Trades Union Congress

KDS	Kristdemokraterna
LLPE	Labor's League for Political Education
LO	Landsorganisationen i Sverige
MLB	Medbestammandelagen
MSC	Manpower Services Commission
NAFTA	North American Free Trade Agreement
NAM	National Association of Manufacturers
NDMB	National Defence Mediation Board
NEC	National Executive Committee
NEDC	National Economic Development Council
NESC	National Economic and Social Council
NESF	National Economic and Social Forum
NHI	National Health Insurance
NIEC	National Industrial and Economic Council
NIESR	National Institute of Economic and Social Research
NLRB	National Labor Relations Board
NU	National Understanding
NWA	National Wage Agreement
NWLB	National War Labor Board
NYD	Ny Demokrati
OECD	Organisation for Economic Co-operation and Development
PAC	Political Action Committee
PATCO	Professional Air Traffic Controllers Organisation
PCEA	President's Council of Economic Advisors
PLP	Parliamentary Labour Party

PNR	Programme for National Recovery
PSBR	Public Sector Borrowing Requirement
SACO	Sveriges Akademikers Centralorganisation
SAF	Svenska Arbetsgivarforening
SAP	Socialdemokratiska arbetarepartiet
SNP	Scottish National Party
TCO	Tjanstemannens Centralorganisation
TGWU	Transport and General Workers' Union
TUC	Trades Union Congress
UN	United Nations
VF	Verkstadsforeningen
VPK	Vänsterpartiet Kommunisterna

Introduction

This dissertation seeks to improve upon our understanding of the concept of critical junctures. In this regard the dissertation takes the concept as it has evolved to this point and remoulds it. It is argued here that the approach, as it has developed, lacks a certain rigour. Specifics and standards relating to levels of change have been absent from the approach, and this absence has weakened the approach. Consequently, the remoulded approach will be rigorous, applicable, operationalizable, and falsifiable.

With the study of institutions assuming an important place in comparative politics in recent years the various institutional approaches have come to the fore. The new institutionalist approach is not one all encompassing methodology, but instead is made up of a variety of approaches ranging from rational choice institutionalism to historical institutionalism. However, these approaches have difficulty dealing with the all-important issue of change. Historical institutionalism, for example, tends to treat institutions as static variables, this being immiscible to the whole idea of change. This in itself then leads on to the concept of institutional determinism, a concept anathema to change. But, employing the critical junctures approach provides a means of identifying change within an institutional context. Collier and Collier (1991) have argued that the critical junctures framework is particularly appropriate in the study of trade unions, politics, and the economy. Nevertheless, their approach possesses vagueness, and this vagueness weakens it as an explanatory instrument. Here we will take the critical junctures approach, remould it in certain ways that add to its rigour and applicability, and then test this remoulded approach with a series of case studies that will focus on change in trade union peak organisations' influence over public policy in four different countries. This is in order to see if these changes in the trade unions' influence over public policy constitute critical junctures, and if the approach stands up to empirical

scrutiny. As Visser (1996, p. 1) argues ‘comparisons across countries is an essential tool, because only thus can we create the ‘quasi-experimental’ conditions needed for testing our theories.’

This dissertation is divided into seven separate chapters. The first chapter is the literature review. This chapter begins with a general discussion on the evolution of the political science discipline over the course of the twentieth century. This involves a brief analysis of the literature relating to old institutionalism, behaviouralism and rational choice approaches, before concentrating upon new institutionalism, and in particular historical institutionalism. The chapter concludes with an in depth examination of the critical junctures literature. This section then examines what the critical junctures approach has to offer for correcting historical institutionalism’s weaknesses, especially weaknesses relating to the issue of change. The chapter then sets out, in detail, the remoulded critical junctures approach.

The second chapter is devoted entirely to the methodology employed within the dissertation. The section explains in detail why the trade unions are focused upon, why a case studies approach was chosen, and the logic utilised in choosing which countries to concentrate upon, and the time frame to set all this within. The chapter then discusses the analytical narrative approach that is employed in the case study Chapters IV through VII. The methodology section lays out in minute detail the hypotheses and observable implications that will be used to test the remoulded critical junctures approach’s ability to identify change. The argument set out here is that there is a critical juncture only if there is a generative cleavage or crisis, and a period of change that is significant, swift, and enduring in nature.

Chapter III sets out the prima facie evidence of changes in the trade union peak organisations’ influence over public policy that, in each of the countries, possibly

constituted critical junctures. In performing this duty the chapter allows the main body of the dissertation to bypass providing a prolonged historical narrative tracing the political, economic, and industrial relation evolution of the countries under examination. Consequently, the chapter is succinct in its structure and objectives. The approach adopted permits the subsequent chapters to examine, in detail, a manageable number of instances of change in the trade union peak organisations' influence over public policy in order to see if they do in fact constitute critical junctures. In all, there are 15 instances where the trade unions' influence over public policy was prima facie identified as having changed to the extent of constituting possible critical junctures.

The main chapters of the dissertation, Chapters IV-VII, concentrating on Ireland, Britain, the United States of America, and Sweden, respectively, apply the analytic narrative methodology to the countries' political, economic, and industrial relations evolutions. The objective of these chapters is to investigate, using the observable implications criteria derived from the hypotheses, whether those hypotheses relating to change in trade union influence over public policy can identify critical junctures. The essence of this examination is the search for significant, swift and enduring change in the trade unions' influence over public policy at the time of a generative cleavage, this in the form of a macroeconomic crisis.

Since much of the material used in this dissertation was archival in origin, a necessity was to integrate it within the wider framework of industrial relations, political, and economic history. As a consequence, much secondary material, focused on the period under discussion, is employed to augment the primary sources. However, despite the fact that the period under examination was relatively recent, there was great variation in the extent to which the studied countries maintained comprehensive records on the data under examination. Consequently, there are degrees of inconsistency in

relation to the detail of certain of the material utilised here. The state-by-state structuring was also adopted in favour of a thematic approach as it permits comparison between states, and yet still provides sufficient leeway to allow for the incompleteness of certain of the material under examination in relation to certain of the countries. Nevertheless, a consistent analytic narrative methodology will be employed throughout the dissertation, thus blending the hypotheses, their observable implications, and the findings within chapters rich with 'thick historical descriptions of empirical cases' (Campbell and Pedersen, 2001, p. 13).

Due to the constraints placed upon the size of this dissertation the amount of material included was to an extent limited. There were vast amounts of other materials that were relevant in the sense that they placed certain of the incidents studied within their wider context, and elaborated on this wider context in time and place. But in the interests of brevity this material could not be included. Only the most significant materials, after having been carefully considered on the merits of their contribution to the arguments set out, have been included. Certain other materials, these relating to economic statistics, and trade union growth and density figures, have been provided in the appendices at the back of the dissertation.

Chapter I

Literature Review

The objective of this thesis is to improve our understanding of the concept of critical junctures. It is argued here that the concept, as it has developed to this point, lacks a certain rigour. The critical junctures approach is vague. Consequently, the central question is how to improve upon the critical junctures approach? That process shall involve the remoulding and fleshing out the concept as it has developed, essentially endowing it with specifics where previously it had none, and in so doing adding to our understanding of critical junctures, and their usefulness in identifying change both within and across countries over time. This process is to be conducted without discarding any of the central arguments of the definition of a critical juncture as developed by Collier and Collier (1991). Nevertheless, clearly defined standards are developed, and laid down, that will enable the identification of levels of change in order to see if that change in fact constitutes a critical juncture, or not, as the case may be. This will enable the identification of what does, and what does not, constitute a critical juncture. In essence, the thesis is taking a concept that has certain nebulous qualities to it, and defining it more clearly. Put simply, the aim is to set out a systematic approach for assessing potential critical junctures in a logical and methodical fashion. In so doing the approach developed here is readily applicable to any research project focusing on the issue of change, as the standards developed here are universal in nature.

This chapter, the literature review, will discuss the evolution of the political science discipline over the twentieth century, with brief discussions on old institutionalism, behaviouralism, and new institutionalism, before moving on to consider historical institutionalism. Institutions have, of late, taken centre stage in comparative politics, after falling from grace during the middle of the twentieth century. The chapter discusses, in detail, the literature relating to the evolution of historical institutionalism, and critical junctures specifically. From the late 1980s onwards,

historical institutionalism came to the forefront of new institutionalism to present a set of theoretical and methodological challenges to the more established political science traditions. This focus on historical institutionalism will examine what the literature has to say on that approach's strengths, as well as its weaknesses, and what the critical junctures approach has to offer for correcting those particular weaknesses, especially weaknesses relating the issues of change in historical institutionalism.

1. From Old Institutionalism to New Institutionalism

The roots of political science are to be found in the analysis and design of institutions. For Plato and Aristotle – as well as for Machiavelli, Locke, Rousseau, Hobbes and others in that tradition – one of the major problems was to ascertain which political institutions produce the best type of society and individual (Rothstein, 1996, p. 136). As the discipline began to emerge in the latter part of the nineteenth century, its principal questions remained institutional and normative. Political science was about the formal aspects of government, including the law, and its attention was squarely on the machinery of the governing system. Many of its aims were normative, and it was concerned with discovering which institutions would function most efficiently within a particular political system. The traditional approach to the state emphasised that what was special about the state is not the fact that it is composed of institutions, but that state institutions are very particular (Lane and Ersson, 1991, p. 361). Political science was very much in the service of the state. However, after World War II new approaches were adopted that sought to make political science more scientific. The study of political science switched over from an inductive to a deductive approach. The study of political institutions was supplanted by the study of attitudes and political behaviours. However, this approach, with its grand theorising, was found wanting in the field of

cross-national research during the 1970s. Behaviouralism was in turn then supplanted by a return to the study of institutions during the early 1980s.

Old Institutionalism

The study of institutions dominated the field of political science. Indeed, in its early years political science meant the study of political institutions (Wilson 1891). The early theories of political scientists, such as J. W. Burgess, economists such as Thorstein Veblen, and sociologists such as Max Weber, all laid particular emphasises on the importance of institutions. It is from this well of knowledge that the new institutionalist writers have all drawn inspiration. The work of this school of old institutionalists constituted the basis of political science for much of the late nineteenth and the first half of the twentieth centuries. '[It] characterised political science until at least the early 1950s, and to some extent never really died out among many student of politics' (Peters, 1996, p. 205). The old institutionalists concentration was mainly, though not exclusively, on configurative studies of different administrative, legal, and political structures. For them institutions were complex and reoccurring patterns of behaviour and interaction that had acquired a degree of legitimacy (Huntington, 1965, p. 394). The little comparative analysis then conducted did not encourage the development of concepts that would have permitted a comparative research that would have advanced explanatory theory (Eckstein and Apter, 1963, p. 6). Comparative politics, in particular, consisted mostly of detailed configurative studies of different legal, administrative and political structures. Nevertheless, old institutionalism did make some definite contributions to the comprehension of governance. 'One contribution came from the attention given to the details of structures which is, to some degree, returning to academic fashion - particularly in historical institutionalism' (Peters, 1996, p. 206).

For all the insight and descriptive richness of the older institutionalist literature, with some important exceptions (cf. Herring 1940; Key 1947), it does not appear to contemporary eyes to have the theoretical aspirations and motivations we have come to associate with social sciences. Early political science was often more descriptive than analytical. The old institutionalists usually employed the methodology of the intelligent observer attempting to describe and understand the political world around them in simple terms (Carter and Herz, 1962). Nevertheless, James Bryce, Herman Finer, and Carl Friedrich, all theorists active in the field of old institutionalism, produced a number of works that still bear reading today. However, they were utilising different techniques for different purposes than are most contemporary social scientists (Apter, 1991). 'Despite their being characterised, or even stereotyped, as being atheoretical and descriptive, it is still important to note that there were theories lurking in this research' (Peters, 1999, p. 6).

Even if not explicitly theoretical, the old institutionalist scholars' efforts laid the groundwork for contemporary institutionalist analyses. However, new institutionalism developed not to reassert certain of the virtues of the older form of analysis, but as a statement on failings in the conventional wisdom within political science. Consequently, to understand new institutionalism requires not only an understanding of old institutionalism, but also a comprehension of the schools of thought that emerged between the two.

Behaviouralism and the Rational Choice Approach

In the immediate post-war years a new generation of political scientists attempted to make the study of politics more scientific. For many, this effectively meant that political science ought to model itself on the hard sciences that they believed was

fundamentally a deductive process. Thus rather than studying the details of political life and inductively uncover the patterns of behaviour and action, political science should be a deductive science that seeks to discover the general laws and fundamental forces that lay behind political action. Focusing on particular institutions, proponents of this intellectual agenda implied, was atheoretical.

Concomitant with the push for more abstract laws, political scientists were disillusioned by the failure of parliamentary institutions in Weimar Germany (and later in post-colonial Africa) to prevent these polities from devolving into authoritarianism (Steinmo, 2001). Many argued that there were bigger, more important, indeed more fundamental, forces at work in politics and development than political institutions. These forces, they argued, should be the focus of political science. Thus, behavioralist, functionalist, and Marxist perspectives took leading roles in political science theory building though most of the 1960s and 1970s.

As a consequence, institutional analysis diminished in prominence, particularly in comparative politics. For Functionalists, political institutions were simply seen as organizations created to fulfil the systemic needs of society. As such, political institutions were neither important nor interesting. For Behavioralists and Marxists, political institutions were simply arenas in which political battles were fought out. While Marxists saw the relevant groups as classes and Pluralists saw them as more narrowly defined, neither theoretical perspective played particular attention to the structure or character of the institutions themselves.

Behaviouralism was a rejection of the old institutionalism. '[It] grew out of what were known as behaviourist studies in psychology' (Rush, 1992, p. 5). The behaviouralist argument was that analysts should concentrate on attitudes, and political behaviour (Lane and Ersson, 1994, p. 103). The behavioural revolution of the 1950s

and 1960s transformed the discipline of political science. 'Behaviouralists viewed institutions as epiphenomenal, merely the sum of individual properties' (DiMaggio and Powell, 1991, p. 2). This revolution was to precede a more fundamental shift in the discipline in the form of the rational choice approach. Following the publication of Kenneth Arrow's *Social Choice and Individual Values* in 1951 there was an explosion of rational choice scholarship in political science (Green and Shapiro, 1994, p. 7). Although different from one another in some respects the behavioural and rational choice approaches shared a concern for theory and methodology, insisted that political science invest heavily in methodology, saw the individual as the unit of analysis, and emphasised the gathering of evidence. The behavioural and rational choice approaches also shared an anti-normative bias.

It was not the case, however, that all political scientists had abandoned the study of explicitly institutional emphasis (cf. Schattschneider 1960; Greenstein 1963; Fenno 1966; Polsby, Gallagher et al. 1969). In comparative politics, as well, several political scientists continued to examine political institutions and their effects on political outcomes (Ekstein 1960; Bendix and Brand 1968; Huntington 1968), even while they sometimes had to defend their inductive approach from the challenge that it was not scientific (Przeworski and Teune 1970; Bill and Hardgrave 1973). For these scholars it was self-evident that if one wanted to understand what government does, one needs to specifically study the institutions through which it acts.

As behaviourist theories focused on attitudes and behaviours to explain political developments they often did not answer questions concerning cross-national variations in these variables. Interest group theories could not account for why groups with similar characteristics and preferences had not the same influence over policy across countries. In this view the institutions of government became the black box converting

inputs into outputs, as if by magic according to critics of the approach (Kriek, 1995, p. 30). The grand theorising that dominated comparativist politics in the 1950s and 1960s obscured the intermediate institutions that structured politics in different countries. However, the variety of policy responses elicited from the industrial democracies by the economic shocks of the 1970s gave the convergence theories of the 1960s a distinctly hollow ring. National level institutions were to be a primary focus in the search for answers to these outcomes. Among the first group of scholars to move in this direction was Katzenstein and his colleagues who sought to explain why several advanced capitalist states responded so differently to the oil shock of the 1970s. The answer, they concluded, was found in the differing institutional structures in these polities and the consequent patterns of economic policy pursued in each nation (Katzenstein 1976). Similarly, Theda Skocpol's study of social revolutions also concluded that one could not explain the course of a country's revolution without examining the nature and structure of the state against which these revolutions were aimed (Skocpol 1979, pp. 292-293).

New Institutionalism

In recent years the study of institutions has again taken centre stage in comparative politics. The appeal of the approach is that it offers an angle through which to better understand policy continuities within countries and policy variations across countries. Institutional analysis has proven effective in explaining a particular range of phenomena, especially those found in the black box of government, largely ignored by theories developed during the 1960s and 1970s (Peters, 1996, p. 217).

Although institutional variables were pushed to the side by the dominant theories of the 1950s and 1960s, institutions had not disappeared completely from the

agenda. Nevertheless, by the late 1970s traditional political institutions, legislatures, legal systems, and the state had receded in importance from the position they had held in the earlier theories of political scientists such as J. W. Burgess or W. W. Willoughby (March and Olsen, 1984, p. 734). Despite this, institutional explanations had remained somewhat popular in policy and governance studies. It was in this period, against the behavioural and rational choice background, that key elements of what was to become new institutionalism were formulated. This development was a reaction against the behavioural revolution's interpretation of collective political behaviour as the aggregate consequence of individual choice (DiMaggio and Powell, 1991, p. 2). The new institutionalism implied a rejection of the actor-centred approach for the explanation of organisational phenomena (Lane and Ersson, 1991, p. 361).

In 1984 March and Olsen (1984, p. 734) observed that 'in recent years a new institutionalism has appeared in political science.' They believed that the focus of political science had shifted in a wrong direction. While not demanding a return to the old institutionalism, they argued that some of the features of that approach were of value. March and Olsen (1984, p. 738) describe the new institutionalism as blending elements of old institutionalism into the non-institutionalist styles of recent theories of politics. Their approach did not emphasise the dependence of the polity on society in favour of interdependence between relatively autonomous social and political institutions.

New institutionalism brought a fresh insight in that it treated political institutions as important independent variables in explaining political behaviour and change (Douglas, 1987, p. 46). As against social and economic structures, political institutions are entities that might once have been deliberately created by rational, goal-orientated, political agents (Levi, 1990). While political institutions may be understood as setting

limits on, as well as enabling, agents in pursuit of their objectives (Giddens, 1979, p. 106), they can also be looked upon, because of their general stickiness, as political and administrative structures (Shepsle, 1989, p. 136). The new institutionalism specifically examines the ways in which the institutions structure social and political behaviour (North 1990). In this approach state actors, and their preferences, like the societal actors with whom they interact, explicitly exist within an institutional framework. This is the context in which they interpret their self-interests, and there from derive their policy preferences. This burgeoning body of literature argues that policy, politics, and behaviour can only be understood in the context of the institutions in which they take place. Ideas and interests are important for understanding policy variations across countries. However, the central argument is that, if abstracted from the institutional context in which they are defined neither of these variables will have substantive meaning.

Ellen Immergut argues that variations in National Health Insurance (NHI) systems is best explained by variations in national political institutions (Immergut 1992a, p. 57). Similarly, Bo Rothstein shows that Sweden's high union density is best explained by the Ghent unemployment insurance system that gives workers powerful incentives to join Swedish unions (Rothstein, 1992, p. 51). Even more broadly, Douglas North suggests that the very success of western political economic model is rooted in the peculiar institutions developed in these societies (North 1990). The central tenet of this new institutionalism is that institutions are not neutral to policy outcomes. As Peter Hall has suggested, on the one hand, the organization of policy-making affects the degree of power that any one set of actors has over policy outcomes. On the other hand, organizational position also influences an actor's definition of his own interests. In this way, organizational factors affect both the degree of pressure an actor can bring

to bear on policy and the likely direction of that pressure (Hall, 1986, p. 12). In sum, institutions define the rules of the political game, and as such they define who can play and how they play. Consequently, they ultimately can shape who wins and who loses. If politics is the study of who gets what, when, and why, then, institutionalists argue, institutions should be at the heart of that study.

New Institutionalism differs from its intellectual precursor in ways that reflect its development after the behavioural revolution in political science. The movement is characterised by an explicit concern with theory development. It always looks at actual behaviour rather than only at the formal, structural aspects of institutions. The new approaches to institutional analysis focuses on outcomes in the form of public policies or other decisions.

Rather than analysing policy-making in terms of correlation between policy inputs and policy outputs the strength of institutional analysis is to show why policy inputs and policy outputs may be linked in different ways in different political systems (Immergut, 1992b, p. 57).

2. An Examination of Historical Institutionalism

New institutionalism is not a single approach, but an agglomeration with a number of approaches contained within it. These approaches to institutionalism should be seen as complimentary (Ostrom, 1990, p. 22). Currently there are at least six versions of new institutionalism in use. However, the one concentrated upon here has been self-described as 'historical institutionalism' (Peters, 1999, p. 63). Historical institutionalists are primarily interested in understanding and explaining specific real world political outcomes. The historical institutional approach, building upon the work of institutionalist scholars such as Katzenstein, Hall, and Ikenberry, was put forward in an effort to bridge the gap between preferences and interests on the one hand, and policy choices on the other. Here we will discuss the approach itself, along with its strength and weaknesses, focusing in particular on its inability to deal with the all-important issue of change.

Historical Institutionalism

The historical institutional scholars have engaged in a variety of studies of specific historical events in widely different places and across large spans of time. In this they discovered that they could not explain variations without specifically examining the ways in which the political institutions had shaped or structured the political processes and ultimately the political outcomes (Steinmo, Thelen et al. 1992). The historical institutionalists came about their institutional arguments inductively after testing a variety of alternative theories such as Marxism, Structural Functionalism, Culturalism and Rationalism against the outcomes they observed. In other words, historical institutionalists are first interested in explaining an outcome. They then proceed to explore alternative explanations for the outcomes they observe. Because theirs is not a

theory in search of evidence, historical institutionalists do not argue that institutions are the only important variables for understanding political outcomes. Quite the contrary, these scholars generally see institutions as intervening variables (or structuring variables) through which battles over interest, ideas, and power are fought.

Nevertheless, institutions are important both because they are the focal points of much political activity and because they provide incentives and constraints for political actors and thus structure that activity. Rather than being neutral boxes in which political fights take place, institutions actually structure the political struggle itself (Steinmo, 2001). The historical institutionalist argument provides a better understanding of the linkage between individual preference formation and broader political issues. But this approach also goes further, attempting to situate the logic of the new institutionalist school into a historical understanding of the ways in which political institutions interact with the historical and economic context in which they operate. The appeal of the institutionalist approach is that it offers an angle through which to better understand policy continuities within countries and policy variations across countries.

The literature on historical institutionalism is diverse. Contemporary political scientists are familiar with leading examples of historical institutionalist research without necessarily realizing that they exemplify a coherent genre (Pierson and Skocpol, 2001, p. 2).¹ Hall (1986) was one of the first researchers to allude to the importance of institutions in shaping policies over time. He is explicit concerning the influence of different histories and institutions on the economic policies, and subsequent economic performance, of Britain and France. He chooses these countries due to the initial dichotomy, and subsequent similarity, of the solutions sought to their economic

¹<http://www.google.com/search?q=cache:4cRIC2s9BCMJ:www.people.fas.harvard.edu/~pierson/Discipline.pdf+historical+institutionalism+critical+juncture&hl=en>

problems in the 1980s. Skowronek's (1997) *The Politics Presidents Make* reveals recurrent cycles in the nature and success of presidential leadership throughout U.S. history. Painting on even grander canvases, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America* by Ruth Berins Collier's and David Collier (1991) and *Birth of the Leviathan: Building States and Regimes in Early Modern Europe* by Thomas Ertman (1997) explain regime dynamics and the varied formation of modern national states. The following are only a few of the possible citations, from recent historical institutionalist studies, that have cumulated to provide wide ranging, as well as causally precise, understandings of such important matters as transitions to democracy Baloyra (1987) and Bratton and Van de Walle (1997), the emergence and demise of authoritarian regimes Doyle (1986) and Mahoney (2001); the intersection of domestic and international politics Friedberg (2000) and Ikenberry (2001); the origins and development of welfare states Esping-Andersen (1990) and Flora and Heidenheimer (1981); social identities in politics Hattam (1993) and Kryder (2000); the roots and development of economic regimes Karl (1997) and Thelen (1993, 1994); and the causes and consequences of social movements and revolutions Goldstone (1991) and Goodwin (2001).

It is clear that studies employing the historical institutional approach vary in many different ways. Certain studies are comparative, and others analyse trends in the context of one single issue. 'Some offer suggestive interpretations (e.g., Hart 1994) while others offer explicit models framed in general terms (e.g., Hansen 1991)' (Pierson and Skocpol, 2001, p. 3). Certain studies draw extensively from primary sources (e.g., Gamm, 1999), while others synthesize findings from secondary publications (e.g., Skocpol 1979, Downing 1992). Some deploy arguments about strategic choice and the impact of 'rules of the game' (e.g., Immergut 1992a, Pierson 1994), while others adopt

culturalist modes of explanation (e.g., Hattam 1993). As Pierson and Skocpol (2001, p. 3) argue, a vibrant research tradition will encompass variety, and flourishes, through internal debates—and in this regard historical institutionalism is no exception.

It was Steinmo, Thelen, and Longstreth (1992) who were responsible for making a coherent statement of historical institutionalism, and for supporting its broader application in political science (Peters, 1999, p. 63). At its broadest, historical institutionalism represents an attempt to illuminate how political struggles ‘are mediated by the institutional setting in which they take place’ (Ikenberry, 1988, pp. 222-223). Institutional analyses do not deny the broad political forces that animate the various theories of politics: class structure in Marxism, group dynamics in pluralism. Instead, they point to the ways that institutions structure these battles and in so doing, influence their outcomes (Thelen and Steinmo, 1992, p. 3). As an alternative to broad and abstract Marxist, functionalist, and systems theory approaches, historical institutionalism provides an approach to the study of politics, and public policy, that is sensitive to persistent cross-national differences. Those who approach the world from the standpoint of historical institutionalism accord prominence to the role of institutions in political life. However, historical institutionalists are not concerned with institutions alone. Rather, their analyses explore the role of several variables – often encapsulated as institutions, interests, and ideas – in the determination of political outcomes (Weir, 1989).

Three important features characterize historical institutional scholarship in contemporary political science. Historical institutionalists address big, substantive questions that are inherently of interest to broad publics as well as to fellow scholars. The focus is on explaining variations in important or surprising patterns, events, or arrangements – rather than on accounting for human behaviour without regard to

context or modelling very general processes presumed to apply at all times and places. To develop explanatory arguments about important outcomes or puzzles, historical institutionalists take time seriously, specifying sequences and tracing transformations and processes of varying scale and temporality. To understand an interesting outcome or set of arrangements usually means to analyse processes over a substantial stretch of years, maybe even many decades or centuries. Scholars working in this tradition have developed compelling methodological and theoretical justifications for historically-grounded investigations – by which they mean not just looking at the past, but looking at processes over time. Extending the time frame of social inquiry widens the range of experience available for examination. This simultaneously makes more data available and generates greater variation in outcomes. Such widening of the empirical terrain is especially important for political scientists because many phenomena of great interest – especially macro ones such as revolutions, state-building, democratization, the construction of welfare states, occur relatively infrequently, or only partially – in any particular slice of time. Historical institutionalists likewise analyse macro contexts and hypothesize about the combined effects of institutions and processes rather than examining just one institution or process at a time. Taken together, these three features – substantive agendas; temporal arguments; and attention to contexts and configurations – add up to a recognizable historical institutional approach that makes powerful contributions to the discipline’s understandings of government, politics, and public policies.

Much research in historical institutionalism adopts a meso-level focus, concentrating, for example, on policy developments in a particular issue area (e.g. Hacker, 1998; Immergut, 1992a; Weir 1992) or changes in organizational fields (e.g., Skocpol, Ganz, and Munson, 2000). Historical institutionalists may also tackle the most

macro-level developments, such as modernizing intellectual transformations (Wuthnow 1989) or state formation (e.g. Anderson 1986, Doyle 1986, Tilly 1975, Downing 1992; Ertman, 1997; Skowronek, 1982). In either case, analyses tend to highlight and explore causes operating at the inter-organizational or inter-institutional level. Certainly, historical institutionalists accept the principle that causes should ultimately be consistent with plausible accounts of individual motivation and behaviour (Little, 1991, p. 73). But they also believe that the patterns of resources and relationships in which individuals find themselves have powerful channelling and delimiting effects. So historical institutionalists aim to make those patterns visible and trace their causal impacts. Historical institutionalists typically analyse how sets of organizations and institutions relate to each other and, in turn, shape the processes or outcomes of interest. There is a strong tendency to doubt the power of many claims about institutional effects that rest solely on an analysis of that institution in isolation. Instead, historical institutionalists generally expect to see powerful effects stemming from interactions among institutions, or between institutions and organizations. Research on American policy development, for instance, typically focuses on the interplay among multiple organizational actors in multiple institutional settings (Skocpol, 1992).

Historical institutionalism provides an avenue for looking at policy across time, an aspect lacking in many of the other approaches. The explicit purpose of historical institutionalists is to deal with the demands of comparative political analysis. These theorists see their approach as capable of explaining differences across national political systems.

Institutions in Historical Institutionalism

Historical institutionalism is characterized by the second part of its label as well as the first, but what does institutionalism mean for this family of scholars? In political science today many scholars analyse how institutions influence political behaviour and shape processes ranging from legislative decision making to social movements (Hall and Taylor, 1996). As Thelen (1999, p. 371) has ably elaborated, both rational choice institutionalists and historical institutionalists presume that organizationally embodied routines play a crucial role in allocating resources and structuring the incentives, options, and constraints faced. Historical institutionalists probe the origins, impact, and stability or instability of entire institutional configurations – sometimes to explain the institutional arrangements themselves, at other times to use variables referring to institutional configurations to explain other outcomes of interest.

In historical institutionalism the definition of an institution is rather vague, including as it does both formal organisations and informal rules and procedures that structure conduct (Lane and Ersson, 1994, p. 116). For Thelen and Steinmo (1992, pp. 2-4) institutions range from government structures, through legal institutions, to social institutions. They state that they are interested in institutions of an intermediate nature, those existing between the entities of states and individuals. Hall's (1986) definition of institutions provides an impression of institutions as rules and procedures. For Ikenberry (1988, p. 223) institutions extend from features of government to the structure of the state, to a nation's social order. These definitions all define institutions by way of examples rather than precise characteristics.

The state in historical institutionalism is not discussed as a single entity, but rather as an aggregation of organisations and institutions, each with its own interests. Policies can then be explained by the ideas and interests of those institutional actors

within a differentiated public sector rather than merely a response to external pressures (Hall, 1986). What also stands out in historical institutionalist literature is the role played by ideas in defining institutions. Immergut's (1990) analysis of health care policies in Sweden, France, and Switzerland, is clear on the impact ideas of best practice have on the public programmes taken up. She chooses these countries firstly because politicians in all three proposed national health insurance schemes at much the same time after the end of the Second World War. The second reason is that the results of these proposals came to exemplify the extremes of the European health care systems. Sweden has the most socialised health care system in Europe, the Swiss the most privatised, and the French a conflict-riddled compromise between the two. For Immergut ideas are the dominant factors in determining policies and institutional structures.

Historical institutionalists focus on common sense concepts of formal institutions, legislatures or bureaucracies. However, they also rely on the vague concept of ideas to define the existence of institutions. The concept of ideas as central components in defining institutions is a limited solution to the problems raised by historical institutionalism. The emphasis of historical institutionalism is much more on the persistence of organisations after they are formed, than it is on the facts of their initial creation. However, here what may be more important is the definition of when institutional creation occurs. The choice of date from which to mark future developments is crucial for making the case that those initial patterns will persist and shape subsequent policies in the policy area.

Path Dependency

For historical institutionalism the focus is the choices made early in the history of a polity. The central tenet of this version of new institutionalism is that choices made when an institution is being formed, or policy initiated, will have a persistent influence over that policy far into the future (Peters, 1999, p. 210). When a government's initiative starts down a particular path there is an inertial tendency for the initial policy choices to persist. This is the issue of path dependency as discussed by Krasner (1984, p. 240-241). Path dependency means that history matters (North, 1994). We cannot understand today's choices without tracing their evolution through time. The initial policy choices and the commitments that grow from them are argued to determine subsequent decisions. 'Choices made at a time T influence choices made at a time T+1' (Berman, 1998, p. 380). Policies are path dependent, and once initiated they continue along until a sufficiently strong force deflects them (Krasner 1984, p. 240).

Historical institutionalists also demonstrate the ways in which institutions are remade over time (Thelen 1999, 2000). Because of strong path dependent effects, institutions are not easily altered when conditions change. Instead, institutions will often have a highly "layered" quality (Schickler 2001; Stark and Bruszt 1998). New initiatives are introduced to address contemporary demands, but they add to, rather than replace pre-existing institutional forms. Alternatively, old institutions may persist but be turned to different uses by newly ascendant groups. In either case, the original choices are likely to figure heavily in the current functioning of the institution. Thus institutions will rarely look like optimal solutions to present collective action problems.

Clearly, attentiveness to history and the analysis of meso- or macro- level institutional configurations are highly complementary strategies of analysis. Tracing politics through time is very helpful for identifying the boundary conditions for

particular theoretical claims. Even more significant, the emphasis historical institutionalists place on conjunctures and sequencing draws attention to the temporal connections among social processes, and highlights the importance of meso- or macro-level analysis of institutional configurations.

“Path dependence” can be a faddish term, lacking clear meaning, but in the best historical institutionalist scholarship it refers to the dynamics of self-reinforcing or positive feedback processes in a political system – what economists call sunk costs. A clear logic is involved in strictly defined path dependent processes: outcomes at a formative moment, or critical juncture, trigger feedback mechanisms that reinforce the recurrence of a particular pattern into the future. Path dependent processes have very interesting characteristics. Actors can be highly influenced by relatively modest perturbations at early stages. Once the actors have ventured far down a particular path, however, they are likely to find it very difficult to reverse course. Political alternatives that were once quite plausible may become irretrievably lost. Thus, events or processes occurring during, and immediately following, critical junctures emerge as crucial.

Not unlike the concept of sedimentation in sociological institutional theory (Tolbert and Zucker, 1996), institutional rules and structures can generate attempts to solve the problems that they themselves have caused. This adaptive recognition gives historical institutionalism a dynamic conception of policy. If the initial choices in the formulation of a policy or institution are inadequate, the institutions must correct these or be rendered defunct (Genschel, 1997). Historical institutionalism implies a course of evolution. However, the range of this evolution will be constrained by the ‘path’ laid down during the institution’s formative period. This is the fundamental paradox of institutions, they are formed by human agents yet constrain the behaviour of those same actors (Grafstein, 1992, p. 90).

Historical Institutionalism's Limitations

Historical institutionalism is a central part of the new institutionalist thinking about political life. Despite this centrality, the approach does have particular problems that limit its own capacity to explain and predict. Historical institutionalism's focus on how institutional structure shapes politics has yielded compelling accounts of policy continuities within countries over time and differences in policy outcomes across countries. But the drawback of institutionalism's power in explaining policy trajectories across countries has been that it gives the impression that political outcomes can simply be read off the institutional configuration (Dunlavy, 1992, p. 115). A more explicit theorising on the reciprocal influence of institutional constraints and political strategies has been missing. Also absent has been a broader theorising on the interaction of ideas, interests, and institutions.

There are several versions of historical institutionalism in use in the discipline. However, while they all appear extremely effective at explaining what happens, and in weaving a narrative that captures a good deal of the reality of history, these characterisations of history at times come close to being functionalist accounts. Things happened the way they did because they had to, given the historical and institutional forces at work at the time. The problem is that there are cases in which institutions do change in unexpected ways, and this approach appears at something of a loss to explain those changes. Further, the functionalist explanations are often not convincing, given that often there is no clear explanation for why things had to happen the way they actually did.

It is ironic then that historical institutionalists are typically suspicious of functional explanations, in which institutional outcomes are explained by their consequences. In such functional accounts, institutions develop because of their

capacity to solve certain collective problems. The implicit or explicit claim is that rational actors produced these outcomes in order to solve these problems. As suggested above, concern with issues of institutional development within historical institutionalism is strongly linked to theorizing about the causal relevance or origins, sequences, and temporal processes. Functional accounts of institutions seem most plausible when investigations take a one-time snapshot, because long-term effects and inconsistent “layers” of institutional development are not so readily noticed in such studies. By examining issues of institutional origins and change over an extended time frame, historical institutionalists have been able to highlight a number of potential problems for functional accounts (see Thelen 1993, 1994, 1999; Pierson 2000d for relevant findings and arguments). Functional interpretations of politics are often suspect because of the sizable temporal gap between actors’ actions and the long-term consequences of those actions. Political actors, facing the pressures of the immediate, or skeptical about their capacity to engineer long-term effects, may pay limited attention to the long-term. Thus the long-term effects of institutional choices, which are frequently the most profound and interesting ones, should often be seen as the *by-products* of social processes rather than the realization (“congealed preferences” as Riker put it) of actors’ goals.

Cross-national studies in the new institutionalism explain different policy outcomes in different countries with reference to their institutional configurations. However, a problem that has been identified in the historical institutionalist approach is that of treating institutions as static variables. Although the approach provides explanations for cross-national differences it is not suited to dealing with change. ‘This is the weakest and most difficult point in institutionalist analysis,’ according to Bo Rothstein (1996, p. 153). ‘Historical institutionalism is not a fertile source of

explanations for change in organisations and institutions' (Peters, 1999, p. 70). While change is not ignored by the approach it is not central to it either. Indeed, this is the area where historical institutionalism has encountered particular difficulties. The analytical framework appears premised upon the enduring effects of institutional and policy choices made at the initiation of a structure. This leads to a kind of institutional determinism that ultimately gives the impression that political outcomes can simply be read off the institutional configuration (Dunlavy, 1992, p. 117). Analytical frameworks based upon institutional determinism are not well suited to handling the issue of change (Ikenberry, 1988, p. 225). Essentially, the approach appears incapable of doing other than postdicting changes in institutions. Further, the analytical power of historical institutionalism is lessened by its failure to demarcate the causes of institutional inertia and its influence on outcomes (Garrett and Lange, 1995, p. 628). However, considering that the model can be regarded as more descriptive than either explanatory or predictive this deficiency is not fatal. Yet, this does limit the overall scientific utility of this account of institutional theory. Knowing how a particular policy developed over time, it may be difficult to imagine any other sequence of development. Consequently, refutation of the institutionalist approach may be difficult. In simplified terms, the argument appears to be that here was a set of institutions, there was a policy outcome, and the two must be linked (Rothstein, 1996, p. 154).

Exploring Change in Historical Institutionalism

There are within historical institutionalism some promising avenues for exploring change. Historical institutionalism has treated change through the concept of punctuated equilibrium (Krasner, 1984, p. 242). This concept is borrowed from Steven Gould's neo-Darwinian evolutionary theory in biology. Institutions will exist in an

equilibrium state for most of their existence, the decisions made at their initiation governing their subsequent functioning. However, those policy equilibria are not permanent, and institutions are considered capable of change. The model argues that long periods of institutional stability are periodically punctuated by crises which brings with them change. In other words, change in any system is a product of external shocks to the system (Thelen and Steinmo 1992). Thereafter institutional stability returns. Here, the external environment is the source of changes that bring about these institutional crises. The crises cause the breakdown of the old institutions, and this leads to political battles over the design of new institutions. The model emphasises the stickiness of historically evolved institutional arrangements. To continue with the analogy to evolutionary biology, the scientist in this view is engaged in a process of understanding how and why certain organisms (institutions) have evolved, why some flourish in some contexts and/or why some die out in other contexts. The answers to these questions (in both biology and political science) are discovered through careful historical analysis that examines the ways in which a number of factors have intersected and affected one another over time.

Historical institutional scholars do not deny that dramatic shocks to the system can invoke massive changes. However, institutionalists, much like most evolutionary biologists, are skeptical of the punctuated equilibrium model if offered up as the sole explanation for change. 'The problem with this model is that institutions explain everything until they explain nothing' (Thelen and Steinmo, 1992, p. 15). During stable periods institutions are independent variables that can be used to explain political outcomes. However, during periods of breakdown following crises the status of institutions is inverted. They become dependent variables, their design at the mercy of political conflicts consequent of the break down. The model is ambiguous on the

dynamic interaction of political strategies and institutional constraints. What is required is a model that can capture the interplay of these two variables over time. Punctuated equilibrium can provide a sufficiently clear explanation for change, but only after the fact. An a priori criteria for identifying when there is sufficient pressure to cause change is needed. The idea of critical junctures provides another way of looking at the process of change in historical institutionalism, and it is to this that we turn next.

3. Critical Junctures

Institutionalist scholars from a variety of perspectives are currently focusing on one of the most interesting and vexing issues left hanging in the institutionalist literature – explaining institutional change. Institutional stability (or equilibrium) is far easier to explain than change. Institutional change means increased uncertainty. As any particular set of institutions are embedded in a variety of other institutions, it is difficult to accurately predict the long-run consequences of even small rule changes. Once again, every institution favours some interests and ideas over others, and therefore the advantaged are generally loath to change the status quo. Indeed, even current losers may decide that the status quo is preferable to some uncertain future in which they could be even further disadvantaged. Of course, institutions do change, and sometimes they can change quite dramatically. Still, we as yet have no clear theory of how and why they change (with the exception of the punctuated equilibrium model derived from evolutionary theory). But clearly this single model of change, as discussed above, is inadequate. It amounts to little more than suggesting that “change happens.” While it may be true that “change happens,” we need to have a better understanding of why even exogenous shocks get refracted in particular ways. Additionally, we need a better understanding of the role of endogenous variables in the change process. A variety of

scholars have begun to explore the dilemma of institutional change by building more explicitly on evolutionary models suggested in the life sciences (Arthur 1994; Jervis 1997). Indeed, perhaps one of the most interesting outgrowths of the institutionalist turn in political science in recent years is that political science may begin to move away from its fascination with physics and its emphasis on absolute laws that hold across time and space. An institutionalist political science may instead look more like the life sciences – with their emphasis on contingency, context, and environment. In this event, the goal will be more to explain past (evolutionary) outcomes and less to predict future ones. It is in this context that we will now turn to the issue of critical junctures.

Crises can bring on abrupt institutional change, because they present leaders with an opportunity to enact new plans and realise new ideas by embedding them in the institutions they establish. History is thus divided into ‘normal periods’ and ‘critical junctures’, during which major institutional change is possible (Gorges, 2001, p. 156).

The concept of critical junctures has been used to explain change in Latin American governments during the twentieth century (Collier and Collier, 1991, p. 27). A critical juncture constitutes a period of significant change that takes place in distinct ways in different countries and that is hypothesised to produce distinct legacies (Collier and Collier, 1991, p. 29). For Collier and Collier (1991) the duration of a critical juncture may be relatively brief, or could constitute an extended period of reorientation. The argument is that where there is a great deal of inertia change would not occur unless there was a conjuncture of a variety of political forces that individually were not capable of generating significant change. This approach is applicable to cross-national

comparisons, and to long-term patterns of change within individual countries. The agenda-setting literature has discussed some of the same phenomena in the guise of critical institutional events (Bohte, 1997).

Watersheds in politics open and close opportunities in a way that shapes political life for years thereafter, these are the critical junctures (Lipset and Rokkan, 1967, p. 37). While not maintaining that critical junctures are necessarily the only source of change or innovation, critical junctures can nevertheless discredit existing institutions and policies, triggering change (Cortel and Peterson, 1999, p. 184). The character of critical junctures, and the perspective from which they are analysed, vary greatly. Some critical junctures may involve considerable discretion, whereas with others their coming about appears deeply embedded in antecedent conditions. The duration of a critical juncture may involve a relatively brief period in which one direction or another is taken, or can constitute an extended period of reorientation. This analysis can focus on the underlying societal cleavages or crises that precipitate a critical juncture, or can concentrate primarily on the critical juncture itself. Central to this approach is an understanding that change is a cornerstone of comparative historical research and development. This suggests a path dependent pattern of change in which outcomes during a crucial transition establish distinct trajectories within which one incident follows another (David, 1985, p. 332). But even 'grand reforms' are path dependent, and modify existing institutions without replacing them. Path dependency is due not only to the interests of existing institutions, and the risks of major reform, but also to the stabilising persistence of shared norms (Zucker 1991; DiMaggio and Powell 1991; Krasner 1988) and to the political and institutional contexts that shaped these rules and organisations (Thelen and Steinmo 1992; Schmidt 1996).

There are certain basic issues that arise in the analysis of critical junctures. The importance of establishing analytical equivalence, a problem common in comparative historical research, is present in this type of analysis. This is because it is important to the critical junctures concept that they take place in different ways in different cases. Differences in how critical junctures occur have to be substantial enough to produce interesting variances, yet these variances must not undermine the idea that it really involves the same critical juncture (Przeworski and Teune, 1970). The duration of critical junctures can vary from brief transitions (Cardoso and Faletto, 1979, p. 14), to, as Collier and Collier (1991, p. 32) argue, periods of many years duration. Variations in duration depend in part on the causal mechanisms involved. These mechanisms may produce a type of change that crystallizes rapidly or gradually.

An important part of the literature on critical junctures views them from the perspective of cleavages or crises, thereby placing particular emphasis on the tensions that lead up to the critical juncture. Since these cleavages or crises are seen as producing or generating the critical juncture Valenzeula and Valenzuela (1981, p. 15) refer to them as generative cleavages. It is only through the examination of its historical legacy that the importance, or lack thereof, of a critical juncture can be established in general. However, a critical juncture's legacy will not last forever. As a consequence it is necessary to have specific criteria in order to ascertain when it ends, but also to be open to ambiguities concerning the end points (Collier and Collier, 1991, p. 33). In addition to carefully identifying the legacy, it is essential to compare it explicitly with the antecedent system.

The Approach's Strengths

The analysis of critical junctures has been widely influential in the field of comparative politics. Critical junctures have been used to help us understand the different trajectories of national development in Latin America. In their classic work, *Shaping the Political Arena*, Ruth and David Collier (1991, p. 29) assert that 'critical junctures ... played a central role in shaping the national political arena in the following decades.' Their argument was that the emergence of the labour movement in Latin America, along with the changing pattern of state-union relations at these times of initial incorporation, impacted significantly on the subsequent evolution of national politics. They pointed to organized labour's being a pivotal actor in different countries at different times, and the positioning of other actors in relation to organized labour having had a crucial impact on national politics (Collier and Collier, 1991, p. 40). The incorporation periods constituted a critical juncture.

In their examination of the preconditions for institutional reform in democracies in general, and Switzerland in particular, Armingeon and Beyeler (2001, p. 6)² refer to critical junctures as open windows of opportunity for policy makers. In their examination of how and why extant institutions mediate in the relationship between internationally induced changes in the policy preferences of domestic actors, on the one hand, and political outcomes on the other, Garrett and Lange (1995, p. 628) argue that electoral landslides may create critical junctures by producing an overwhelming mandate for policy and/or structural change. Garrett (1993, p. 523) writes of this in relation to the emergence of 'two of the most successful instances of structural change in the twentieth century: the building of social democracy in Sweden after the Great

²http://www.google.com/search?q=cache:F3ZcjS4Q5BgJ:www.ipw.unibe.ch/mitarbeiter/armingeon/Armingeon_Klaus/Forschungsprojekte/Critical_junctures.pdf+historical+institutionalism+critical+juncture&hl=en.

Depression, and the construction of neoliberalism in Thatcher's Britain.' Casper and Taylor (1996) argue that critical junctures can be used in analysing periods when authoritarian regimes are vulnerable to liberalisation. They suggest that critical junctures can present opportunities for reform-minded actors intent on reforming the authoritarian regimes. Agress and Butler (2002, p. 1),³ in studying democratisation, focus on how non-democratic regime members come to the decision to liberalise. Using a game-theoretic non-cooperative bargaining model they focus on the interactions between regime members, and examine how bargaining between these members can lead to critical junctures.

The critical junctures approach has also been utilised in relation to national specific incidents and crises. In examining the watershed in American trade policy that was the Reciprocal Trade Agreements Act of 1934 Haggard (1988, p. 91) argues that unanticipated events (critical junctures), in this case an economic depression, can bring into question existing institutions, and this can result in dramatic change. Vargas (2004) has used critical junctures to examine the political dynamic of the conflict in Chiapas Mexico. He presents an analysis of the conflict from the perspective of the choices made by the actors involved at moments that increased or decreased their range of strategic opportunities. Gal and Bargal (2002) analyse the emergence of occupational welfare in the Israeli welfare state using the critical junctures approach. The article focuses on the crucial role the labour movement played in the formation of the occupational welfare system during a critical juncture in the evolution of Israel. Referring to the 1989 Exxon Valdez disaster in Alaska's Prince William Sound as a focusing event, or critical juncture, Birkland (1998) argues that disasters, in this case environmental disasters, impact upon people by confounding social expectations, and

³<http://www.google.ie/search?q=cache:drxzgrit0o8j:www.unm.edu/~ckbutler/academic/agress%26Butler.pdf+critical+junctures+collier&hl=en&ie=UTF-8>

are not completely unpredictable, are often harmful, and they open windows of opportunity for increasing our capacity to manage environmental problems. They are powerful because they are rare, sudden, harmful, and because they directly, or indirectly, affect many people. The impact of critical junctures can be sufficient to see drastic changes in the policy-making process, as happened with the passing of the Oil Pollution Act of 1990 in America, thus alleviating a successful stall by the lobbying oil industry that lasted for fourteen years (Willson, 1998).

What should also be underlined is the extent to which the analysis of critical junctures is widely employed in a diverse spectrum of research not particularly concerned with revolutionary change. This perspective is central to research on crises, sequence, and timing of development (Binder, 1971). It is also important to studies of continuity and change in international and domestic political economy (Katzenstein, 1985), to older work on institutionalisation (Huntington, 1968), and to more recent work on the new institutionalism (March and Olsen, 1984). Although this perspective's importance is evident in cross-national studies, it is also useful in research on long-term patterns of change within individual countries (Brady, 1988).

Arguments about critical junctures have played an important role in research on labour politics. Kerr (1960, p. 235) emphasises the long-term stability of the industrial relations system that was crystallised by the leading elite at a relatively early stage. In Lipset and Rokkan's (1967) analysis, and to an even greater degree in the subsequent work of Waisman (1982), the resolution of the working-class cleavage has a profound effect in shaping national politics. Other studies have focused on critical junctures within the labour movement. Valenzuela (1979) shows how the filling of organisational space during crucial phases of labour movement development freeze organisational alternatives within the labour sector. Lipset (1983, p. 1) analyses how the historic

conditions under which the proletariat entered the political arena shaped the subsequent emergence of reformist, as opposed to revolutionary, labour movements.

The distinctive contribution of the critical juncture's framework is its approach to explanation. It concentrates on historical causes (Stinchcombe, 1968, pp. 101-29). Here a set of causal factors brings about an outcome or legacy at a particular point or period, and the pattern that is instituted subsequently reproduces itself without recurrence of the original cause. Central to the process of reproduction is that institutions create vested interests, and power holders therein seek to perpetuate their own position (Verba, 1971, p. 308). The traditional understanding of trade union politics, and state-union relations, suggests it is an area where a given constellation of political relationships, once institutionalised, has a strong tendency to persist. Such elements suggest that a critical juncture framework is appropriate in the analysis of trade union politics (Collier and Collier, 1991, p. 37). However, it must be noted that with critical junctures the core hypothesis is that they occur in distinct ways in different contexts and that this produces distinct legacies.

The Weaknesses of the Approach

Despite all of the above Collier and Collier (1991) do not set out any systematic approach for assessing the examination of critical junctures. In their approach there is a distinct absence of clearly defined rigorous standards by which to assess proposed critical junctures in order to discover if they really are critical junctures, or just a case of change that has taken place incrementally. A question that comes up under these circumstances is how does one possibly distinguish between a critical juncture and incremental change that is in itself relatively swift? This is the decisive weakness at the

heart of the critical junctures approach that spawned this thesis and its objective of remoulding the approach.

Other writers in the field, such as Cortell and Peterson (1999), although incorporating the notion of critical junctures into their research, appear more interested in studying the whole process of structural change. Focusing on various stages in the change process, they only discuss critical junctures briefly as environmental trigger events. They do not study the critical junctures in detail, as it is of little interest to them whether that change was in fact due to a critical juncture. Kingdon (1984, ch. 8) argues that every environmental trigger – whether crisis or non-crisis – creates the opportunity for structural change if it raises questions about the adequacy of the current policy making process. Keeler (1993) refined Kingdon's concept by suggesting that there were different sized windows of opportunity. Non-crisis events opened 'micro-windows,' while 'macro-windows,' opened in response to events with widespread implications for many facets of society. However, there is no classification as to what is a micro-window and what is a macro-window, and what gradation lies between these two extremes. Gorges (2001, p. 156) argues that Skowronek (1982, p. 10) explains the development of certain kinds of institutions at certain times as a response to the existence of certain conditions: 'domestic or international crises, class conflicts, and the evolving complexity of routines social interaction.' None of these writers set out a systematic approach with which to examine critical junctures in themselves, but instead appear to utilise a general understanding of the concept in furtherance of their own arguments on various topics of interest to them.

Some of the problems in the study of critical junctures are relatively standard issues in the field of comparative historical analysis. One of these concerns the issue of assessing partial explanations. Compared to scholars who engage in multivariate

analysis based on quantitative data, researchers who do multivariate analysis based on the systematic yet qualitative comparison of historical events face an interesting problem in assessing partial explanations and in making the assessment convincing (Collier and Collier, 1991, p. 38). The problems of dealing with partial explanations in comparative-historical analysis also arise in addressing rival explanations. An example of particular importance concerns the role of suppresser variables that conceal the relationship that one is assessing (Rosenberg, 1968).

The Approach Remoulded

Collier and Collier's (1991, p. 29) definition of a critical juncture consists of three distinct components. The assertion that significant change occurred; the claim that this change happened in distinct ways in different cases; and the explanatory hypothesis concerning the result of this change. Although Collier and Collier (1991) do set out a generalised framework for analysing critical junctures, a big step forward at the time given the lack of attention to the problems that arise in assessing arguments about critical junctures and their legacies, this approach nevertheless possessed a vagueness that inhibited its ready application to any research project. In order to improve upon the critical junctures approach it is necessary to essentially remould that approach. Without discarding any of the central precepts that constitute the definition of a critical juncture as set out by Collier and Collier (1991) the version of the critical junctures approach developed for this dissertation possesses a rigour that is lacking in theirs.

Firstly it is necessary to identify the generative cleavage or crisis. This will involve an examination of the tensions that lead up to the critical juncture. As a consequence of the generative cleavage or crisis being a central concern of the analysis, a careful examination of this cleavage or crisis is essential. Therefore, before a

proposed critical juncture has been examined for change of a significant, swift and enduring nature, it is necessary to identify the generative cleavage or crisis that sets the process in motion.

Importantly, the approach employed here keeps the concept of significance in change. But instead of arguing that change must be significant, and saying no more on this most important of matters, in this dissertation we lay down standards for identifying the level of significance of that change (see Chapter II). Change of below a certain level is not even classified as significant, while above a certain level the significance of the change is considered to increase through various levels.

Because we are dealing with critical junctures, periods of significant change, we assume that this change is not a long drawn out process that takes years to come about as is allowed for by Collier and Collier (1991, p. 32). We must reject the notion of incremental change entirely if we are dealing with radical change at a point in time. As a consequence of this assumption we add the notion of swiftness to our understanding of a critical juncture. The significant change must take place quickly come what may. In this case we consider a swift change to be one that takes place within a twelve-month period. If the change takes longer than the allotted twelve-month period then there might not have been a critical juncture at all, but an incremental change.

We also keep the concept of a legacy resulting from a critical juncture. Collier and Collier (1991, p. 33) do not provide any set of criteria for minimum legacy duration. However, instead of leaving it at that, just a vague notion that a critical juncture must have an ill-defined but enduring after-effect or effects, we assumed that in order for a change to be a critical juncture its after-effects should last for a minimum of at least one standard government's term of office. While not setting a specific end point for the duration of a critical juncture's legacy, at least setting a minimum standard for

the duration of a legacy will make it easier to identify a critical juncture when examining change. Should the explanatory hypothesis prove false – the critical juncture had no legacy – then it was not a critical juncture.

To sum up, the argument in relation to identifying critical junctures is that there must be a generative cleavage or crisis, along with a period of change that is significant, swift, and enduring in nature. In accordance with the rigour that is being brought to this approach, each of these conditions has been defined, with specific standards being laid down. Should any one of these conditions fail to be fulfilled by the proposed critical juncture being examined, then it is not a critical juncture at all, but something else in fact. While not purporting to have drawn up a panacea to the problem of identifying when is a period of change a critical juncture, as opposed to not being a critical juncture, but something else, this framework has gone some ways towards answering that question in a way that is applicable across disciplines. A common framework for analysing critical junctures is of vital importance here, as without it the validity of the findings set out are questionable at best. The objective in setting these various criteria for assessment is to rigorously systemise the critical junctures approach. The use of this approach will enable the identification of what is, and what is not, a critical juncture. This addresses the uncertainties regarding critical junctures not answered by earlier approaches.

Conclusion

The literature on institutionalism is diverse. The most successful aspect of this body of work is the understanding it has provided of policy continuities within countries and of policy variations across countries. At mid-range theory institutionalists have constructed important analytical bridges between state and society-centred analysis

(Katzenstein, 1978). They have also built analytical bridges between grand theories that focus on cross-national comparisons and narrower accounts of nation-particular cases (Hall, 1986). Institutional analysis examines actors as both agents and objects of history. Consequently, historical institutionalism goes a long way to addressing another of the critiques of political science offered by March and Olsen (1984, p. 735) – the ahistoricism that had become characteristic of much of the discipline. Historical institutionalism provides the theoretical bridge between those who make history and the circumstances under which they do so (Rothstein, 1992, p. 35). The main inadequacy of institutional analysis to be avoided is providing static accounts that fail to capture the essence of change, or become tied up in institutional determinism. The historical institutionalism explores the political conditions under which particular institutions have specific consequences. This approach tends to treat institutions as static variables. While providing explanations for cross-national differences, historical institutionalism is not suited to dealing with change within countries over time.

The central focus of this thesis, the critical junctures approach, provides a means of looking at the process of change. Critical junctures can be looked upon as watersheds, or windows of opportunity in political life that open and close possibilities for years afterwards. Their impact can result in drastic changes in the policy-making process. The approach has been utilised in the field of comparative politics, notably so by Collier and Collier (1991). Without discarding the central precepts of their definition of a critical juncture, as the concepts are good but incomplete, the approach is essentially remoulded here. We have taken their definition and altered it, while at the same time adding clearly defined standards to the specific criteria that go into making up the critical juncture. Firstly the generative cleavage or crisis has to be identified, and then change of a significant, swift, and enduring nature. The absence of a certain rigour

with which to assess proposed critical junctures is essentially corrected for here. With the systemisation of the standards, and the presentation of the findings diagrammatically, it will be easy to see what is, and what is not, a critical juncture, reducing uncertainty surrounding the whole concept. This enhances the approach's applicability to any research project across a host of various disciplines. Essentially, the approach is both operationalized and rendered falsifiable all at once. Critical junctures are looked upon here as transforming situations in which the outcomes produced vary over time. It is to the matter of critical junctures in particular that we will turn in the next chapter when constructing our methodology.

Chapter II

Methodology

The objective of this thesis is to improve our understanding of the concept of critical junctures. The argument here is that a critical juncture occurs when there is a generative cleavage or crisis, and a period of change that is significant, swift, and enduring. Clear standards are set out for each of these criteria that will enable the identification of levels of change in order to see if that change in fact constitutes a critical juncture, or not, as the case may be. This argument will be tested by means of case studies that concentrate upon trade union peak organisation influence over public policy.

This chapter will set out the methodology to be employed within the thesis. It justifies the choice of trade union peak organisations as the focus for the case studies. The comparative approach is then set out and justified, explaining in detail the reasons why certain specific countries, and their trade union peak organisations, were chosen as suitable candidates for the case studies and why certain other countries were not. This will encompass issues relating to time frames and narrative approaches. The chapter will then focus upon the descriptive inference approach to be employed in the examination of the altered critical junctures approach throughout the thesis. Finally, the chapter will discuss, in detail, the hypotheses and observable implications that are to be tested against the case study information. The thesis takes the view that the critical junctures approach, as developed here, provides a better means of looking at the process of change than did the earlier versions of the approach, and in this context the variations in the trade union peak organisations' influence over public policy shall be employed as a testing ground for this remoulded critical junctures approach.

1. Why Trade Unions

This section will deal with the question of why trade union peak organisations were chosen as the case studies for the remoulded critical junctures approach set out here. For Steinmo, Thelen, and Longstreth (1992, p. 2) institutions range from formal government structures (legislatures), through legal institutions (electoral law), through more amorphous social institutions. In general, historical institutionalists work with a definition of institutions that includes both formal organizations and informal rules and procedures that structure conduct. 'Just where to draw the line on what counts as an institution is a matter of some controversy in the literature' (Thelen and Steinmo, 1992, p. 2). However, in general, institutionalists are interested in a whole range of state and societal institutions that shape how political actors define their interests, and that structure their relations of power to other groups. Included in the definition of institutions are such features of the institutional context as the structure and organisation of economic actors like trade unions (Thelen and Steinmo, 1992, p. 2).

The contribution of the remoulded critical juncture framework is its approach to identification. This approach, like its earlier version, focuses on what may be called historical causes (Stinchcombe, 1968). In this case, a given set of causes shapes a particular outcome or legacy at one point or period, and subsequently the pattern that is established reproduces itself without recurrence of the original cause. The mechanisms of reproduction involve in part the fact that, once founded, a given set of institutions creates vested interests, and power holders within these institutions seek to perpetuate their own positions (Verba, 1971, p. 293). 'The great importance of such elements suggests that a critical juncture framework is particularly appropriate in the analysis of trade-union politics' (Collier and Collier, 1991, p. 37). Consequently, trade union peak organisations are ideal candidates for examination.

Trade union peak organisations, like trade unions themselves, are interest groups active within the polity. The state actors and societal actors with whom the trade union peak organisations interact all operate inside the national institutional framework. For Steinmo (1989, pp. 503-504) these frameworks are the context in which groups and individuals interpret their self-interest and thereby define their policy preferences. In this approach the trade union centres behave like any other rational political actor, defining their policy preference and strategic objectives within the framework of the country's decision-making institutions.

The influence of trade union peak organisations over public policy in polities provides an appropriate arena in which to examine broad comparative questions. The power of trade unions is a central tenet in the ideological debate between left and right in various countries. Trade unions are usually the largest sectional interest groups in western societies. The level of influence they are able to wield within a polity can affect the formulation of economic and social policies, the distribution of wealth across the whole of society, industrial relations policy, and the use and misuse of human resources. It is impossible to categorise trade unionism by a single dimension. In assessing the dynamic of national industrial relations Bridgford and Stirling (1994, p. 94) suggest that an analysis of national trade union movements requires membership patterns to be linked to two dimensions: the degree of centralisation of collective bargaining and links to the political system.

2. Comparative Approach

Case studies are of central importance to this project. The case study approach is adopted here, as this project is descriptive in nature. As King et al., (1994, p. 44) point out 'case studies are essential for description.' The approach will be comparative in so far as it will compare the remoulded critical juncture's approach's determination of whether changes in trade union peak organisations' influence over public policy, in a small number of states, are a critical juncture or not. In practice, comparison of even a small number of countries enhances understanding. As Blondel argues (1995, p. 3) only by studying politics on a comparative basis is it possible to discover trends and achieve a satisfactory understanding of the broad characteristics underlying politics. This approach permits the study of the similarities and difference in the macropolitical institutions of countries, and attempts to account for the patterns of country variation (Eckstein and Apter, 1963). Implicitly or explicitly, comparative politics discusses questions about the institutional structure of the state as it effects stability and performance (Lane and Ersson, 1994, p. 39). The value of the comparative method is in the broad perspective that it offers, and in its goal of building a body of increasingly complete explanatory theory (Mayer et al., 1993; Mahler, 1995). Central to this approach is an understanding that change is a cornerstone of comparative historical research and development.

For Lijphart (1971) the comparative method is the analysis of a small number of cases, ranging from two to twenty observations. This approach offers a basis for evaluating hypotheses. However, in studying relatively few cases there is the problem of more variables to analyse than cases to observe, or "many variables, small-*N*" (Collier, 1991, p. 7). As a solution Lijphart proposed the number of cases can be increased, enlarging the scope of comparison used to assess hypotheses (Lijphart,

1971). As for the variables “comparable cases” can be focused upon, and their number reduced either by combining variables, or through theoretical parsimony.

The case studies will be structured on a state-by state basis. The reason for adopting this approach is that it allows for the greatest degree of comparison between the states being studied. A state-by-state approach will also generate a more in depth knowledge of how the altered critical junctures approach determines whether change in the trade unions’ influence over public policy, within individual states, is a critical juncture or not. However, it is in the comparisons between these states that we will gain a comprehensive understanding of the remoulded critical junctures approach’s ability to identify where change in the trade union peak organisations’ influence over public policy is a critical juncture or not. As the number of hypotheses, observable implications, and states, in this study will be fixed, whether the case-studies are organised on a state-by-state basis or by theme is in many respects a matter of presentation.

The case studies will be based upon primary documentation where available, and secondary sources. In terms of testing the data gathered, both qualitative and quantitative methods will be employed (see below).

The States Chosen

In order to get a good spread of different but comparable states a most similar, and then most different, basis will be used for state selection. This approach has been adopted from Collier and Collier (1991). This ensures that like is compared with like, and that ‘the context of analysis are analytically equivalent, at least to a significant degree’ (Collier, 1997, p. 40). At the same time the ‘most different’ criteria ‘places parallel processes of change in sharp relief because they are operating in settings that are very

different in many respects' (Collier, 1997, p. 40). In other words, the diverse circumstances should enable the researcher to more easily identify the appropriate explanatory factors.

The criteria for 'most similar' states are that:

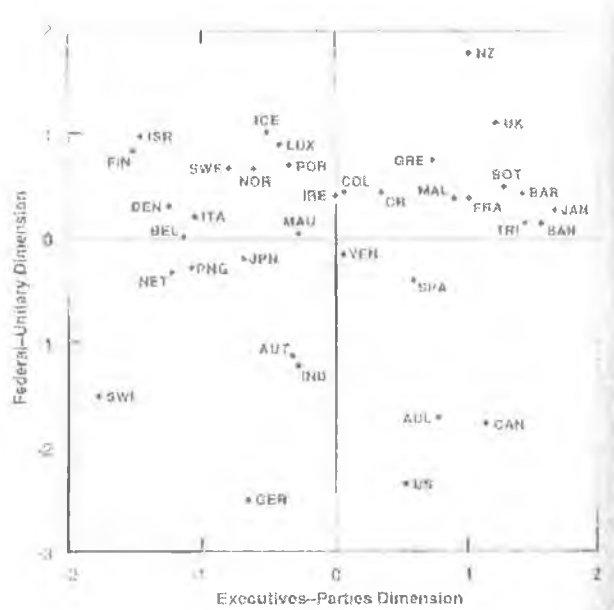
1. They must be democracies, so as to ensure that we are comparing like with like.
2. They must also be 'long-standing' democracies so as to generate a long enough track record to provide a proper understanding of the activities of their trade union peak organisations.
3. By 'long standing' is implied: states in which stable democracy (universal suffrage), was established prior to World War II, and remained uninterrupted by that conflict.
4. In this time frame trade unions in these states must have been free to organise, and not have been subject to state suppression.

Using these criteria, the list of potential subject states is narrowed substantially.

Lijphart's (1999, p. 2) categories of majoritarian and consensual democracies will be used as the 'most different' basis in the state selection process. He defines majoritarian democracy as government by simple majority, while 'consensual' democracy seeks to maximise the decision-making majority. 'The majoritarian model of democracy is exclusive, competitive, and adversarial, whereas the consensus model is characterised by inclusiveness, bargaining and compromise' (Lijphart, 1999, p. 2). Lijphart identifies ten differences between majoritarian and consensual democracies, and divides these differences into two groups. The first five are grouped under a heading of 'executives-parties', while the second five are grouped under a heading of 'federal-unitary.' Lijphart (1999, p. 2) plots the positions of 36 democracies using these

two sets of five variables giving a two dimensional representation of each country's positioning between majoritarian and consensual democracy. The average of each states 'executives-parties' values is plotted on the horizontal axis, and the average of their 'federal-unitary' values is on the vertical axis. Each unit on the graph measures one standard deviation. The states are positioned as follows:

Figure 2.1: Lijphart's two dimensional conceptual map of democracy



(Source: Lijphart, 1999, p. 248)

Given that high values indicate majoritarianism and low values consensus, a state's positioning within the four quadrants indicates whether it is:

- majoritarian 'executives-parties' and consensual 'federal-unitary' (bottom right);
- majoritarian 'executives-parties' and majoritarian 'federal-unitary' (top right);
- consensual 'executives-parties' and consensual 'federal-unitary' (bottom left);
- consensual 'executives-parties' and majoritarian 'federal-unitary' (top left).

From the top left quadrant (consensual and majoritarian) Sweden is chosen as it is the only country to remain a continuous democracy in the time frame set out above.

As two other longstanding Nordic democracies were also in this quadrant, choosing a Nordic state would be more representative. Sweden is also possessed of one of the highest levels of trade union density in the world.

The states in the top right quadrant (majoritarian and majoritarian) are those that are nearest to being majoritarian democracies. As three of these countries are modelled on the 'Westminster system' of government, one of these states would be more representative of this grouping. From amongst these the UK is chosen. The United Kingdom is the oldest of these 'majoritarian democracy,' and as the world's first industrialised country also possessed its first trade unions.

From the bottom right quadrant (majoritarian and consensual) the United States of America is chosen. The other countries in this quadrant have either 'Westminster systems' of parliamentary government, or are constitutional monarchies, both of which have already been included as case studies; or have had much shorter democratic histories than the United States of America. America has the largest economy in the world, and the largest number trade union members of any country.

There is no country in the bottom left quadrant (consensual and consensual) that meets the criteria for a long-standing democracy as set out above. Most either became democracies after World War II, or if democracies before the war experienced its suppression due to the rise of dictators or invasion. Switzerland, although a democracy from before the war, and not subject to invasion during either World War, is excluded on account that universal suffrage was not introduced there until 1971. This means that Sweden is the only country in the two left quadrants that satisfies the above criteria. The lack of a second country from this side is resolved by choosing the nearest country from a right side quadrant that satisfies the criteria: Ireland. Ireland has been a

parliamentary democracy since 1922, however trade unions were active in the country since at least the early 19th century.

In summation, the countries chosen for the case studies consist of two constitutional monarchies, one parliamentary republic, and one presidential federal republic. They have all been stable democracies possessing universal suffrage since at least the first quarter of the twentieth century, and all have long traditions of trade union recognition. From their different positioning on Lijphart's two-dimensional graph of democracy, the four states selected provide a good cross section of states under a number of headings. Government in the United States of America, and the United Kingdom is single-party based, while in Ireland and Sweden it has alternated between being multi-party and single-party based. The United Kingdom and the Sweden have Monarchs, while Ireland and the United States of America have Presidents as heads of state. Ireland and Sweden are both small parliamentary democracies, employ variations on neo-corporatist state strategies in industrial relations, and possess high trade union densities. The United States and the United Kingdom are large democracies, employ a pluralist approach to policy making, possess neo-liberal state strategies in industrial relations, and have low trade union densities. In terms of the interest group system in each state, employing Lijphart's categorisation, Sweden scores at the corporatist end of the scale while the United States and the United Kingdom are at the opposite end where there is more of an interest group free-for-all. At various times throughout the twentieth century the USA, Britain, and Sweden, have embodied the extremes of either neo-liberal or neo-corporatist state industrial relations approaches (Schmidt, 1982, p. 253). Ireland is positioned midway between these extremes, although since 1987 it has become more corporatist with the instigation of national pay agreements.

The Time Frame

The next item to be dealt with concerns the issue of the time frame within which to bracket the case studies. Two principles were applied in determining the timeframe. Firstly, the timeframe should be as long as possible so as to allow the greatest opportunity to investigate the trade union peak organisations' influence over public policy in each of the countries chosen. Secondly, to ensure that like is compared with like, the time frame must be the same across all four states. Given these criteria it is possible to go as far back as the when the last of the four states became democratic, or when the most recent disruption to democratic rule in these states came to an end. In this case the functioning of normal democracy was most recently disrupted, if not interrupted, in the United Kingdom during World War II with the suspension of elections during the war. The first post war British election took place within eight weeks of the ending of the war in Europe in May 1945. So as to ensure a comparable situation across each of the four states, the trade union peak organisations' influence over public policy shall be examined in each country from 1945 to 2000.

Analytic Narrative

Explicit attention to theory strengthens explanation. An explicit appeal to the narrative is required for the completion of that explanation (Bates et al., 1998, p. 15). In this approach the empirical content of the narrative is as important as the logical structure of the model. A distinctive feature of this dissertation shall be its use of the analytic narrative methodology to blend the hypotheses and observable implications criteria and narration into the study of the remoulded critical junctures approach as set out above. The approach is narrative in that it pays close attention to stories, accounts, and context. It is analytic in that it extracts explicit and formal lines of reasoning, which facilitate

both exposition and explanation. The chapters of the dissertation constitute in-depth investigations of events, the behaviour of particular actors, they describe structures, and explore patterns of interaction that transpired in particular periods and settings. In exploring the interplay between politics and economics the dissertation considers a fundamental theme of modern political economy.

The dissertation is devoted to both the elaboration of theory, and the exploration of cases. It contributes 'to the historical turn in the social sciences,' which is based on 'a commitment to producing understanding via richness, texture, and detail' (McDonald, 1996, p. 10). In addition to probing the narrative record, the chapters seek 'parsimony, refinement, and elegance (Bates et al., 1998, p. 11). In this research the dissertation seeks to provide an understanding of the actors involved, their perceptions, preference, and expectations, as well as the strategies they adopt and constraints they encounter. This helps in piecing together the story that accounts for the outcome of interest. As Bates et al., (1998, p. 12) argue in relation to analytic narratives, the dissertation seeks to cut deeply into the specifics of a time and place, and to locate and trace the processes that generate the outcomes of interest. The dissertation consequently builds narratives that are analytical in nature.

By examining the processes that produced the outcomes the chapters seek to capture the essence of the story being told. The use of the remoulded critical junctures approach, in conjunction with hypotheses and their observable implications, transforms the narratives into analytic narratives. In essence, the chapters seek to provide analytic historical accounts that are couched in theoretically relevant language (George and Bennett, 1998, p. 14). In the phrasing of Geertz (1973, pp. 6-7) the dissertation seeks to provide thick description. To identify why one outcome occurred rather than another,

the dissertation must ground its explanations in empirical materials, seeking the forces that shaped the selection of a particular equilibrium.

3. A Descriptive Inference Approach

A simple description of the political influence of the trade union peak organisations in different countries at various times is in itself unlikely to do anything of real value for the research questions as set out above. It will tell us little that is of use relating to the explanatory powers of the remoulded critical junctures approach. How are we to know if the description is correct? 'Description is far from mechanical or unproblematic since it involves selection from the infinite number of facts that could be recorded' (King et al., 1994, p. 34). In order to answer this question it is necessary to go beyond description and use inference. Inference is 'the process of using the facts we know to learn about facts we do not know' (King et al., 1994, p. 46). There are two types of inference – descriptive inference and causal inference. The former is defined as 'the process of understanding an unobserved phenomenon on the basis of a set of observations' (King et al., 1994, p. 55), while the latter seeks to explain a phenomenon on the basis of a set of observations. It is the difference between inferring the 'what' of a phenomenon and the 'how.' In this case descriptive inference will be used to understand if the remoulded critical junctures approach can identify significant, swift, and enduring change in the trade union peak organisations' influence over public policy. The first task in this regard must be to show that the trade union peak organisations' influence on public policy varies over time. If this can be proven, then one can legitimately ask the question what accounts for this variation.

The specific tools that will be used to go from observed phenomena to unobserved phenomena are hypotheses and observable implications. We do not know if

the remoulded critical junctures approach can identify change in the trade union peak organisations' influence over public policy. To answer this question will require the development of a hypothesis setting out the kind of change in the trade unions' influence over public policy we should expect to see if there is a critical juncture, and a hypothesis assuming that this change takes place at the time of some generative cleavage or other. From this can be derived a number of implications which it should be possible to observe. A search is then conducted for these observable implications. If they cannot be found then the hypothesis must be called into question. On the other hand, if the observable implications do actually occur, the likelihood of the original unobserved phenomena existing increases. What this approach seeks to do is 'bring as much information to bear on our hypothesis as possible [to] increase the confidence that the theory is correct' (King et al., 1994, pp. 48-49). The more observable implications found to occur the greater is the likelihood that the hypotheses and the underlying theory are correct. The validity of the hypotheses and the underlying theory can be inferred from the fact that the observable implications exist.

4. Hypotheses and Observable Implications

In the context of employing trade union peak organisations as the case studies, it is now necessary to determine what hypotheses can be drawn up that will test the remoulded critical junctures approach. Identifying the states, and the trade union peak organisation therein, that will be studied in advance of determining the hypotheses and their observable implications, ensures that the observable implications can actually be tested. For example, having both parliamentary and presidential systems of government represented among the four states selected means that the observable implications must be as flexible as possible so as to cover both such systems. In some cases this will not

be possible. However, as long as most cases allow for comparison across all four states, then the observable implications are workable.

The assumptions that for a critical juncture to occur there must be a period of change that is significant, swift and enduring in nature, and that this period of change takes place at the time of a generative cleavage or crisis, are used to derive the hypotheses and observable implications that are testable against the empirical evidence. The hypotheses, with their focus on the case studies, are structured so that each corresponds with the framework developed for the examination of critical junctures as set out above. The first hypothesis deals with the issue of change in trade union peak organisation influence over public policy. This encompasses the criteria of significant, swift, and enduring change. The second hypothesis examines whether this change came about at the time of a generative cleavage. In this case the generative cleavage being sought shall be a macroeconomic crisis. Macroeconomic crises were chosen as the proxy for the generative cleavages as it is argued here they impact significantly upon both trade unions and their peak organisations. As Collier and Collier (1991, p. 93) point out, labour movements and national economies are closely linked to one another, their roots, and evolutions, being intertwined. 'Most scholars agree that severe recessions make significant structural changes possible because they render politics highly fluid' (Garrett, 1993, p. 522). The trade unions are openly exposed to the impact of economic fluctuations as their membership makes up the workforce of an economy, and they themselves are interest groups active within that political economy. This places a particular emphasis on the importance of the economic situation that leads up to a critical juncture. However, this also leaves us with a degree of subjectivity as to what exactly constitutes a macroeconomic crisis in each particular country being examined

here. The observable implications derived from each of these hypotheses will be grouped into subsets based on the nature of the data.

However, it should be noted here that there is the possibility that a generative cleavage other than a macroeconomic crisis could coincide with significant, swift, and enduring change in the trade unions' influence over public policy. Although employed here, macroeconomic crises are only one of any number of other proxies that could be utilised for generative cleavages, provided adequate justification is set out. 'Traditionally, students of institutional change focused on the importance of crisis, situations of large-scale public dissatisfaction or even fear stemming from an unusual degree of social unrest and/or threats to national security' (Cortell and Peterson, 1999, p. 184). Wars, revolutions, coup d'état, changing balance of power, electoral landslides, demographic changes, and social movements may produce an overwhelming mandate for policy and or/structural change. Such unanticipated events discredit existing institutions and policies, consequently triggering change (Tilly, 1975). However, macroeconomic crises were chosen as the proxy for generative cleavage as they are particularly salient to trade union change.

It must be recognised that when dealing with multivariate analyses based upon the qualitative examination of historical events we come up against the issue of assessing partial explanations. There are bound to be cases in which the independent variables utilised in the observable implications of the hypotheses satisfy the sought-after criteria to varying extents. This realisation permits us to approach the search for, and utilisation of, empirical data with a realistic understanding that the empirical-theoretical fit will vary between each observable implication, and on a larger scale between each of the hypotheses. In order to identify the extent of this variation it is necessary to classify the empirical-theoretical fit according to a scale running from

none, through low and medium, to high. The findings will be set out in tables in order to see if proposed critical junctures in fact constituted critical junctures.

The hypotheses to be evaluated are:

H1. If there is a critical juncture, then change in trade union peak organisation influence over public policy will be significant, swift, and enduring.

To test this hypothesis an analysis will search for changes in trade union policy preferences, influence, and relative power over public policy in each of the four countries under examination. This approach is not measuring the trade unions' influence per se, but is looking for different indicators of change in the relationship between the trade union peak organisations and the governments. The observable implications, sub-divided amongst the headings of structures, trade union membership and government policies, government policies and trade union policies, third party assessments of government – trade union relations, and ministerial attitudes, are clearly focused, and comprehensive. This configured arrangement sequentially encompasses the main aspects of identifiable change in trade union influence over public policy. The independent variables utilised here were chosen specifically in order to identify change of a significant, swift, and enduring nature in the relationship between the trade union peak organisations and the governments.

In classifying the empirical-theoretical fit according to a scale running from none, through low and medium, to high, the specific criteria shall be whether each of the observable implications underwent change of a significant, swift, and enduring nature. As set out above, swift refers to change taking place within months of the proposed critical juncture, while enduring requires that the critical juncture's after effects last for longer than a standard administration's term of office. However, in accordance with the

definition of a critical juncture, significance shall be the most important factor being searched for, as without significant change there is little to indicate a critical juncture in the first place. The criteria for significance, being particular to each observable implication, will be set out individually below. Should none of these criteria be found then the empirical-theoretical fit for that observable implication will be none. Should only one of these three criteria be found then the empirical-theoretical fit for that observable implication will be low. Should two of the three criteria be found to occur then the empirical-theoretical fit will be medium. Should all three of the criteria be found to occur then the empirical-theoretical fit for that observable implication will be classified as high.

In the context of testing the remoulded critical junctures approach a change in the trade unions' influence can be examined using the following proxies:

Structures

1. If, at the time of a proposed critical juncture, the trade unions' access to the prime minister or president, as measured by the number of meetings per year, underwent change of a significant, swift, and enduring nature, then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture. Change of below 10 per cent will be classified as of no significance, between 11 and 25 per cent low, between 26 and 50 per cent medium, and above 50 per cent high.
2. If, at the time of a proposed critical juncture, trade union representation on government committees, within government departments, or on government policy making bodies, underwent change of a significant, swift, and enduring nature, then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

Change of below 10 per cent will be classified as of no significance, between 11 and 25 per cent low, between 26 and 50 per cent medium, and above 50 per cent high.

3. If, at the time of a proposed critical juncture, the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government, as measured by economic partnership agreements, underwent change of a significant, swift, and enduring nature then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

No change in the relationship shall be classified as of no significance. The institution/dissolution of an informal agreement between two parties shall be of low significance, the institution/dissolution of an informal agreement between three parties shall be medium, and the institution/dissolution of a formal agreement between two or three parties shall be considered high.

4. If, at the time of a proposed critical juncture, the trade unions' relationship with a political party, as measured by the institution or dissolution of a formal/informal agreement or arrangement between them, underwent change of a significant, swift, and enduring nature then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

No change in the relationship shall be classified as of zero significance. The institution/dissolution of an informal agreement between the trade unions and a political party shall be classified as of low to medium significance depending upon its particulars. The institution/dissolution of a formal agreement between the trade unions and a political party shall be considered as of high significance.

The Level of Trade Union Membership and Government Policies

5. If, at the time of a proposed critical juncture, the level of trade union membership in the economy, as measured in trade union documentation, research publications, and official state publications, underwent change of a significant, swift, and enduring nature then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

Change of below 1 per cent will be classified as of no significance, between 1 and 2 per cent shall be of low significance, between 2 to 3 per cent medium, and above 3 per cent high.

Government Policies and Trade Union Policies

6. If, at the time of a proposed critical juncture, the government's policies towards organised labour, as measured by its pre-election public statements, election manifestos, coalition agreement, policy documents and budgetary statements underwent change of a significant, swift, and enduring nature then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

The identification of significance shall be more subjective, focusing on the qualitative aspect of government policies toward the unions as opposed to any quantitative aspect.

7. If, at the time of a proposed critical juncture, the level of trade union policies that were incorporated into the government's policies towards organised labour, as measured by the comparison of trade union policy documents with subsequent government policy documents, underwent change of a significant, swift, and

enduring nature then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

The identification of significance shall be subjective in this case, depending upon the judgement of the trade unions themselves.

Third Party Assessments of Government – Trade Union Relations

8. If, at the time of a proposed critical juncture, the government's economic policies, as identified by organisations monitoring economic performance, underwent change of a significant, swift, and enduring nature then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

The identification of significance in this case shall depend upon the judgement of the organisations monitoring economic performance.

9. If, at the time of a proposed critical juncture, the trade unions' influence over public policy, as identified by national economic, political, and industrial relations commentators, underwent change of a significant, swift, and enduring nature then the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

The identification of significance in this case shall depend upon the judgement of the commentators.

Ministerial Attitudes

10. If, at the time of a proposed critical juncture, ministerial attitudes towards the role of trade unions in the polity, as measured by statements made in parliament or in the national media, underwent change of a significant, swift, and enduring nature then

the trade unions' influence over public policy may have changed to the extent of constituting a critical juncture.

The identification of significance in this case shall depend on the nature of the statements made by the ministers.

If the change in influence is to accord to the criteria set out above for critical junctures this change must be significant, swift, and enduring.

H2. If there is a critical juncture, then the change in trade union peak organisation influence over public policy will coincide with a macroeconomic crisis.

As note above, we are looking for a macroeconomic crisis as an example of a generative cleavage. But, how do we identify a macroeconomic crisis? We can take it that a macroeconomic crisis must constitute a severe economic low point. Yet, there will still be a degree of subjectivity about what constitutes a macroeconomic crisis, insofar as what is a major issue for one country might not be so for another. Each supposed macroeconomic crisis that coincides with a proposed critical juncture must be examined to see if it is in fact a macroeconomic crisis. That a macroeconomic crisis may coincide with a significant, swift, and enduring change in a trade union peak organisation's influence over public policy can be examined using the proxies set out below.

However, in classifying the empirical-theoretical fit according to a scale running from none, through low and medium, to high, the criteria here shall be the extent to which each of the observables points to a macroeconomic crisis. Apart from the first observable implication that is directly quantifiable to an extent, the identification of the empirical-theoretical fit for the remainder of the observables will be reliant upon the clarity of the results provided by the independent variables utilised. If these point to an economic crisis then there is a high empirical-theoretical fit. However, should the

independent variables not point to a macroeconomic crisis, then the empirical-theoretical fit will be lower, how much lower being depend upon the state of the economy as indicated by the independent variables.

Primary Economic Data

1. If the country's main economic indicators, when compared with the antecedent data, have reached decade-long lows at the time of the proposed critical juncture, then the economy may have been in crisis at the time of the critical juncture.

If none, or only one economic indicator is at a decade-long low then there is no empirical-theoretical fit, if two economic indicators are at decade-long lows then there is low empirical-theoretical fit, if three indicators are at decade-long lows then there is medium empirical-theoretical fit, and if four of the indicators are at decade-long lows then there is high fit.

Public Opinion and the Media

2. If public opinion polls and election surveys found that the populace regarded the economic state of the country as in crisis at the time of the proposed critical juncture, then the economy may have been in crisis at the time of the critical juncture.

If less than 20 per cent of the public regarded the economy as in crisis then there is no empirical-theoretical fit, if 20 to 30 per cent regarded the economy as in crisis there is low empirical-theoretical fit, if 30 to 40 per cent regarded the economy as in crisis then there is medium empirical-theoretical fit, should above 40 per cent of the public have regarded the economy as in crisis then there is high empirical-theoretical fit.

3. If the opinions expressed by the national media (as represented by two of a country's main newspapers) regard the economic state of the country as in crisis at the time of the proposed critical juncture, then the economy may have been in crisis at the time of the critical juncture.

If the media states that the economy is in crisis then there is high empirical-theoretical fit, anything less than a crisis and the fit will be lower, how much lower is dependent on the media's assessment of the situation.

Specialist Opinion and Analyses

4. If a country's national economic and political commentators alike regard the economic state of the country as in crisis at the time of the proposed critical juncture, then the economy may have been in crisis at the time of the critical juncture.

If national economic and political commentators state that the economy is in crisis then there is high empirical-theoretical fit, anything less than a crisis and the fit will be lower, how much lower is dependent on the commentators' assessment of the situation.

5. If the central bank regards the economic state of the country as in crisis at the time of the proposed critical juncture, then the economy may have been in crisis at the time of the critical juncture.

If the central bank states that the economy is in crisis, then there is high empirical-theoretical fit, anything less than a crisis and the fit will be lower, how much lower is dependent on the bank's assessment of the situation.

6. If both domestic and international organisations (OECD) monitoring economic performance regard the economic state of the country as in crisis at the time of the proposed critical juncture, then the economy may have been in crisis at the time of the critical juncture.

If the domestic and international organisations state that the economy is in crisis then there is high empirical-theoretical fit, anything less than a crisis and the fit will be lower, how much lower is dependent on the organisations' assessment of the situation

Political Opinion and Government Responses

7. If the opinions of elected representatives, both government and opposition deputies, regard the economic state of the country as in crisis at the time of the proposed critical juncture, then the economy may have been in crisis at the time of the critical juncture.

If elected representatives state that the economy is in crisis then there is high empirical-theoretical fit, anything less than a crisis and the fit will be lower, how much lower is dependent on the representatives' assessment of the situation.

8. If government pronouncement on, and responses to, the state of the economy at the time of the proposed critical juncture are consistent with a crisis management approach, such as the introduction of supplementary budgets, then the economy may have been in crisis at the time of the critical juncture.

If the government regards economy as in crisis then there is a high empirical-theoretical fit, anything less than a crisis and the fit will be lower, how much lower is dependent on the government's assessment of the situation.

If drastic, swift, and enduring change in the trade unions' influence over public policy was recorded at the time of a macroeconomic crisis then a critical juncture has been identified. However, as was previously stated, there will be variations in the extent to which each of the hypotheses' observable implications point to a critical juncture. The empirical-theoretical fit will vary across the observables. This brings us to the question of how many observable implications are required to indicate a critical juncture in the trade unions' influence over public policy. This is a subjective decision. Here, a rule of 60 per cent is adopted. That is, at least 60 per cent of all observable implications, for which there are findings, should point to an empirical-theoretical fit that is exclusively high. By doing this we are ignoring the significance of findings that are of both a medium and low empirical-theoretical fit. If 60 per cent, or above, of the observables are found to be of a high empirical-theoretical fit, for each of the hypotheses, then a critical juncture has been uncovered.

The fact that the evidence gathered shall be a combination of quantitative and qualitative data is one of the dissertation's strengths. If the gathering of either quantitative or qualitative data was conducted to the exclusion of the other it would create an imbalance in the information presented for final analysis. However, sets of raw statistics on the trade unions and the economy, backed up by contemporary analysis and opinions, are the end result of this approach. This mix of both types of data ensures that a more fully rounded picture can be drawn, and argument put forward, concerning the trade unions and the economy. The outlined hypotheses and observable implications will be put to the test in the Chapters IV through VII.

Conclusion

The central question posed is how to improve upon the critical junctures approach? The argument here is that for a critical juncture there must be a generative cleavage and a change that is significant, swift, and enduring in nature. The altered critical junctures approach, as laid out in this chapter, provides a promising avenue for the exploration of change within institutions and institutional contexts. The details on the altered approach were provided in order to improve our understanding of that approach, and its enhanced applicability and rigour. Essentially, the critical juncture framework, set out originally by Collier and Collier (1991), has been remoulded here in order to make it more rigorous. Vague concepts have been tightened up and defined. The ideas of significance, swiftness, and duration have been endowed with clearly defined values, making the framework readily applicable to individual countries, but also across countries, and over time. This enhances the approach's usefulness to the field of political science. To test the altered critical junctures approach's capability of identifying change it will be employed in the examination of possible critical junctures in the trade union peak organisations' influence over public policy in four countries over a 55-year period. This required the development of the two hypotheses set out above. The first hypothesis assumes that for there to be a critical juncture change in a trade union peak organisation's influence over public policy must be significant, swift, and enduring. The second hypothesis assumes that this change takes place at times of macroeconomic crises (generative cleavages). As both quantitative and qualitative data will be utilised here, the findings are not reliant on any one indicator, or set of indicators, for that matter. This is one of the dissertation's strengths, as its findings are uncovered through the combination of statistics and description. The hypotheses' observable implications set rigorous standards by which to assess proposed critical

junctures. The setting of standards for assessing the resultant empirical-theoretical fit, and the displaying of these results in tables, will highlight the extent to which the theory captures the reality of the situation. In all, the methodology section has set out a systematic approach for assessing the remoulded critical junctures approach.

The essence of this chapter has been the adoption of a rigorous approach to the construction of the remoulded critical juncture's framework, the selection of countries whose trade union peak organisations will make up the case studies, and the development of the all-important hypotheses and their observable implications. This orderliness in approach is designed to ultimately reduce uncertainty regarding what is, and what is not, a critical juncture. However, before discussing specific case studies from the selected states, the following chapter will identify *prima facie* evidence of where the trade union peak organisations' influence over public policy may have changed to the extent of constituting possible critical junctures. This shall provide us with our subsequent case studies.

Chapter III

Proposed Critical Junctures

The aim of the case studies is to determine whether the remoulded critical junctures approach can identify changes in the trade union peak organisations' influence over public policy, within countries, that constitute critical junctures. The primary objective of this chapter is to avoid providing an overlong historical narrative tracing the political, economic, and industrial relations evolution of all four countries throughout the latter half of the twentieth century. An approach of that nature, while still encompassing and including the sought-after critical junctures, would be consumed mainly by the recounting of incidents ancillary, or superfluous, to the material central to this dissertation. Such an approach, very large in terms of both its scope and scale, would result in the dissertation exceeding all limits set for a project such as this. That said, this chapter will provide, in brief, certain relevant background information on the trade union peak organisations and the political contexts in which they exist. The secondary objective of the chapter is to identify *prima facie* evidence of critical junctures in the trade union peak organisations' influence over public policy in each of the countries under examination.

The chapter will point out, in brief, various instances of where changes in the trade union peak organisations' influence over public policy in each of the four countries have, *prima facie*, been identified as potential critical junctures. This preliminary identification is achieved through the examination of germane events that occurred in each country during the second half of the twentieth century. This examination shall seek generative cleavages, in this case macroeconomic crises, that occurred at the same time as significant, swift, and enduring changes in the trade unions' influence over public policy. Consequently, the initial identification of the potential critical junctures, as set out here, is based upon circumstantial evidence, and that alone. In the following chapters these potential critical junctures shall undergo a far

more detailed examination in order to see if they in fact constitute genuine critical junctures.

The following subsections, divided on a national basis, will set out the changes in the trade union peak organisations' influence over public policy, in the years between 1945 and 2000, that an initial examination identifies as constituting possible critical junctures.

Ireland

This section encompasses the period from 1945 to 2000 in Ireland. Set out within this time frame will be various instances of where the trade union peak organisation's influence over public policy has, *prima facie*, been identified as having changed to the extent of constituting possible critical junctures. In 1959, in the midst of a recession, economic strategy became outward-orientated. The move constituted a major departure in Irish economic policy, and ultimately provided the ICTU with more avenues through which to influence public policy. The Irish State's attempt to govern through the trade union and employer associations during the 1970s, its genesis to be found in the moves towards the liberalisation of trade and economic planning from the late 1950s, constituted a phenomenon described as tripartism (O'Halpin, 1993, p. 198). This approach to policy making constituted a distinct break with the auxiliary state approach employed up to that time (Roche, 1994a, p. 158). However, the tripartite approach was abandoned by the Irish State in the early 1980s. Nevertheless, after 1987 tripartite agreements were again concluded between the social partners.

Proposed Critical Junctures

The years following the ending of the Second World War had been difficult for the Irish economy. The 1950s were a dismal decade for Ireland (O'Grada and O'Rourke, 1993, p. 16). Between 1951 and 1958 GDP rose by less than 1 per cent per year, employment fell by 12 per cent, and half a million people emigrated (Haughton, 1995, p. 34). However, the late 1950s saw economic policy, as influenced by T K Whitaker's report *Economic Development*, shift away from protectionism and embrace export led industrialisation (O'Connell and Rottman, 1994, p. 234). This event was to overshadow the contours of economic and social life in Ireland thereafter (Tansey, 1998, p. 12). It constituted an admission of the failure of the economic philosophy that underlay protectionism.

In 1959 the new Taoiseach, Sean Lemass, brought an entrepreneurial economic leadership to government. Lemass 'was prepared to offer the trade union movement an integral part in the development of much of the new thinking that lay behind the government's economic and social programme' (McCarthy, 1980, p. 32). The move towards economic openness, in a climate of crisis, saw the establishment in the early 1960s of a number of primarily consultative bodies to which the unions appointed representatives. This constituted recognition by government of the import of the trade unions to Irish economic management, and provided the Irish Congress of Trade Unions (ICTU) with more avenues through which to influence public policy. The change in the ICTU's influence over public policy, this resulting from the altered economic strategy initiated at a time of macroeconomic necrosis, may have constituted a critical juncture, as its contribution to national public policy making was dramatically enhanced for the rest of the 1960s by this development.

Throughout the 1960s real production increased rapidly. Economists attribute this success to the export led growth that stood upon the pillars of trade liberalisation and the attraction of direct foreign investment. The government's attitude towards collective bargaining was influenced by its increasing political and economic significance from the late 1950s onwards (Roche, 1994a). As more of the workforce became unionised, bargaining arrangements came to exert a major influence on macroeconomic policies and outcomes. Industrial development's pride of place in national policy and politics also influenced the government's stance towards centralised collective bargaining. Sean Lemass had urged a corporatist strategy towards industrial relations in circumstances marked by economic readjustment. However, both the employers' and unions' commitment to the status quo prevented corporatism taking hold at that time.

The consequence of the pay round system of the 1960s further impelled attempts to control and centralise collective bargaining. Industrial relations deteriorated in the late 1960s, and the daily news was dominated by major industrial confrontations (Arnold, 1984, p. 100). By 1970 the rate of inflation was running at about 8.5 per cent, while statistics for industrial output, employment, volume of imports, and retail sales indicated economic stagnation (ESRI, 1970). Economic crisis resulting from a rising level of industrial conflict, and forceful trade union wage pressure, impelled the government to adopt a more interventionist approach (McCarthy, 1973, p. 181). The government pressured the unions into accepting the first national agreement for six years in December 1970. This proved a watershed as it precipitated the dismantling of the boundary separating politics and industrial relations (Roche, 1989, p. 121). With active state involvement in industrial relations came direct trade union involvement in public policy making. By the mid-1970s the new collective bargaining approach was

marked by quid pro quo arrangements on taxation issues between unions and the state. Macroeconomic difficulties, brought about by the actions of the trade unions themselves, provided the catalyst for the move towards neo-corporatism in Ireland, and saw the ICTU's influence over public policy changing to the extent of constituting a possible critical juncture.

Through the centralised agreements the trade unions were able to combine continuation of wage pressures on employers with negotiation on a broader range of issues with government. The agreements provided scope for a continuation of the upward trend of pay pressures and for continued relatively high levels of industrial action. The centralised agreement gave the trade unions direct, and increasing, access to the government, and an unprecedented input into public policy. The 1975 National Wage Agreement (NWA), although concluded in a climate of economic crisis, and without establishing the principle of a trade-off between pay and public policy commitments, created a degree of expectation that the NWAs and budgets to follow might be linked. 1977 was to see the first budget-linked NWA.

The accommodating stance of government was the result of features of the political system, exacerbated by weak ideological differentiation of the party system. The policy mix of the 1970s was a product of contingent economic and political circumstances. Policy-making was marked by a tendency to respond to short-term political needs. The relative stability in collective bargaining possessed an attraction for government. Governments were constrained on alternatives to an accommodating approach, this due to electoral pressures. The range of electoral support that governments sought provided an incentive to avoid unpopular measures for as long as fiscal policy made possible.

The fiscal instability of the late 1970s, exacerbated by the oil crisis of 1979, led to disillusionment amongst the social partners. Nevertheless, by the close of the 1970s the centralised agreements had acquired a macroeconomic significance as they had become wide-ranging policy agreements. However, a shift in the power balance between the corporate groupings was evident. In 1980 the main decisions concerning the second National Understanding (NU) were taken by the government and Congress, and then communicated to the employers (Weinz, 1986, p. 99).

By 1981 the national debt had reached £10.195 billion (Leddin and Walsh, 1998, p. 155). The current budget deficit was running at 7.3 per cent of GNP, and the public sector borrowing requirement had peaked at 20.1 per cent of GNP, both unsustainable levels of borrowing (Leddin and O'Leary, 1995, p. 167). The fact that, as Maye (1993, p. 203) states, 'finance provided for the year would be nearly all spent by the end of the half-year' precipitated Haughey's decision to call an election for June 1981. The Fine Gael and Labour Party coalition government elected in 1981 placed the need for the correct management of the public finances, and curbs in public spending, at the top of the political agenda (Coakley, 1982, p. 91). The government permitted national pay bargaining end in 1981 as the terms that had characterised the NUs were not compatible with these objectives (Cox, 1983). The economic difficulties ushered in a period of political instability not previously experienced in Ireland (Beamish, 1982, p. 271). In all, three general elections were contested between June 1981 and November 1982, each of which brought with it a change of government. However, by 1982 all of the political parties were committed to curbing public spending. The seeds of collapse, the agreements' failure to correct the national economic problems, and to close the gap between their objectives and achievements, had been sown over a number of years. At the time of a macroeconomic crisis the ICTU's influence over public policy was to be

drastically reduced. The build up of economic problems, along with what looks like a significant, swift, and enduring change in the ICTU's influence over public policy, may have constituted a critical juncture.

In retrospect the social partnership of the 1970s can be regarded as a weak form of neo-corporatism. The approach failed to re-orientate union and employer behaviour decisively away from the postures associated with decentralised collective bargaining. Instead of setting in motion a virtuous circle wherein pay restraint contributes to positive economic outcomes, which furthers support for tripartite bargaining, a vicious circle was set in train. By the start of the 1980s disposable pay and unemployment worsened, employers in many sectors faced intensifying competitive pressure, while the state found itself forced to raise taxes on employees and borrow to fund spending commitments.

Historical decomposition of GDP growth suggests that supply side shocks were the predominant cause of the recession of the late 1970s and first half of the 1980s (Cosgrove and Roche, 1994, p. 28). 'Having increasingly become part of the global economy, Ireland [was] buffeted by some of the worst effects of the international recession' (Grimes, 1992, p. 125). The 1980s saw the economy stagnate, the public finances deteriorate, and unemployment reached unprecedented levels. The absence of centralised agreements limited the influence of the trade union movement at a time when the economic situation of employees was worsening (NESC, 1990).

What had been considered an economic crisis in 1981 had continued to deepen throughout the mid-1980s. By 1987 the Irish economy had reached its nadir (O'Donnell, 1998, p. 6). The national debt rose to over £23 billion, 48 per cent of which was sourced abroad (Jacobsen, 1994, p. 160). This debt was three times larger than it had been in 1980, and represented 130 per cent of annual GNP (McCarthy, 1999,

p. 5). The Fine Gael and Labour coalition government, struggling with chronic fiscal problems, eventually fell in 1987 over a disagreement on expenditure cuts proposed for the budget (Mjoset, 1992, p. 382). 'Labour had withdrawn [from government] because it could not accept the public spending cuts that Fine Gael was insisting upon' (Gallagher and Marsh, 2002, p. 31). There was a need for an alternative economic approach as continuation of the policies that had brought about this impasse were no longer an option (NESC, 1986, p. 303). The spiral of stagnation, rising taxes, escalating expenditure on current consumption, and skyrocketing debt had impressed themselves sufficiently on the main political parties to allow for a consensus (Brunt, 1988, p. 35). 1987 saw the re-emergence of politicised industrial relations at national level. The new Fianna Fáil government, pursuing the advantages of industrial peace and trade union commitment to severe spending cuts, initiated negotiations on a new centralised pay agreement with the social partners. Congress's decision to participate in the national programme was born of strategic necessity. Thereafter 'union leaders secured access to government they had never previously enjoyed' (MacSharry and White, 2001, p. 130). The ICTU's initial objectives in participating in the Programme for National Recovery (PNR) were refined and modified in the subsequent national agreements as a consequence of the changing economic environment and its changing priorities. The recognition by the Irish political establishment of the crisis state of the economy in 1987 precipitated a new approach to economic management. After years of exclusion from the corridors of power, severe macroeconomic difficulties, combined with a significant, swift, and enduring change in the ICTU's influence over public policy, are proposed to have constituted a critical juncture.

'Beyond the issues of pay and tax, the partnership programmes have contained agreement on an ever-increasing range of economic and social policies' (O'Donnell,

and O'Reardon, 2000, p. 237). While the partnership began by addressing the critical central issue of looming insolvency and economic collapse, it has since focused on a range of complex supply-side matters. The programmes have come to involve a dense web of working groups, committees, and task forces, which involve the social partners in the design, implementation, and monitoring of public policy.

'In the decade after 1987, when the PNR was launched, interest group activity in Ireland attained centre stage, with the tripartite agreements of the 1990s cementing social partnership' (Murphy, 1999, p. 291). Unlike the 1970s, the agreements of the late 1980s and 1990s were based on a shared understanding of the problems facing the Irish economy and society, and the main lines of policy required to address them (NESC, 1996, p. 20). These agreements were not confined to wages alone, but encompassed a wide range of economic and social policies (O'Donnell and Thomas, 1998, p. 119). The making and implementing of these agreements shows how closely the trade unions became involved in public policy making and its administration. Arguably, the Irish variant of social partnership, which entails an exchange of wage moderation and economic peace, for tax cuts and a role in macroeconomic policy making, provided the institutional framework to achieve the combination of policies which transformed a falling economy into one of the fastest growing economies in Europe over the course of a decade (O'Connell, 1999, p. 6).

In conclusion, there are proposed to have been four simultaneously occurring macroeconomic crises and potentially significant, swift, and enduring changes in the trade union peak organisation's influence over public policy, in Ireland, in the period between 1945 and 2000. These periods of change in the ICTU's influence over public policy are proposed to have constituted critical junctures. However, this initial examination was possessed of a degree of subjectivity in so far as what constitutes a

standard for macroeconomic crisis, and significant, swift, and enduring change in trade union influence over public policy, that is applicable across all countries.

The United Kingdom

This section, encompassing the period from 1945 to 2000 in the United Kingdom, will set out instances of change in the trade union peak organisation's influence over public policy that constitute possible critical junctures. In the midst of the post war economic and social chaos of 1945 an election was held in Britain that saw the trade unions' influence over public policy changed for the following quarter of a century. By the start of the 1970s economic developments contributed to political moves to reform the trade union movement and its influence on the government. However, by 1974 an economic crisis was to see the trade unions' influence over public policy rejuvenate. Yet, five years later the trade unions' links with the British government were to be drastically reduced for the remaining years of the twentieth century. A complex web of social, political, and economic factors conspired to create the conditions that made the political construct that was the British welfare state possible after 1945. However, a similarly complex web of factors was later to see the welfare state reduced in scope.

Proposed Critical Junctures

By the end of the Second World War the British economy was in disarray. During the six years of conflict Britain had lost approximately one quarter of its national wealth, and the economy had been distorted from top to bottom. The national debt had tripled, while the country's standard of living had fallen (Sked and Cook, 1979, pp. 27-28). At this time the Trades Union Congress's (TUC) influence over public policy underwent change. The war years had witnessed a major expansion of union representation on

government policy-making bodies. Ernest Bevin, probably the most powerful British trade union leader in the first half of the twentieth century, had been appointed minister of labour and national service in 1940 (Bullock, 1960, p. 1). The trade unions' contribution to the war effort allowed them to seek post war consultation with the government on policies of concern to them (Farnham and Pimlott, 1986, p. 28). During the war the view gained ground that economic and social conditions should be improved and that the State could, and indeed had a duty to, do something about them. To this end all political parties had committed themselves to the construction of a post-war welfare state.

The election of the Labour Party in July 1945, armed with a comprehensive programme for the development of post-war Britain (Childs, 2002, p. 79), provided the TUC with a receptive audience in government for its proposals. The Attlee administration brought the unions into formal contact with government in a continuing relationship. Legislation favourable to the unions was passed, and the number of bodies on which unions had representation expanded. The imprint of the unions 'lay on many key features of the post-war settlement' (Minkin, 1991, p. 72). However, 'it would be quite wrong to suggest that the Attlee government was a mere transmission belt for the implementation of TUC policy' (Taylor, 1993, p. 40). Although Labour was to lose power in 1951 the Conservative governments that followed maintained the post-war consensus. The significant change in the TUC's influence over public policy, facilitated by the election of a labour government at a time of difficult macroeconomic circumstances arising from the war, is proposed to have constituted a critical juncture as it resulted in the TUC being drawn into the existing political establishment that was now controlled by the political party it had helped to found. The decades thereafter saw

the unions become increasingly involved in the formulation and implementation of government social and economic policy (Edwards et al., 1992, p. 31).

The heyday of consensus in the late 1940s and early 1950s existed simultaneously with the growth of forces that were eventually to undermine it. A primary force was the relatively decline of the British economy. For most of second half of the twentieth century economic growth in Britain lagged behind that of its main competitors (Atkinson, 1987, p. 15). This placed an ever-increasing strain on the welfare state as national income failed to keep pace with government commitments (Edwards et al., 1992, p. 7). Economic policy from the 1950s to the 1970s was characterized by a series of stop-go cycles, that is economic expansion, producing inflation and a balance of payments crisis, which in turn led to a sharp recession (Edwards et al., 1992). The British labour market also underwent restructuring during the 1960s and 1970s as the number of white-collar workers and their unions grew in relation to their blue-collar counterparts, changing the balance between blue and white-collar unions in the TUC (Willman, 1990, p. 324).

From the late 1940s onwards a number of macroeconomic developments had consequences for the trade unions' influence over public policy. Certain of these developments saw trade unions' influence diminished, while other had the reverse effect. In 1957 the protection of the rate of exchange was prioritised over the pursuit of growth and the maintenance of full employment. This drove the TUC to break off contact with a government body, consequently reducing the avenues through which to influence public policy. Four years later economic problems led the government to establish a number of tripartite bodies to which the unions appointed representatives. These provided the TUC with more avenues through which to influence public policy. The following year saw the establishment of a national planing body, the National

Economic Development Council (NEDC). This was to be a forum in which the government, and both sides of industry, discussed plans to improve Britain's industrial efficiency and international competitiveness (Edwards et al., 1992, p. 8). However, during the years of consensus the impact of these developments never resulted in a significant change in the trade unions' influence over public policy.

The 1970s were to see dramatic macroeconomic developments, and changes in the trade unions' influence over public policy. By this time the post-war consensus was coming under severe strain. The acceleration of Britain's relative economic decline brought into question the utility of Keynesian demand management. As such, governments, notably the Labour governments of 1964-1970, turned to supply side management and neo-corporatist solutions. With the easing, and later abandonment, of the tight control on pay in the late 1960s, due to TUC opposition, there followed a pay and price explosion (Mitchell, 1993, p. 844). The build up of economic problems, along with concerns over the TUC's domination of the Labour government, contributed to the election in 1970 of a Conservative administration on a ticket to right the economy and reform the trade union movement. For the first time, at least since the war, industrial relations figured as a prominent general-election issue.

Although the TUC's relations with the Labour government had deteriorated during the late 1960s, the unions had still possessed a strong influence over Labour's policies. However, now, at a time of economic difficulties, the political goal posts had shifted. The TUC had no such influence over the new Conservative government and its policies. The new government implemented policies such as standing firm against public-sector pay claims, and preparing a detailed Industrial Relations Bill. They also cut off many of the accustomed channels of communication between government and the unions. The TUC, having repeated its 1951 offer of co-operation to the

Conservative government, was aggrieved at this curtailment of its accustomed role. The change in the TUC's influence over public policy, resulting from the election of a hostile Conservative government at a time of macroeconomic difficulties, is proposed to have constituted a critical juncture as their ability to contribute to national public policy making had been dramatically diminished.

Towards the end of 1972 the British economy was in difficulty, with inflation rising rapidly, worsening industrial relations, a floating sterling, and an enormous balance-of-payments deficit. The Conservative government was driven to reverse many of the policies it had instituted after 1970. In late 1972 the government – spurred by the miners victory in their strike and economic circumstances generally – launched tripartite talks with the Confederation of British Industry (CBI) and the TUC in an effort to secure acceptable overall economic policies (Goodman, 1981, p. 611). The government was reversing its objective of depoliticizing industrial relations. Economic crisis had transformed the TUC's position from one of outcast to insider on policy formulation. This move was indicative of a shift in thinking: wage inflation was no longer to be fought by introducing greater market discipline into wage negotiations, and by curbing the power of the unions. Instead, wage inflation was to be combated by introducing a compact with the trade union movement (Moran, 1977). Amongst the policies abandoned by the government was the Industrial Relations Act of 1971, legislation that had constituted an all out assault on union privileges. The Heath government, in the famous 'U-turn' of November 1972, introduced a statutory prices and incomes policy to combat inflation, a move contrary to the Conservatives' own election manifesto.

Although the Conservative Government had wanted to limit trade union power, and depoliticise industrial relations, economic circumstances at the end of 1972 had forced them to reverse this policy. The dire economic consequence of the 1973 oil

crisis saw the Labour Party returned to power the following year. The TUC's influence on public policy, a social contract already agreed with the Labour Party, was dramatically enhanced by this development (Gallagher et al., 2001, p. 248). During the period of the Heath administration it became apparent that there had been a fundamental shift of power towards the unions. The irony was that it had been Heath's attempt to shackle this power that finally confirmed it beyond doubt (Holmes, 1982, p. 119). However, the main issue in the election campaign of February 1974 was not the ongoing miners' strike as argued by Crouch (1979, pp. 86-87), but inflation. 'Middle income voters had already signalled their dissatisfaction with the Government's handling of this issue by deserting to the Liberals in large numbers in by-elections long before the miners' dispute had started' (Grant and Nath, 1984, p. 24). With the Conservative's electoral defeat Labour returned to power, its links to the TUC re-established after their differences of the late 1960s. This provided the unions with the assurance that their goals would be at the forefront of the government's policies. The change in the TUC's influence over public policy, resulting from the election of a new Labour government at a time of macroeconomic difficulties, may have constituted a critical juncture as its contribution to national public policy making was dramatically enhanced.

Yet, the long lasting effects of the oil crisis – high inflation, slow growth, high unemployment, huge balance-of-payments deficits, and the social contracts inability to correct these – forced the Labour government to institute monetarist measures. However, it had already been moving away from a corporatist strategy since late 1975. Labour's plans for both industrial reorganisation, and social reform, had been rendered ineffective by spending cuts. As with its predecessor, crisis management, rather than social reform, became the government's preoccupation. As such, the TUC's role faded,

with the decline of union influence on public policy clearly dating from 1975 (Marsh, 1975).

The heroic assertions concerning the overwhelming power unions enjoyed prior to 1979, and particularly in the period between 1974 and 1979, are clearly misguided. Union power was limited even at its height (Dorfman, 1983, p. 49). In retrospect, British corporatism can be seen to have been a very partial and ramshackle affair (Regini, 1984, p. 132). Its practices emerged out of attempts to manage economic crises, and not out of any deeper commitment to long-standing structural change (Cameron, 1984, p. 150).

The crisis in the British economy in 1979 was to coincide with a dramatic alteration in the TUC's influence over public policy. The labour government's monetarist measures, while at first accepted by the unions, ultimately lead to a serious confrontation in late 1978 and early 1979, in what became known as the 'winter of discontent.' The episode destroyed the country's confidence in the Labour Party's ability to work with the unions (Healey, 1989). It was as a consequence of the economic problems resulting from the 'winter of discontent,' and its impact on the Labour Party electorally, that a Conservative government under Margaret Thatcher came to power in the general election of 1979. The view that trade union power was a problem proved to be a vote winning issue for the Conservatives (Marsh, 1992b, p. 65). They came to office pledging to reform the unions. The 1979 general election marked a turning point in British industrial relations. What influence the TUC's had still possessed over public policy while under the estranged minority Labour administration ceased to exist. Thatcher's government, determined to remove trade union influence over public policy, oversaw the banishing of the TUC from the corridors of power (Auerbach, 1990, pp. 70-71). The TUC was reduced from a virtual partner in

government under Labour to a pressure group on the periphery of power under the Conservatives. The change in the TUC's influence over public policy, resulting from the election of a new Conservative government at a time of macroeconomic difficulties, is proposed to have constituted a critical juncture as its influence over national public policy was significantly reduced by this development.

After 1979 the economic strategy of maintaining high levels of employment through Keynesian demand management was abandoned on the grounds that it was incurably inflationary, and resulted in an intolerable burden of taxation and actually created unemployment. As a consequence of the economic developments that facilitated the growth of white-collar trade unions in the 1960s and 1970s, and the economic crises that afflicted the blue-collar workplaces, less than half of the trade union members who voted in the 1983 general election supported the Labour Party. This turn of events ensured that the Labour Party remained in opposition, and that the TUC remained consigned to the political wilderness. By the early 1990s the Labour Party was distancing itself from the trade unions. The economic slump of the late 1980s, and the TUC's exclusion from power, had reduced the number of trade unionists, and further diminished their influence. In 1993 the Labour Party reduced the size of the trade unions' vote at the Labour Congresses, and in Party leadership elections. The economic downturn's impact on the trade unions permitted the Labour Party to do this. Two years later, under Tony Blair's leadership, the Labour Party replaced the old Clause IV of its constitution with a new modified version.

In this section four potential critical junctures in the TUC's influence over public policy were identified in the years between 1945 and 2000 in Britain. These possible critical junctures will be examined in detail in Chapter V.

The United States of America

This section will set out variations in the American trade union peak organisation's influence over public policy between 1945 and 2000. In 1946, amidst a climate of economic malaise, the mid-term Congressional elections had major consequences for the trade unions' influence over public policy. In 1960 the trade unions' loss of influence 14 years earlier was reversed to a certain degree at a time of economic difficulties. However, an economic crisis at the beginning of the 1980s witnessed a drastic reduction in the trade unions' influence over public policy. By the early 1990s, with America in the middle of a prolonged depression, the trade unions' influence over public policy changed once more. The US trade unions exist within a political process that is characterised as one in which power is fragmented and authority dispersed. It is notable that this fragmentation of the political authority gives highly specialised interest groups more leverage than they would possess in Ireland, Sweden, or Britain.

Proposed Critical Junctures

The Great Depression significantly altered the then stagnating organised labour's influence over public policy by bringing the Democratic Party both the Presidency and Congress in the 1932 elections. President Franklin D. Roosevelt's policies changed the relationship between the Democratic Party and organised labour. His victory provided the trade unions with a receptive audience in government. Subsequent years saw the size of the American trade union movement increase dramatically, rising from under 3 million in 1932 to over 15 million by 1946.

The impact of economic developments in the period following the ending of World War II, as well as labour unrest, and unemployment which rose from only 1.2 per cent in 1944 to 3.9 per cent two years later, was to coincide with change in the

American Federation of Labor (AFL) and the Congress of Industrial Organisation's (CIO) influence over public policy (Mitchell, 1983, p. 163). The building economic difficulties, with inflation outpacing wage increases, and industrial disputes erupting, saw the Democratic Party lose control of both houses of Congress in the 1946 mid-term elections to anti-labour Republicans (Welch et al., 2001). The 80th Congress was to prove extremely conservative. The anti-labour Republicans regarded their victory as a popular mandate to take drastic measures against organised labour. By 1947 many Southern States, along with a few in the North, had instituted restrictive right to work laws (Nelson, 1995). The same year saw the passage of the Taft-Hartley Act designed to protect employers from their employees (Wilson, 1979, p. 7). The change in the trade union peak organisations' (AFL and CIO) influence over public policy, resulting from the Democrats' loss of control in both the House and Senate at a time of economic difficulties, is proposed to have constituted a critical juncture as their contribution to national public policy making had been diminished. Six years later the Democrats lost control of the White House for the first time since 1928

The consequence of economic problems in the late 1950s, high unemployment, and a large deficit, saw the Republicans routed in the 1958 mid term elections, and the Democratic Party emerge victorious in the Presidential and congressional elections of 1960 (Boller, 1996). The election of John F. Kennedy, who had received strong AFL-CIO support, presaged renewed growth and influence for the labour movement. With the appointment of the architect of the AFL-CIO merger, Arthur Goldberg, as Secretary of Labour in the Kennedy administration, it was clear that there was more sympathy in Washington for the unions' cause and less pro-employer bias (Divine et al., 1995, p. 510). The Democratic administration offered the unions an opportunity to reverse the declines in membership and influence that had characterized the Eisenhower years. The

Republican executive's failure to correct the economy precipitated the Democratic successes in the Presidential and Congressional elections of 1960, and the subsequent increase in the influence of the AFL-CIO, a major Democratic Party ally, over national public policy. A potential macroeconomic crisis and possibly significant, swift, and enduring change in the AFL-CIO's level of influence over national public policy constituted a possible critical juncture.

By the mid-1960s organised labour's influence over public policy was further enhanced. The threat of inflation drove the administration to seek AFL-CIO support in ensuring that economic conditions permitted a continuation of its policies. This constituted a recognition by the government of the trade unions importance to the economy. However, after a lengthy strike in 1966 the administration's anti-inflationary strategy disintegrated. Ultimately, the failure to bring inflation under control, and cut domestic and military spending, for which the union bore significant responsibility, was to result in their loss of influence over public policy during the Nixon Presidency.

Economic problems, building since the late 1960s, and for which the unions were partly responsible, diminished their influence over public policy. The problems with the economy forced the Nixon administration to reappraise its economic policies. By 1970, industrial output and the stock market were in decline, while the cost of living had risen significantly. President Nixon's efforts to curb inflation, and cure the recession, did not halt the economy's decline. By implementing wage and price controls the president reduced organized labour's scope of influence over public policy.

Inflation continued to be a problem during Nixon's second term, and thereafter during that of his successor Gerald Ford. By 1976 the Republican executive's inability to deal with the conjunction of a number of economic problems, budget deficits, international competition, unemployment, and the long lasting effects of the 1973 oil

crisis, resulted in the Democrat's retaking the presidency while maintaining their hold over Congress. The AFL-CIO's influence over public policy consequently improved over what it had been under a Republican regime.

By the late 1970s employment had fallen significantly in the unionised heavy industries, and grown substantially in the non-unionised service industries. The restructuring of the labour market from the 1950s onwards had been marked by the relentless expansion of the service sector. The industry and population shift from the Northeast to the Southwest also meant expanding employment in parts of the United States long seen as stony ground for union organisers. These developments resulted in the reduction of the AFL-CIO's relative size in the economy.

During the 1970s inflation emerged as a problem that seemed to threaten the stability of the social order (Hirsch and Goldthorpe, 1978). The Carter administration's economic policy dilemmas were made all the more difficult by the increased diffusion of power in Washington (Dark, 1999, p. 114). Even when President Carter wished to deliver on his promises on the economy, or to organised labour, he had little capacity to do so. At first Carter pursued expansionary fiscal and monetary policies to reduce unemployment, but a surge of inflation halted this. Carter was forced to choose a recessionary solution that ensured the enmity of union leadership. For a time there was a profound rupture in relations between the AFL-CIO and the government. However, in 1979 a National Accord was agreed between the administration and the AFL-CIO. The AFL-CIO was granted information under the National Accord on the proposed budget for 1980. A supplement to this saw the establishment of a 15 member tripartite Pay Advisory Board. This would assist in formulating voluntary wage guidelines. Consequently, the problem with inflation had impelled the administration to seek a solution that included organised labour in the equation (Dark, 1999, p. 119). However,

the problems with inflation persisted, and pressure from both Congress and Wall Street forced the government to alter its budget proposals to the detriment of the unions.

The United States entered the 1980s plagued by a conjunction of double-digit inflation, declining industrial productivity, and the highest level of unemployment since the Great Depression (Divine et al., 1995, p. 569). This was all compounded by the second oil crisis that occurred in 1979. The crisis conditions in the American economy by 1980, far worse than in 1976, were to witness a significant reduction in the trade unions' influence over public policy (Blum et al., 1993). The election of Ronald Reagan as president marked the beginning of a 12-year Republican domination of the executive. Reagan, and to a lesser extent his successor George H. W. Bush, displayed an anti-union bias the like of which had not been seen in Washington since before the Great Depression. Under Reagan the unions experienced a reduction in their status in society and influence in politics. Organised labour now faced an administration that felt little need to consult or appease it. Reagan terminated the National Accord, and the tripartite Pay Advisory Board scheme, soon after coming to office. The change in the AFL-CIO's influence over public policy, resulting from the election of a new Republican administration at a time of economic difficulties, is proposed to have constituted a critical juncture as the trade unions' contribution to national public policy making was dramatically diminished.

In this hostile environment organised labour dropped its commitment to broad social reform programmes, pursuing instead a self-interested agenda. However, this turn of events resulted in organised labour's re-examination of its relations with the Democrats. Out of this came an increased union influence over the Democratic Party's process of selecting its presidential candidates. Consequently, the proposed critical juncture, while reducing AFL-CIO's influence over government policy, resulted in it

acquiring an increased influence over the Democratic Party in the longer term. The AFL-CIO's relationship with the Congressional Democrats grew closer throughout the 1980s, in contrast to the tensions that existed during the Carter Administration.

The economic downturn of the early 1990s became America's longest recession since the Great Depression. Soaring expenditures on defence and social programmes saw the annual deficit at \$450 billion in 1991. That same year the gross federal debt reached \$2.7 trillion. During the years of the Reagan and Bush administrations America had gone from the world's largest creditor to debtor state (Blum et al., 1993). By early 1992 over 2 million jobs had been lost. To compound matters economic growth was stagnant. The problems afflicting the American economy in 1992 had their origins in the economic policies of the Reagan presidency. However, the Bush administration proved incapable of correcting the situation. The public saw certain of its corrective measures as a betrayal on pledges given during the 1988 election campaign. Trends revealed a middle class losing ground economically, and greater poverty in the more vulnerable sectors of the population (Mishel and Bernstein, 1993). The economic problems were to precipitate the election of the Democratic candidate Bill Clinton, whose campaign had benefited from substantial labour support, and a new approach to economic management (Upham, 1993, p. G-109). Although there were difference between the AFL-CIO and the Clinton administration, particularly over the North American Free Trade Agreement (NAFTA), the Democratic president acted to promote the interest of the trade unions, and advance legislation favourable to them. For the first time in over a decade the AFL-CIO had a genuine ally in the White House. The inability of the Republican administration to remedy the problems with the economy precipitated its loss of the power. After years of exclusion and hostility a potential macroeconomic crisis, combined with a dramatic increase in the AFL-CIO's influence

over public policy, is proposed to have constituted a critical juncture. The Clinton presidency was to be marked by a close relationship with organised labour, and signs of trade union revival after years of decline.

The fear that union leaders might sit on their hands during an election makes it likely that Democratic presidential candidates will attend to their basic policy demands. Indeed, all Democratic presidential candidates from John F. Kennedy to Bill Clinton have endorsed the bulk of the AFL-CIO's demands, including guaranteed union access to the executive branch. Once in office, Democratic presidents have deployed considerable resources to help the labour movement pursue its objectives. When executive action alone was sufficient, Democratic presidents have rarely hesitated to act in labour's favour.

In conclusion, this section has identified four possible critical junctures in the trade union peak organisation's influence over public policy in the United States of America in the fifty-five years between 1945 and 2000. Chapter VI shall see these potential critical junctures examined in detail.

Sweden

This section concentrates on the changing influence of the Swedish trade union's over public policy between 1945 and 2000. From the beginning of the 1930s the Swedish Model was regarded as successful and progressive. 'People saw in Sweden a continuing social reform, the building up of a welfare state, and experimentation with stabilisation policy, while preserving the conditions of an expansive free-market capitalist economy' (Lundberg, 1985, p. 1). The watchword of the period was harmony, harmony between social democratic governments and the business community, and between the trade unions and employer organisations. The model was at its zenith

during the 1950s and 1960s. However, in 1976 an election held in the midst of economic stagnation impacted upon the Swedish trade unions' influence on politics. Six years later the impact of this election on the trade unions was reversed to a certain degree. However, in 1991, at a time of severe economic difficulties, there was to be a drastic change in the trade unions' influence over public policy.

Proposed Critical Junctures

The severe economic crisis gripping Sweden in the early 1930s, this born of the Great Depression, drastically changed the then growing Swedish Trade Union Confederation's, *Landsorganisationen i Sverige* (LO), influence over public policy. The election of the Social Democratic Workers' Party, *Socialdemokratiska Arbetarepartiet* (SAP), in 1932, on a ticket to fight the mass unemployment, provided the LO with a receptive audience in government for its proposals. The SAP was to remain in power for the following 44 years. The party's election in 1932 proved to be one of the most important factors behind the Saltsjobaden Agreement of 1938 (Forseback, 1976).

What became known as the Swedish Model evolved out of the co-operative spirit encapsulated within the Saltsjobaden Agreement. The central interests behind this agreement, and the development of the model, were the powerful and inclusive workers' and employers' organisations. In Saltsjobaden in 1938 the LO and the Swedish Employers' Federation, *Svenska Arbetsgivarforening* (SAF), agreed to conduct their relationship such that the government would have no call to intervene. In this agreement the LO acknowledged management's right to manage free from union interference. In return the SAF recognised the principle of collective representation of

workers through their chosen union organisations. Up to this time the employers and unions had often clashed over these basic principles (Korpi, 1978).

At the start of the 1950s the LO's newly established research department, led by Gosta Rehn and Rudolf Meidner, developed a highly original approach to economic management, the solidarity wage policy. This rejected efforts to check inflationary pressures by freezing wages. The solidarity wage policy, known also as the Rehn-Meidner model, came into effect in the early 1950s. It was consistent with the objective of the Swedish labour movement: full employment, free collective bargaining, and an equal wage for equal work (Swenson, 1989). The policy combined two independent elements: egalitarian notions of a wages structure freed from the necessity of market forces, and the necessity to conduct a responsible wage policy adapted to the general policy of stabilisation.

The approach had a strong influence on the actions of both the LO and the SAP governments, for a couple of decades. Between 1950 and 1974 the policy was associated with outcomes positively evaluated in terms of economic growth, inflation, employment growth, competitiveness, living standards and welfare state achievements (Lundberg, 1985). These were the years associated with the growth of major Swedish manufacturers such as Volvo, Saab-Scania, Electrolux, and Ericson. In the 1960s and 1970s the gap between high and low wage workers consistently narrowed (Hibbs, 1991). Incidents of industrial conflict were extremely low in Sweden between the mid-1930s and the mid-1970s (Shalev, 1992).

The heyday of the Swedish model in the 1950s and 1960s saw the growth of the forces that were to eventually undermine it. A primary force was the restructuring of the labour market itself. The service sector of the economy was expanding relentlessly. Between 1950 and 1970 the percentage of workers in the service sector rose from 40 to

50 per cent. This led to the rise in prominence of public-sector and white-collar unions. Their growth changed the internal power structure within the confederations. By the 1970s the Swedish Confederation of Professional Employees, *Tjänstemannens Centralorganisation* (TCO), emerged as a powerful force in the labour scene. Suddenly the whole structure of bargaining was exposed as much more complicated than the simple system dominated by the private sector and negotiations between LO and SAF.

Labour's acceptance of private control of investment was founded on the premise that the sectors benefiting from solidaristic wage bargaining would create employment at the same rates as the sectors squeezed by the policy would shed labour. However, by the mid-1960s this premise became increasingly shaky. Expansion of the public sector provided the only means of maintaining full employment.

The strike wave that swept Sweden in the early 1970s led the unions to conclude that national collective bargaining was inadequate, and that legally supported managerial prerogatives, as enshrined in the SAF constitution, had excluded them for too long from plant decision making (Gospel, 1983). In 1971 the LO endorsed an ambitious legislative programme to democratise working life. Prior to this the Swedish trade union movement had been set against government involvement in the process of collective wage bargaining.

The early 1970s were marked by the unions, at the peak of their strength, urging government to limit the power of employers at workplaces. Discounting the possibility that negotiations with the employers would result in sufficient change the unions sought legislation to expand employees' rights. The government abandoned its role of supporting and sanctioning concerted policies between the LO and SAF. This eroded support among the employers for corporatism. The SAP government, under pressure

from the LO, passed laws on job security, absence from work, and employee participation in decision-making.

It was the repercussions from the oil crisis of 1973, and a weakening international competitiveness overall, that saw off the era of rapid economic growth for Sweden. The years leading up to the 1976 general election were marked by both recession and stagflation. This deepening recession was to significantly alter the Swedish trade union movement's influence over public policy when it contributed to the defeat of the SAP, and its loss of power for the first time in 44 years. Firstly, the LO no longer had a direct influence over the parties forming the new government. Secondly, following its first election defeat since 1928, the SAP formed its own research department. To this point the primary source of ideas for the Swedish left had been the LO's own research unit. Thirdly, the SAP's reappraisal of its position within the Swedish political spectrum saw it move to the right in the years after 1976. The long lasting results of the 1973 oil crisis had proved the undoing of the LO. The building economic problems contributed to the SAP's historic defeat, the creation of its own research unit, its reappraisal of its position within the Swedish political spectrum, and the diminished influence of the LO over both it and national public policy. The change in the trade union peak organisation's influence over public policy, with the election of a new government at a time of macroeconomic difficulties, is proposed to have constituted a critical juncture as the LO's influence over national public policy making appears to have been dramatically diminished in the years thereafter.

By the time of the 1982 general election Swedes were ready for a change of government. The non-socialist governments elected in 1976 and 1979 had not proved successful. The right wing interregnum was characterised by rather problematical coalitions. By the early 1980s the economy was in its worst state since the 1930s, with

rising unemployment reaching a post war high (Mitchell, 1993, p. 165). The economic difficulties precipitated the SAP's return to government in 1982, and with the Social Democrats return the LO's influence over national public policy changed again. This was to become evident the following year. In spite of strong opposition from the SAF to the wage-earner funds issue – a LO endorsed idea for gradually changing the ownership structure of the economy through collective profit sharing (Pontusson, 1994, p. 29) – the Riksdag approved its implementation in late 1983. However, the final version had been heavily modified from the original proposal set out by Rudolf Meidner in 1976 (Gould, 1993, p. 240). It had transformed 'from an overtly socialist union proposal to a number of toothless share holding funds of a rather conventional type' (Meidner, 1993, p. 223). Nevertheless, this was seen simply as a move by the SAP to ensure the support of the LO for its changing economic policies of the time. The trade unions' influence over public policy had changed again at a time of macroeconomic difficulties. This change constitutes another possible critical juncture, as this time the LO's influence over public policy had been increased.

The macro-economic difficulties that saw the return of the SAP to government, and LO influence over public policy increase, also precipitated a new economic policy from the Social Democrats. The SAP's economic strategy for the 1980s was to take both the party and the country in a new direction, down what it referred to as the Third Road. The premise behind this approach was that renewed growth required a redistribution of income from labour to capital. This policy constituted a major shift in SAP economic planning. It was to have dire consequence for the LO's level of influence over national public policy by the early 1990s. Behind this new course lay the influence of the SAP's own research unit, which since 1976 had achieved ascendancy over the LO's research department within the counsels of the labour movement

(Meidner, 1989). The decade of the 1980s was to mark a dilution of the SAP's left-wing policy commitments.

During the early 1980s inflationary pressures that had been building in the Swedish economy since the 1970s brought about the first cracks in the country's highly centralised pay agreements. The primary cause of this inflationary pressure had been the expansion of the white-collar unions, this resulting from the expansion of the white-collar sector of the economy. The white-collar trade unions perceived their interests as different from those of their blue-collar counterparts. Initially this led to the fragmentation of political solidarity in the trade union movement, and then an end to the dominance of the LO-SAF axis. An economically induced shift in balance of power in the trade union movement increased inter-union rivalry, which was to undermine wage restraint. With this development, and the already disintegrating solidarity amongst the trade unions, there came the gradually fragmentation of the central wage agreements, and diminished LO influence within the economy and over economic policies.

By the early 1990s economic problems, their origins in the policies of the Third Road economic approach of the SAP from the early 1980s, were afflicting Sweden. There was general fiscal instability, and the current budget deficit, public sector borrowing requirement, and national debt were all rising rapidly. Sweden's attempt in the 1980s to maintain industrial competitiveness, finance an enormous public sector, and enjoy full employment, all at the same time, had resulted in spiralling inflation by 1989. The failure to sustain non-inflationary growth had been brought about by a sluggish productivity growth. The economic crisis in 1991 was to witness the unequivocal ending of national pay bargaining as it had existed since the 1950s.

The general election of 1991 proved a devastating defeat for the incumbent SAP government. The new non-socialist administration, led by Moderate Party Chairman

Carl Bildt, adopted a new approach to economic management. This was to result in a drastic reduction in the trade unions' influence over public policy for the rest of the 1990s. Soon after coming to power the government set about dismantling the employee investment funds (Hadenius, 1997, p. 151). Fiscal instability, its roots buried deep within the Third Road economic policies of the 1980s, had precipitated the election of the non-socialist government, a new approach to economic management, and the ending of national pay bargaining. The resulting drastic reduction in the trade unions' influence over public policy for the rest of the 1990s, occurring at a time of macroeconomic difficulties, may have constituted a critical juncture.

During the 1990s the electoral successes of the SAP became increasingly contingent on the vagaries of the business cycle. The deregulation of the financial markets at the end of the 1980s starkly revealed the narrowing confines of national economic policy. The internationalisation of capital had undermined the government's control of the economy, and the restructuring of domestic industry eroded the solidaristic unionism that was once integral to Social Democratic success.

In conclusion, three potentially significant, swift, and enduring changes in the trade union peak organisation's influence over public policy, these occurring at times of macroeconomic crisis, were identified in Sweden in the years between 1945 and 2000. These periods of change in the LO's influence over public policy are proposed to have constituted critical junctures. In Chapter VII these potential critical junctures shall be examined in greater detail in order to see if they in fact constitute actual critical junctures.

Conclusion

The essence of this thesis is the search for significant, swift, and enduring changes in the trade union peak organisations' influence over public policy, these occurring at times of generative cleavages in the form of macroeconomic crises. By this is implied a drastic alteration of the trade unions' influence over public policy that takes place quickly at the time of a macroeconomic crisis, and has long last implications – specifically a legacy.

The purpose of this chapter has been to identify possible critical junctures in the trade union peak organisations' influence over public policy in Ireland, the United Kingdom, the United States of America, and Sweden between 1945 and 2000. The number of proposed critical junctures identified in Ireland, Britain, and the United States of America was four each, while in Sweden there were three within the specified time frame. These 15 changes in the trade union peak organisations' influence over public policy constitute the critical juncture candidates.

In the following chapters the potential critical junctures shall be tested against the hypotheses and observable implications drawn up earlier. This is in order to see if it the proposed critical junctures constitute actual critical junctures as per the definition set out in Chapter I.

Chapter IV

Ireland

Within the context of a loose historical narrative tracing the political, economic, and industrial relations evolution of Ireland, this chapter will examine variations in the trade union peak organisation's influence over public policy. It will focus upon the four instances, 1959, 1970, 1981, and 1987, where the ICTU's influence over public policy was, *prima facie*, identified as having changed to the extent of constituting a possible critical juncture. The essence of this examination is the search for significant, swift and enduring change in the trade unions' influence over public policy at the time of a generative cleavage, this in the form of a macroeconomic crisis. This shall be identified by testing the potential critical junctures in the trade union peak organisations' influence over public policy against the hypotheses and observable implications set out in Chapter II.

Potential Critical Juncture 1: 1959- Lemass, Institutions, and Trade Unions

The trade union movement expanded with industrialisation in the 1930s (Boyd, 1985, p. 108). However, this was a period marked by inter-union rivalry. In 1936 the Minister for Industry and Commerce, Seán Lemass, warned the Irish Trades Union Congress (ITUC) of government intervention unless there was a reduction in inter-union conflict (McCarthy, 1973, p. 42). During the 1940s, against a background clouded with rising industrial conflict and inter-union disputes, Lemass set about encouraging trade union rationalisation. However, the Trade Union Act of 1941 failed to reduce the multiplicity of unions within the State as part of the legislation was found to be unconstitutional, and was consequently struck down.

Government efforts to rationalise the trade union movement not only failed, but created such tension as to result in the fissuring of the movement's structure. In April 1945 a group of 15 Irish-based unions withdrew from the ITUC and established the

Congress of Irish Unions (CIU) (Nevin, 1994, p. 94). The existence of two rival Congresses created great difficulties for the trade unions, weakening their efforts, dissipating their resources, and rendering a common front against the employer organisations impossible. In the event, most of the post-war period was marked by slow and unbalanced growth (OECD, 1962, p. 3).

However, by 1956 there were neither ideological nor organisational differences between the two Congresses. A Provisional United Trade Union Organisation was set up to co-ordinate the activities of both. That year Ireland opened up to foreign investment for the first time under Minister for Industry and Commerce William Norton (Tansey, 1998, p. 12). This was an admission of the failure of the economic philosophy that underlay the whole protection policy. The following year Eamon de Valera formed his final Fianna Fáil administration. The year '1957 is conventionally thought of as the end of an era, as making the final exhaustion of the ideas of the first generation of political leaders' (Garvin, 1982, p. 37). Two years later de Valera was succeeded as Taoiseach by Seán Lemass. The new Taoiseach was seen by the media as an economics man pure and simple.¹ Lemass was to stand for a clean break with the economic and nationalist policies of the past. In addition to forging new links with Northern Ireland, he was to oversee the opening up of the country's economy to the outside world. His tenure as Taoiseach was to be marked by a focus on social and economic issues.

The Economy, Reform, and the Trade Unions

International organisations, the media, and national commentators regarded the economy as in crisis in the early 1950s. Both the Central Bank of Ireland² and the OECD (1961, p. 5) remarked that the 1950s were a decade of economic stagnation for

¹ The Irish Times, 24 June, 1959, p. 5.

² Central Bank of Ireland, Annual Report, 1961, p. 5.

Ireland. The OECD's (1961, p. 8) economic analysis of the country's performance in the 1950s showed that agricultural production was abnormally low, while industrial output had faltered. The Central Bank pointed out that by the mid-1950s Ireland had a large external trade deficit.³ The OECD (1962, p. 6) went on to state that per capita GNP grew at a rate of 2.4 per cent throughout the 1950s, but only because of 'the exceptional demographic experience during this period when net migration averaged forty-one thousand persons a year.' This per capita growth rate was among the lowest found in the OECD (OECD, 1962, p. 6). 'Despite relatively little growth and increased emigration, inflationary forces and a worsening of the underlying deficit on the balance of payments forced severe deflationary action in 1956-7' (OECD, 1971, p. 20). *The Irish Times* observed that employment in the economy was in decline, unemployment had increased, hundreds of thousands of people had emigrated, and the cost of living had gone sky high (Appendix D).⁴ *The Economist* also concluded that prior to 1959 most indicators of economic performance were poor for Ireland (EIU, 1992, p. 5). This was despite, according to the Central Bank, the favourable influences on production and employment of the intensive development of sheltered industries catering for the home market, a high level of social investment, and large scale external disinvestments and external borrowing.⁵ In fact, the Central Bank argued that a greater proportion of expenditure than could be afforded at the existing stage of economic development had been devoted to social purposes, while too little had been set aside for the future in the shape of protective investment.⁶ *The Economist* argued that 'righting the economy would be the paramount task facing the new Irish Taoiseach Seán Lemass.'⁷

³ *ibid.*, 1957, p. 27.

⁴ *The Irish Times*, 24 June, 1959, p. 6.

⁵ Central Bank of Ireland, Annual Report, 1959, p. 24.

⁶ *ibid.*, 1958, p. 30.

⁷ *The Economist*, 4 July, 1959, p. 15.

Ó'Gráda and O'Rourke (1995, p. 214) argue that 'in the 1950s, Ireland's relative [economic] performance was disastrous, poorer than that of the UK as well as the European average.' The quick benefits from protection had been reaped by the industrial expansion of the 1930s. The post-war economic boom had petered out by the end of the 1940s (Ó'Gráda, 1997, p. 23). However, by the 1950s Irish industry was supplying as much of the domestic market as it could. In 1957 manufacturing output was no higher than it had been in 1953. Building activity in the economy was also declining. The OECD (1958, p. 15) stated that the rate of activity and of development in the industrial sector, in spite of some changes, depended on the small and static home market.

The late 1950s were to see a dramatic change in the government's economic policies. The second coalition government was defeated in the 1957 general election by Fianna Fáil due to the general economic collapse, and a lack of will to tackle the problems at its heart.⁸ 'On his return to office in 1957 [Lemass] began the gradual process of opening up the state to new foreign investment' (Girvin, 1994, p. 125). Despite fears over protected Irish industry, the pressure for change increased after 1957.⁹ The poor economic performance prompted a fundamental reappraisal of the policy package pursued since the 1930s. Into this pessimistic economic environment was introduced T K Whitaker's report *Economic Development* in 1958. Whitaker, Secretary of the Department of Finance since 1956, and the country's premier civil servant, was committed to a policy of export-led economic growth. He advanced a three-pronged strategy within Finance, more planning, fewer tariff barriers, and a greater emphasis on productive investment. 'Thus it was in the atmosphere of a new

⁸ The Sunday Press, 25 January, 1987, p. 12.

⁹ Budget, 1958, p. 8.

government and a more active and interventionist Department of Finance, that *Economic Development* was born' (Murphy, 2003, p. 61).

This document is regarded as 'a watershed in the modern economic history of the country' (Lyons, 1973, p. 628). It proposed the opening of the economy with the gradual transition to free trade, stimulation of private investment, the reorientation of government investment towards more productive uses, the introduction of grants and tax concessions to encourage export orientated manufacturing, and the inducement of direct investment by foreign export oriented manufacturers.¹⁰ The document effectively advocated the abandonment of the protectionist programme Fianna Fáil had pioneered since the 1930s.¹¹ These measures were incorporated into the *First Programme for Economic Expansion* that appeared in November 1958. This White Paper, based on Whitaker's document, 'was drawn up by Charles Murray of the Department of Finance, supervised by a four-member Government subcommittee headed by Lemass' (Horgan, 1997, p. 177). The Central Bank argued that the *First Programme for Economic Expansion* was an event of 'outstanding interest and importance.'¹² Where Whitaker argued for intensive cattle production as the foundation for agricultural prosperity, the White Paper preferred not to abandon completely Fianna Fáil's traditional predilection for tillage.

While there were some significant differences between *Economic Development* and the [*First*] *Programme for Economic Expansion*, which arose out of their different parentage, such differences were for the most

¹⁰ *Economic Development*, 1958.

¹¹ *ibid.*

¹² Central Bank of Ireland, Annual Report, 1959, p. 24.

part cosmetic as the main thrust of both documents was the same (Murphy, 2003, p. 72).

Although the documents were vague about both policy instruments and targets, they presaged a new consensus on the need for a more outward-looking economic policy.

‘In February 1959 the Irish Congress of Trade Unions (ICTU) was formally inaugurated’ (Nevin, 1994, p. 96). Congress reunification came as the country sat on the brink of the great economic and social changes that were to be such a feature of the 1960s. Trade union unity gave Taoiseach Seán Lemass an opportunity to embark on national bargaining on wages policy, as there now existed a chance that the unions and employers could be brought together in a new framework that could achieve industrial progress without industrial disputes (Horgan, 1997, p. 190).

Both government ministers and opposition deputies came to recognize the economic crisis facing the country in the late 1950s. Lemass had stated, on becoming Taoiseach, that the task for the generation of the 1950s was to consolidate the economic foundations of Ireland’s political independence, and that 1959 was a crucial year in the government’s struggle for economic security.¹³ However, Tánaiste MacEntee went further when he argued that Ireland would have to face up to the economic struggles of the future if it was to maintain its status as a sovereign state.¹⁴ Members of the other political parties were also coming to recognize the grave situation the economy found itself in. During the Dáil debate on Lemass’s nomination for Taoiseach, opposition deputies accused the government of neglecting agriculture while sponsoring an ineffective policy of industrial expansion.¹⁵ Daniel Desmond of the Labour Party

¹³ The Irish Times, 25 June, 1959.

¹⁴ *ibid*, 29 June, 1959.

¹⁵ The Times, 24, June, 1959, p. 7.

argued that it was high time for the political establishment to realise that solving the problems with the economy superseded their own struggles for political power.¹⁶ General Mulcahy, the leader of Fine Gael, remarked that the magnitude of the economic problem confronting the country was far too serious to be capable of being put right by half measures, and that a tremendous effort would be required by all sections of the community.¹⁷

The trade unions' access to the Taoiseach changed at this time. 'Shortly after Lemass became Taoiseach, he invited Congress to meet him to discuss the question of development and how co-operation might be generated between the various economic interests' (Girvin, 1994, p. 125). The number of meetings between the Taoiseach and the trade unions increased significantly after Lemass assumed office. Whereas the ICTU had only one meeting with Taoiseach de Valera in 1958,¹⁸ it met with Lemass three times in 1959, and again in 1960 (Appendix A).¹⁹ The years thereafter were to see more such meetings conducted on issues ranging from the economy to the European Economic Community (EEC). This was in line with the call for more joint consultation between State, union, and employers contained in the First Programme for Economic Expansion.

For the OECD (1961, p. 12) the Fianna Fail government's 1958 and 1959 budgets reflected a distinct change in its fiscal policy. Lemass's speeches in 1959 often paralleled the positions adopted in the previous years by Congress (Girvin, 1994, p. 125). These included the need for state involvement in development, and the expansion of the state sector.²⁰ The Congress had argued that government policy would not bring

¹⁶ The Irish Independent, 24 June, 1959.

¹⁷ Dáil Eireann, Vol. 171, 2 December, 1958.

¹⁸ A[nnual] R[eport], I[rish] C[ongress] of T[rade] U[nions], 1959.

¹⁹ AR, ICTU, 1960.

²⁰ Dáil Eireann, Vol. 176, 21 July, 1959.

quick results in terms of employment or exports. It argued that the government should pump-prime the economy for growth.²¹ Capital investment should not be pursued to the detriment of social spending. In the subsequent capital budgets, emphasis on investments that made no direct contribution to productive equipment was reduced. As regards the current budget, consumer subsidies were discontinued, and efforts were made to relieve the economy of the burden arising from guaranteed agricultural prices. In fact, within a year of Lemass becoming Taoiseach budgets began to expand²² with increased investment in areas identified by Congress in policy documents and its private research.²³ By 1961 the reshaping of public capital expenditure to give increased emphasis to directly productive investment, something the trade unions had argued strongly for, had stimulated economic growth. The OECD (1961, p. 10) found that encouragement to industry through a policy of grants and tax exemptions attracted a notable volume of foreign capital to Ireland. The government also pursued an increasingly liberal trade policy (OECD, 1962, p. 12). After 1959 the government's economic policies had changed.

The Unions and Policy Development

Up to the late 1950s the trade unions' influence in Ireland was at best indirect (Allen, 1997, p. 181). However, at this time the government's policies towards organised labour began to reflect the policies advocated by the unions themselves. In 1958 the Minister for Industry and Commerce implemented amendments to the Apprenticeship Bill recommended by the unions.²⁴ The ICTU Executive Council made representations

²¹ *ibid.*

²² Budget, 1960, 1961, 1962.

²³ N[ational] A[rchives] D[eartment] of the T[aoiseach]: ICTU Archive, Box 42 Economic Policy, 4002, 'Meeting with the Taoiseach 1959.'

²⁴ Dáil Eireann, Vol. 171, 5 November, 1958.

to this Minister in 1959 on legislation concerning annual leave with full pay, and other improvements covering minimum conditions of employment relating to holidays, overtime, and hours of work.²⁵ The unions' views on company accounts also had an impact on the Minister for Industry and Commerce in 1959. The recommendations of the Company Law Reform Committee, upon which the ICTU was represented, resulted in amendments to company law.²⁶

In early 1960 the ICTU contacted the Minister for Finance prior to the budget, requesting provisions for an increase in the old age pensions, and other social welfare benefit, to maintain the relationship between these allowances and workers' wages.²⁷ The subsequent budget increased social assistance benefits from 1 August 1960.²⁸ In 1961 the ICTU and the Federated Union of Employers (FUE) reached agreement on the formation of the Employer-Labour Conference (ELC) that the government subsequently facilitated.²⁹ This body, formally established in 1962, was to become central to corporate control (Lalor, 1982, p. 80). The budget of 1961 saw increases in social welfare payments³⁰ in line with the recommendations of the ICTU's Social Welfare Committee.³¹

There was a change in the government's policies toward the trade unions. Lemass's perspective on economic development was close to that of Congress. In June 1959 Lemass remarked on the need for change in Irish industrial development policy.³² He realised that government policy towards organised labour would have to change. 'The government began to look hopefully to the united Congress for support in its

²⁵ AR, ICTU, 1960.

²⁶ *ibid.*

²⁷ *ibid.*

²⁸ Budget, 1960.

²⁹ AR, ICTU, 1961.

³⁰ Budget, 1961.

³¹ AR, ICTU, 1961.

³² Dáil Eireann, Vol. 175, 3 June, 1959.

programme of national development' (McCarthy, 1980, p. 32). The task of adjusting Irish industries to competition led public policy into the realms of labour practices, industrial relations, and pay bargaining. Lemass was prepared to offer the union movement an integral part in the development of the government's economic and social programme (McCarthy, 1980, p. 32). This gave to unions a new perception of the strength they now possessed.

He [Lemass] clearly understood that the government would have to play a more active, even hegemonic, role in the Irish economy, but he also realised that the success of government strategy assumed a new partnership with different interest groups, which would (in time) become players in the policy game (Murphy, 1997, p. 58).

There was change in the trade unions' representation on government committees. Lemass argued that social progress would follow from, but was contingent upon, economic development (Bew et al., 1989, p. 83). With the move towards the liberalisation of trade, and economic planning, Lemass was instrumental in the creation of consultative bodies involving the unions and employers (Lee, 1989, p. 401). This was recognition by government of the import of the trade unions to Irish economic management, and provided the ICTU with more avenues through which to influence public policy. Joint consultation was seen as of extreme importance for steady economic development (NIEC, 1966). After 1959 the number of committees on which the ICTU was represented expanded significantly (Appendix B). Of the new bodies the Irish National Productivity Committee (INPC) was a joint consultative body charged

with improving productivity throughout Irish industry.³³ The Committee on Industrial Organisation (CIO) was set up in 1961 to examine the ability of Irish industry to compete within the EEC (Murphy, 1997, p. 62). The National Industrial and Economic Council (NIEC) was established by Lemass in 1963 as the main consultative body in economic planning.³⁴ The INPC, CIO, and NIEC were set up on the initiative of Lemass in the belief that a new era was dawning for Irish industrial relations. These bodies, '[paralleling] the state's commitment to economic planning as contained in the first two programmes for economic expansion' (Girvin, 1994, p. 127) permitted the unions to co-operate with the state on a range of problems posed by economic expansion. 'A new pattern of participation by Congress in government institutions emerged between 1959 and 1965' (Girvin, 1994, p. 127). Consultative bodies, and joint consultation, was represented as of extreme importance for steady economic development (NIEC, 1966). This gave the unions a new perception of the strength they possessed.

The trade unions' participation in a number of national bodies concerned with planning was in line with the call for more joint consultation between State, union, and employers contained in the *First Programme for Economic Expansion*.³⁵ 'The institutional setting soon became largely tripartite, with the representatives of business, of labour and of government discussing the issues of employment, output, prices and trade' (Pratschke, 1979, p. 43). From this it can be seen that the government's policies towards organised labour underwent drastic change after 1959.

A declining trade union membership was arrested in 1959. In the years immediately leading up to 1959 Irish trade union membership had been stagnant at best

³³ AR, ICTU, 1963.

³⁴ AR, ICTU, 1964.

³⁵ Budget, 1962.

(Appendix C). Between 1955 and 1958 trade union membership had decreased by 9,600, falling to 306,800 in 1958. However, in 1959 trade union membership increased by 6,900, or 2.2 per cent, to 313,700. In 1960 trade union membership increased again, this time by 3.8 per cent. Within five years of the proposed critical juncture there were upwards of 50,000 new members in Irish trade unions, an increase of 16 per cent overall. In fact, 1959 marked a turning of the tide for trade union membership in Ireland, as it was to be followed by 21 years of uninterrupted trade union growth.

The Government, Economy, and the Unions into the 1960s

When Seán Lemass became Taoiseach he brought to government a vigorous, entrepreneurial economic leadership that the country had never before experienced (McCarthy, 1973, p. 22). An outward-orientated economic strategy was adopted in a climate of severe balance of payments difficulty, recession, and emigration (O'Donnell, 1998, p. 4). The move constituted a major departure in Irish economic policy. However, throughout the decade of the 1960s real product was to increase at a rate of 4.4 per cent per annum, economic openness grew by 23 per cent, while the unemployment rate averaged 5.05 per cent in contrast to 8.2 per cent in the 1950s (Appendix D). Economists attribute this success to the export-led growth that stood upon the pillars of trade liberalisation and the attraction of direct foreign investment.

The attitude of Congress to EEC entry was initially cautious, but by 1962 it was willing to support Lemass's economic intentions. Congress, recognising that free trade was inevitable, decided to embrace it from a position of influence with the government through membership of the CIO and the NIEC (Murphy, 1997, p. 65). 'The dialogue between state and major socio-economic groups quickly acquired a regular and institutional character' (Peillon, 1995, p. 370). However, the limited effectiveness of

relying on a web of collaborative bodies to oversee economic adjustment, while collective bargaining remained unregulated, became clear (Roche, 1994a, p. 155). The 1963 Government White Paper *Closing the Gap*, which called for wage restraint, suggested that the ELC become a vehicle of incomes policy. The ICTU reaction, withdrawal from the ELC, and a threat to pull out of the other collaborative institutions, showed that they regarded free and collective bargaining as sacrosanct. This event signalled the end for the ELC in its first incarnation.

The government's attitude towards collective bargaining was influenced by its increasing political and economic significance from the late 1950s onwards (Roche, 1994a, p. 199). As a growing number of the workforce became unionised, bargaining arrangements came to exert a major influence on macroeconomic policies and outcomes. Industrial development's pride of place in national policy and politics also influenced the government's stance towards centralised collective bargaining. Seán Lemass had urged a corporatist strategy towards industrial relations in circumstances marked by economic readjustment following the Second World War. However, both the employers' and the unions' commitment to the status quo prevented corporatism taking hold at that time. 'The eventual move towards some form of neo-corporatist accommodation with unions and employers was influenced initially by the policy of industrialisation in the context of an open economy' (Roche, 1994a, p. 220).

The consequence of the pay-round system of the 1960s further impelled attempts to control and centralise collective bargaining. The growing trade union organisation and power, a rising level of industrial conflict, and forceful trade union wage pressure, impelled Irish governments to adopt a more interventionist stance. McCarthy (1973) encapsulates all that was the 1960s in Ireland in one word, "upheaval." Economic crisis resulting from industrial unrest and an unprecedented pay-round increase in 1969 were

the catalyst for the move towards neo-corporatism in Ireland. This resulted in the trade union movement's influence over public policy increasing substantially. In the following decade pay determination was to become increasingly politicised.

Table 4.1: The Empirical-Theoretical Fit 1959

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees	X			
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government		X		
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy		X		
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour	X			
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?			X	
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?				X
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regard the economic state of the country as in crisis?	X			
O6: Do domestic and international organisations regard the economic state of the country as in crisis?	X			
O7: Do elected representatives regard the economic state of the country as in crisis?	X			
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?	X			

As Table 4.1 shows there are variations in the extent to which each of the hypotheses observable implications pointed to significant, swift, and enduring change on the one hand, and a macroeconomic crisis on the other. Nevertheless, 70 per cent of the observable implications for the first hypothesis, and 75 per cent of observable implications for the second hypothesis, indicated a high level of empirical-theoretical fit for Ireland in 1959. Both of these findings exceed the 60 per cent threshold set out in Chapter II. From this it is confirmed that a critical juncture has been uncovered.

In summation, 1959 was to witness a significant, swift, and enduring change in the trade unions' influence over public policy, this at a time of macroeconomic crisis. The 1950s proved to be a depressing decade for the Irish economy, and trade unions. Economic performance had been disastrous up until 1959. This view was unanimously shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. However, after Lemass came to power in 1959 all this changed. A new approach was adopted towards both the economy and the trade unions by the Fianna Fáil administration. Access to the Taoiseach, representation on government committees, trade union membership, government economic policies and policies towards organised labour, the trade unions' influence, and ministerial attitudes, all improved in the trade unions' favour, with policies in particular coming to reflect the policies desired by the unions themselves. It was at a time of macroeconomic crisis that the unions' influence over public policy changed. According to the observable implications criteria set out in Chapter II this change in the trade unions' influence over public policy constituted a critical juncture.

Figure 4.1: The Critical Juncture Grid, Ireland, 1959

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	X	
NO		

Potential Critical Juncture 2: 1970- Centralised Pay Agreements and the Trade Unions

The growing openness of the Irish economy in the 1960s and 1970s provided a strong incentive to devise new patterns of collective bargaining. Trade liberalisation altered the context of domestic policy formation and wage determination. From the late 1950s government policy was committed to effecting the progressive integration of the Irish economy into the broader European economy. The changed orientation of economic policies contributed to a transformation in the structure of the Irish economy and society (Rottman and O'Connell, 1982, p. 68). Ireland came to rely on an inflow of foreign capital to promote industrialisation and job creation. As a consequence, public policy was directed towards minimising strikes and restraining the rate of pay increases. The move to free trade, and the heavy reliance on foreign investment, succeeded as long as international growth continued. Prior to 1973 it appeared that Ireland had hit on an economic strategy that maximised national welfare (Grant, 1982, p. 69). However, then came the first oil crises, and economic pressures common to small open economies began to manifest themselves in Ireland. Inflation was to become a major and persistent problem throughout the decade. As a consequence, the necessity of adapting the structures in the area of wage regulation became obvious. Here the logic of concertation appeared to have certain advantages as a means of overcoming the consequence of distributive conflict.

The Economy, Policies, and the Trade Unions

The high level of industrial conflict in 1969 and 1970 was widely regarded as representing a crisis in collective bargaining practices (McCarthy, 1973, p. 151). Economic expansion and decentralised collective bargaining were viewed as incompatible in the NIEC's 1970 *Report on Incomes and Prices Policy*. This proposed

an institutionally supported prices and incomes policy, effectively the implementation of new structures for collective bargaining, a new mode of wage determination. The institution of these new structures would have constituted a high point in trade union-government joint economic planning (McCarthy, 1980, p. 36). The proposal, after finding initial support within Congress, was ultimately rejected by the trade unions. The tripartite element in establishing the pay norm, and the evaluative role of government departments in the process, were unacceptable to Congress. The problem in this regard appears to have been a reluctance on the part of the trade union movement to go so far in participating in joint economic institutions. This harked back to their traditional advocacy of free collective bargaining.

National commentators, the media, and domestic and international organisations, regarded the economy as in difficulty by 1970. In 1970 the Irish economy was far from healthy, with the rate of economic expansion slowing considerably from that experienced in 1967 and 1968 (OECD, 1971, p. 5). *The Economist* commented that the rate of inflation had been running at about 8.5 per cent, its highest level since 1952.³⁶ The ESRI (1970, p. 1) pointed out that statistics for industrial output, employment, volume of imports, and retail sales all indicated economic stagnation. The OECD (1971, p. 5) argued that 'this was partly due to the direct and indirect effects of labour disputes.' The Central Bank pointed out that industrial production and construction activities were affected by a five months' strike, while investment was depressed, at least temporarily, by the uncertainties concerning financing possibilities created by a long bank closure.³⁷ *The Irish Independent* observed that as pay increases were running well beyond production the result was record price increases that ate away at most of

³⁶ *The Economist*, 24-30 October, 1970, p. 80.

³⁷ The Central Bank of Ireland, *Quarterly Bulletin*, Autumn, 1970, p. 5.

the real benefits of those pay increases.³⁸ *The Irish Times* pointed out that the improvements in living standards that had been earned in the 1960s were in danger of being lost due to inflation.³⁹ However, the rise in prices was the end result, not the direct cause, of the country's economic troubles.⁴⁰ 'No one can feel happy about the way the economy is moving at present. The trouble is that the pace of inflation here is running ahead far faster than in other much more powerful countries.'⁴¹ The Central Bank emphasised the fact that Ireland had reached the dangerous extreme of having the worst price increase record amongst the OECD countries in the latter part of 1970.⁴² This had a knock on effect in the form of a rising level of unemployment in the economy.⁴³ The level of unemployment was close to a high of 6 per cent (Leddin and Walsh, 1998, p. 21). The ESRI (1971, p. 1) pointed out that a considerable proportion of the increase in Irish unemployment after 1969 was due to a fall in emigration as a result of the high level of unemployment in the United Kingdom. At the same time economic openness began to decline, while the number of days lost through economic disputes peaked at over 1 million (Appendix D). *The Irish Times* also pointed out that the value of exports had not improved over 1969.⁴⁴ The economic prospects looked somewhat better for the following year, however the ESRI (1970, p. 1) still predicted that the balance of payments deficit would rise to almost £85 million. The Central Bank also gave the grim warning that the penalty for a high and prolonged rate of price inflation would be the decline of sales in the first instance and then a falling off in production and employment if things did not change.⁴⁵

³⁸ Irish Independent, 7 October, 1970.

³⁹ *ibid.*, 12 October, 1970, p. 14.

⁴⁰ Irish Independent, 9 October, 1970.

⁴¹ *ibid.*, 10 October, 1970, p. 3.

⁴² The Central Bank of Ireland, Quarterly Bulletin, Autumn, 1971, p. 5.

⁴³ *ibid.*

⁴⁴ *The Irish Times*, 7 October, 1970, p. 1.

⁴⁵ The Central Bank of Ireland, Quarterly Bulletin, Autumn, 1971, p. 7.

There was a change in both the government's economic policies and its policies toward the trade unions. 'The chief lesson emerging from the operation of collective bargaining in the 1960s was that decentralised wage rounds as they operated were by their nature unstable and prone to inflation' (Gunnigle et al., 1999, p. 193). The government's economic policy, traditionally geared to long-term growth commitments and industrialisation targets, from 1969 became increasingly concerned with inflationary developments and their implications for the external balance (OECD, 1971, p. 15). Irish demand and output were depressed by a restrictive policy stance adopted on anti inflationary grounds, and by the recession in the United Kingdom (OECD, 1973, p. 5). With stagnating production appearing alongside a price and wage explosion, economic conditions deteriorated during the course of 1970. The combination of relatively slow growth, strong inflation, and a large current external deficit, presented a dilemma for economic policy. The ESRI (1971, p. 1) argued that 'the authorities [did] not appear to have a great deal of room to manoeuvre in their short-term demand management.' The balance of payments deficit imposed a strong constraint on the degree of expansion that could be permitted. As prices became the primary concern of the Government, the budgetary strategy was aimed at moderating the rise in government spending so as not to contribute to inflation (OECD, 1972, p. 15). This was to lead to a change in the government's policies towards organised labour, with the approach emerging in the 1970s being more aggressive.

The NIEC viewed economic expansion and decentralised collective bargaining as incompatible in 1970.⁴⁶ The 1970 budget argued that 'it is beyond doubt that the principle need at present is for a more orderly and rational development of incomes if we are to bring the present inflationary situation under control.'⁴⁷ Another lesson from

⁴⁶ N[ational], I[ndustrial] and E[conomic] C[ouncil], Report on Incomes and Prices Policy, No. 27, 1970.

⁴⁷ Budget, 1970, p. 12.

the 1960s was the need for a joint body to administer the national pay agreements.⁴⁸ It was against this background of industrial strife, and economic difficulties, that the NIEC prepared its Report on Incomes and Prices Policy. A consequence of this was the reconstitution of the ELC in May 1970. This was a significant happening in the long-term restructuring of the adversarial method of conduct of industrial relations (McGinley and Filby, 1997, p. 202). The government became a participant in the ELC with the intention of influencing the wage round norm. This was because, as the Minister for Finance, George Colley, stated, the economy could not afford to pay wage increases that were not related to productivity increases. He said that the pressing urgency of the situation would force the government's hand.⁴⁹ Taoiseach Jack Lynch warned that, following the collapse of talks at the Employer-Labour Conference on a voluntary national incomes policy, the government would take action aimed at stabilising prices and protecting employment.⁵⁰ The chairman of the ELC, Professor Basil Chubb, said that he believed that the time had come for the government to show its hand in some form of wage restraint and price control. He argued that action was needed to be taken to 'see the country through the present situation which, in fact, was a dangerous one from the point of view of exports and was placing at danger all the progress that had been made in the last few years.'⁵¹ Thereafter, the government took the drastic measure of threatening to introduce statutory controls on wages and salaries in the form of a Prices and Incomes Bill (OECD, 1971, p. 16).

The trade unions' access to the Taoiseach changed. Although there had been a number of meetings held between the ICTU and the Ministers for Finance and Labour, there is no record of any encounter with the Taoiseach in 1969, or in 1970 prior to

⁴⁸ NIEC, No. 27, 1970.

⁴⁹ Irish Independent, 9 October, 1970.

⁵⁰ The Irish Press, 8 October, 1970.

⁵¹ The Irish Times, 12 October, 1970.

October of that year.⁵² However, following the government's introduction to the Dáil of the Prices and Incomes Bill there were three meetings held in quick succession between the ICTU and the Taoiseach (Appendix A).⁵³ At these encounters the ICTU sought the withdrawal of the Prices and Incomes Bill.⁵⁴ This Bill was subsequently withdrawn on 17 December.⁵⁵ Ultimately, argues Weinz (1986, p. 98), the threat of the Bill's introduction resulted in the first national agreement for six years in December 1970, this in spite of ICTU opposition to being coerced into a deal, and its advocacy of free collective bargaining. *The Irish Times* regarded this agreement as effectively constituting an economic life-preserver for the country, and at the same time an important experiment in industrial relations.⁵⁶ However, it should be noted that between the announcement of the government's initial proposals and the ratification of the national agreement the government was forced to make concession after concession to the unrelenting pressure of the ICTU. Most notable of these concessions was the ICTU's refusal to ratify the agreement until the government withdrew its Prices and Incomes Bill (ICTU, 1971). However, government budgetary prerogatives were not impaired by the 1970 NWA. It is noteworthy that the number of meetings between the ICTU and the Taoiseach was maintained at three into the first year of the NWA, and that this frequency of meetings was sustained for the remainder of the 1970s.⁵⁷

There was a changed relationship in the economy between the trade unions, the employers' peak organisation, and the government. The 1970 agreement marked the beginning of a prolonged engagement in centralised collective bargaining that would span the decade. Moreover, it marked a significant change in the politics of pay

⁵² AR, ICTU, 1970.

⁵³ *ibid.*, 1971.

⁵⁴ *The Irish Times*, 12 December, 1970.

⁵⁵ Dáil Eireann, Vol. 250, 17 December, 1970.

⁵⁶ *The Irish Times*, December 17, December 18, 1970.

⁵⁷ AR, ICTU, 1972.

determination.⁵⁸ Over the decade from 1970 to 1980 a further eight central agreements were concluded that would profoundly altered the Irish industrial relations climate. Between 1972 and 1978 six of these agreement were reached by way of bipartite negotiations between unions and employers. The other two agreements reached in 1979 and 1980, National Understandings (NU), were arrived at through tripartite negotiation. All the centralised pay agreements were negotiated through the ELC. However, Roche (1994a, p. 158) warns that in reality the distinction between bipartite and tripartite negotiations cannot be identified distinctly over this decade.

By the mid-1970s the new collective bargaining approach was marked by quid pro quo arrangements on taxation issues between the unions and the state, and the integration of government budgetary policy into national pay determination. The linkage between the national pay agreements and government budgetary policy was argued by O'Brien (1981, p. 144) as possibly 'the most profound change in the nature, functions and prerogatives of democratic government in the history of the state.' With active state involvement in industrial relations came direct trade union involvement in public policy making. These agreements were more formal in character than their historical antecedents, such as the National Wage Recommendation from 1964. The agreements running from the 1940s to 1970s, while prototypes for what was to come, were conceived of as ad hoc responses to particular economic situations. They were not seen as a serious first step towards the development of permanent institutions for the orderly adjustment of employee incomes (O'Brien, 1981, p. 8). The relationship in the economy between the trade unions, the employers' peak organisation, and the government had undergone significant change.

⁵⁸ Budget, 1971.

Trade Union Representation and Policies

There was change in trade union representation on government committees. The 1970 agreement proved to be a watershed, as the boundary separating politics and industrial relations was now to be dismantled by the state and the trade unions (Roche, 1989, p. 121). Although by the late 1960s the ICTU had significant representation on government committees in the economic and social fields, this was to expand further during the 1970s. Prior to 1970 the trade unions had ceased to be represented on certain of the bodies that had come into existence in the early 1960s, as some of these had closed down, while the ICTU had withdrawn from others for one reason or another (Appendix B).⁵⁹ This was mainly to do with disputes with the government. However, post 1970 the ICTU was represented on a number of new bodies in both the industrial relations, and economic and social, fields (Appendix B). Certain of the new bodies, such as the reconstituted ELC, had come into existence on account of the national wage agreement reached in 1970. Nevertheless, these bodies were to endure for long after the proposed critical juncture.⁶⁰ It is evident from this that the trade union's representation on government committees had increased both quantitatively and qualitatively.

Throughout the 1970s bargaining institutions became more significant than any other institution of joint planning. All centralised pay agreements were drafted and concluded by the employer and trade union representatives in the reconstituted ELC and thereafter adopted as state policy (Hardiman, 1988, p. 53). The establishment of the ELC on a permanent basis offered the pay agreement greater stability than the ill-fated NWA of 1964. Membership of this body consisted of an equal number of representatives from both the employer and trade union sides. The terms of reference of

⁵⁹ AR, ICTU, 1970

⁶⁰ *ibid.*, 1973.

the ELC were broad. In addition to providing a forum for the discussion and review of developments and problems in industrial relations its brief extend to many other areas. However, during the 1970s most of the work of the ELC centred on the negotiation of the centralised pay agreements. The institutionalisation of pay bargaining through the ELC enhanced the influence and political leverage of Congress and its constituent unions. In particular, Congress could normally deliver on agreements, a major reason for this was the level of democratic accountability among the unions. This allowed Congress to approach government with a mandate on issues other than pay and conditions. The OECD (1972, p. 15) observed that the government itself was left with the task of maintaining the conditions favouring the observance of the agreements.

Overall, there was some variation in rate of change in trade union membership. By the late 1960s trade union membership in Ireland surpassed the 400,000 level, reaching 409,000 in 1969 (Appendix C). This meant that over the 1960s trade union membership had increased by 95,500, or over 30.4 per cent. In 1970 trade union membership increased by 3.6 per cent over 1969, an increase that constituted 14,900 new members, bringing total union membership up to 424,100. The year following the proposed critical juncture trade union membership continued on its upward trajectory, albeit at a much slower rate than heretofore. In 1971 union membership increased by only 3,000 or 0.7 per cent. The early 1970s saw the level of trade union membership in the economy continue to grow, but at a somewhat slower rate than in the 1960s. The rate of union growth was not to accelerate again until a short spurt between 1976 and 1979 saw membership increase by a further 63,200.

Between 1969 and 1971 there was a marked change in the level and content of trade union policies that were incorporated into the government's policies towards organised labour. In 1969 the trade unions were to an extent frustrated with the

government. During the late 1960s the ICTU had unsuccessfully sought the introduction of legislation concerning the minimum period of notice on the termination of employment.⁶¹ The following November the ICTU asked the Minister for Education to re-examine the question of extending university grants without success. By this time the Trade Union Bill of 1963 had still not become law. The unions, frustration boiling over, went so far as to accuse the Minister for Labour of lying to the Dáil on 5 March 1969 when he said he had received no ICTU request to consult on the Bill.⁶² However, in late March the ICTU met with the Ministers for Labour and Finance to discuss, non-wage incomes, prices, tax allowances, and aid to lower paid workers.⁶³ In the budget that followed the government made the requested adjustments in tax allowances.⁶⁴ In late September 1969 the Minister for Labour met with the ICTU to discuss the work of his department in order to improve its functioning.⁶⁵

In early 1970 the ICTU made a successful submission to the Minister for Labour on the need for improvements in the 1967 Redundancy Payments Act. The 1970 budget⁶⁶ made changes to the income tax system sought by Congress.⁶⁷ On 6 November 1970 the ICTU had sought an increase in workers' insurability under the Social Welfare Acts.⁶⁸ The following April the Minister for Social Welfare announced an increase in the insurability limit.⁶⁹ The ICTU contacted the Minister for Education in May 1970, and again in March 1971, on UCD's decision to restrict entry to its night courses. The issue was subsequently resolved to the ICTU's satisfaction. The ICTU also had input into both the Pensions and Sick Pay proposals of the government in

⁶¹ *ibid.*, 1969.

⁶² Dáil Eireann, Vol. 238, 5 March, 1969.

⁶³ AR, ICTU, 1969.

⁶⁴ Budget, 1969.

⁶⁵ AR, ICTU, 1969.

⁶⁶ Budget, 1970.

⁶⁷ AR, ICTU, 1970.

⁶⁸ *ibid.*, 1971.

⁶⁹ Dáil Eireann, Vol. 253, 22 April, 1971.

1970.⁷⁰ The Industrial Relations Act of 1971 largely followed the proposals put forward by the ICTU. The National Prices Commission was established by the Minister for Industry and Commerce in line with Congress's proposals to the Minister. In December 1971 the Department of Labour invited ICTU input on the updating of existing health and safety regulations in factories.⁷¹

During the 1970s Irish industrial relations reached high levels of centralisation. The conduct of industrial relations moved towards the neo-corporatist model. As the state sought to promote central wage deals between unions and employers, their federations became major actors in industrial relations policy formulation. As the decade wore on talks on pay became increasingly tripartite, and trade union influence over public policy expanded. Working parties consisting of public servants, union, and employer representatives became an increasing feature of policy making. Meetings between representatives of the social partners and ministers became commonplace. The NWA of 1975, although concluded in a climate of economic difficulty, and without establishing the principle of a trade-off between pay and public policy commitments, created a degree of expectation that the NWAs and budgets to follow might be linked, as ultimately came to pass in 1977. By the close of the 1970s formal tripartite agreements were concluded.

Over the course of the decade governments went from using budgetary policy to underwrite national pay deals, to placing a range of public policy issues on the negotiation table. What had been a decentralised system of pay determination and industrial relations, underpinned by an auxiliary tradition of State policy, had been recast in important ways in a neo-corporatist mould. The ICTU, through its dialogue

⁷⁰ AR, ICTU, 1971.

⁷¹ *ibid.*, 1972.

with the government, possessed influence over the most important economic policy instruments in the hands of the State (Roche, 1994a, p. 165).

With the 'National Understanding' the government had formally acknowledged a new positive role for the major pressure groups in an important sector of economic policy-making and had incurred commitments to them; they in turn had incurred reciprocal obligations involving the conduct of their members (Chubb, 1992, p. 127).

In retrospect it was industrial relations difficulties attributed to the wage round system, and free collective bargaining, such as inflation, loss of competitiveness, and industrial conflict, along with reassessment of bargaining by the state, unions and employers, that represented the mediate influences in the centralisation of collective bargaining (Roche, 1994a, p. 177).

However, a distinct shift in the power balance between the corporate groupings became evident by the late 1970s. By 1978 the employers appeared weak. In contrast the ICTU had grown stronger due to the state's willingness to grant it concessions. This was demonstrated for all to see in 1980 when the main decisions concerning the second NU were taken by Congress and government, and then communicated to the employers (Weinz, 1986, p. 99). When the employers resisted the implications of this the Taoiseach pressured the FUE into concession.⁷² The NU reached in 1980 was to be the last central pay agreement until 1987.

⁷² The Irish Times, 5 January, 1981, p. 5.

Table 4.2: The Empirical-Theoretical Fit 1970

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees		X		
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government	X			
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy	X			
O6: Change in the government's policies towards organised labour		X		
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour		X		
O8: Change in the government's economic policies		X		
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity		X		
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?			X	
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?				X
O3: Do the national media regard the economic state of the country as in crisis?			X	
O4: Do national economic and political commentators regard the economic state of the country as in crisis?		X		
O5: Does the central bank regard the economic state of the country as in crisis?			X	
O6: Do domestic and international organisations regard the economic state of the country as in crisis?			X	
O7: Do elected representatives regard the economic state of the country as in crisis?			X	
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?		X		

Table 4.2 shows that while 90 per cent of the observable implications of the first hypothesis pointed to medium or high empirical-theoretical fit, only 40 per cent of the observables indicated a high fit. This is below the minimum threshold of 60 per cent established in Chapter II. None of the second hypothesis's observable implications pointed to a high empirical-theoretical fit. This confirms that the findings satisfied neither of the hypotheses, and that there was no critical juncture in the ICTU influence over public policy.

In summation, 1970 was to witness a swift and enduring change in the trade unions' influence over public policy. However, this was at a time of macroeconomic difficulties rather than macroeconomic crisis. In this instance the change that occurred in the ICTU's influence was not in fact that significant, as it was building upon change that had already occurred in 1959. Although the 1960s had been a boom time for the economy, by the end of the decade, with the economy in downturn and dependent on foreign investment, the industrial conflict of the period was seen as unacceptable. The view that the economy was in downturn was shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. Economic policy came to focus on the problem of inflation, and a knock on effect of this was the introduction of the first of many national agreements in December 1970. This agreement marked the beginning of a prolonged engagement in centralised collective bargaining, a change in the politics of pay determination. The ICTU's access to the Taoiseach improved to an extent, as did its representation on government committees, and its overall membership. The government's policies towards the trade union, the economy, and the level of trade union policies incorporated into the government's policies, also underwent change. The central agreements gave the ICTU unprecedented

access to the government, its policies, and their formulation, over the rest of the 1970s. It was at a time of macroeconomic difficulties, as opposed to crisis, that the unions' influence over public policy changed to an extent. However, according to the observable implications criteria set out in Chapter II, the change in the trade unions' influence over public policy did not constitute a critical juncture. The level of change in the trade unions' influence was not that significant, and just as importantly, there was no macroeconomic crisis in the first place.

Figure 4.2: The Critical Juncture Grid, Ireland, 1970

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES		
NO		X

Potential Critical Juncture 3: 1981 – Decentralised Agreements and the Trade Unions

By the close of the 1970s, the centralised agreements had moved well beyond their original fairly modest beginnings. They had acquired a macroeconomic significance that pay bargaining had never before possessed. They were no longer simply pay agreements, but had become wide-ranging policy agreements. But, by the time the Second National Understanding expired in 1981, both unions and employers had become disillusioned with them. The sought after economic stability was not derived from the centralised agreements. Unemployment continued to rise, this despite government commitments to making the achievement of full employment its objective. The national debt was growing at an unsustainable rate, while the onset of another international recession offered a prospect of worsening economic conditions.

The Economy Crisis and Economic Policy

By the early 1980s economic indicators, national commentators, the media, and domestic and international organisations, regarded the economy as in crisis. The centralised pay agreements of the 1970s were implemented as solutions to problems originating in the economic growth of the 1960s. However, they increasingly came to be relied upon to address problems created by the economic circumstances of the 1970s (Hardiman, 1992, p. 329). Irish economic performance in the early 1980s was very different from that of the preceding decade. The latter years of the 1970s had seen the economy recover from the downturn that followed the 1974 oil crisis. Inflation and unemployment began to fall, while strong growth returned (Leddin and Walsh, 1998 p. 26). Real GDP increased on average by about 5.3 per cent from 1976 to 1979 (OECD, 1982, p. 8). The OECD (1982, p. 10) went on to argue that the Fianna Fáil government that came to power in 1977 employed an expansionist fiscal policy at a time when the

economy was already growing at an unsustainable rate. However, strong pro-cyclical fiscal policies led to a major deterioration in fiscal balances with the public sector-borrowing requirement rising from around 13 per cent of GNP in 1976 to almost 17 per cent by 1979. The structural problems highlighted by the first oil crisis had remained unresolved by the time the second oil crisis struck in 1979. The OECD (1983, p. 7) observed that internal and external imbalances in the economy grew worse in the wake of the second oil shock, with an exacerbation of inflationary pressures and record deficits in both the current external balance and the public sector accounts. The average rate of consumer price increase in 1980 was 18.25 per cent.⁷³ The economic downturn that followed this event affected Ireland badly.

‘The second oil shock, the protracted international recession and the failure to achieve the fiscal policy retrenchment originally sought led to a worsening of imbalances in the two years to 1981’ (OECD, 1983, p. 10). Adjustment to the EMS, entered in 1979 after severing the link with Sterling, proved uncertain, and inflation ironically fell at a slower rate in Ireland than in the UK during the early 1980s. Following rapid growth in the second half of the 1970s domestic demand fell sharply in 1980 and remained weak in 1981. At the same time, the OECD (1982, p. 7) pointed out that inflation accelerated and the current external deficit widened substantially. The *Irish Independent* went on to argue that tackling inflation, the elimination of government borrowing, and increased incentives for industry were all essential to righting the economy.⁷⁴ The NESC (1983, p. 3) pointed out that GDP growth fell to 1.1 per cent that turned into a fall of 1.4 per cent in GNP due to outflows associated with the servicing of the external debt. With a marked slowdown in GDP growth the rate of unemployment and inflation began to rise towards historically high figures (Appendix

⁷³ The Central Bank Report, Annual Report, 1981, p. 15.

⁷⁴ *Irish Independent*, 2 June, 1981, p. 5.

D), this despite government commitments to making the achievement of full employment its objective (OECD, 1982, p. 10). The NESc (1981, p. 1) pointed out that unemployment reached 9.3 per cent by mid-1981, with manufacturing industry experiencing a fall in output of 2 per cent. According to *The Irish Times* manufacturing industry, battling through a severe recession, had lost 9,300 jobs.⁷⁵ Simultaneously, the building industry was also in the doldrums.⁷⁶ The increase in fiscal deficit, which was intended to be of a temporary nature, became impossible to eliminate in an economic climate of decline. By 1981 Irish national debt had reached £10.195 billion, of which £3.7 billion was external in nature (Leddin and Walsh, 1998, pp. 155-156). Leddin and O'Leary (1995, p. 167) state that at this time the public sector borrowing requirement peaked at the very high level of 20.1 per cent of GNP, while the current budget deficit stood at an equally unsustainable 7.3 per cent of GNP. Bacon et al., (1982, p. 6), writing for the ESRI, argued that almost half of the total borrowing by the Exchequer in 1981 was to finance the current budget deficit. The Central Bank pointed to the fact that consumer prices rose by 20.5 per cent in 1981, while the deficit on the current account of the balance of payments was £1,327 million, equivalent to 13 per cent of GNP.⁷⁷

The early 1980s were to see a dramatic change in the government's economic policies. John Carroll, the president of the Irish Transport and General Workers' Union (ITGWU), argued that with over 126,000 people unemployed the economy found itself in a crisis situation.⁷⁸ A member of Fine Gael, Alexis Fitzgerald, remarked that there were more people unemployed by June 1981 than at any other time in the country's history. He went on to argue that Fianna Fáil had reduced the national growth rate from

⁷⁵ *The Irish Times*, 1 June, 1981, p. 12.

⁷⁶ *ibid.*, 1 June, p. 14.

⁷⁷ Central Bank of Ireland, Annual Report, 1982, p. 16.

⁷⁸ *The Evening Press*, 28 May, 1981.

over five per cent in 1977 to zero, and in the space of four years had doubled the borrowing level that took 57 years to build up.⁷⁹ In fact the government's spending was so high that the total amount budgeted for 1981 had been mostly consumed by June of that year. By mid-1981 concern for the deteriorating economic performance, and more particularly the need to control public expenditure, reduce the deficit, and prevent excessive reliance on foreign borrowing, dictated the adoption of progressively tighter fiscal policies. Direct household taxes rose and disposable income fell substantially. The longstanding system of income determination also changed with the breakdown of talks on a national agreement, and a shift to freer collective bargaining in November 1981. Thereafter, the OECD (1985, p. 7) points out, fiscal policy in Ireland became directed to correcting massive economic imbalances that peaked in 1981.

The Unions and the Ending of the National Agreements

The negotiation of second NU in 1980 had followed a similar pattern to that of 1979. However, the institutional channels through which negotiations were conducted were different, in that the non-pay elements of the agreement were negotiated directly with the Taoiseach and senior ministers. In 1980 Taoiseach Haughey met with the ICTU five times (Appendix A).⁸⁰ 'He considered [meeting the ICTU] a fundamental part of the role of Taoiseach.'⁸¹ Congress supplied a pre-budget submission that received a reply from Government in the budget speech in February 1980.⁸² At the time Haughey, who had come to power in December 1979, needed to prove his authority to a divided Fianna Fáil party with an election victory. This need appeared to colour the approach the government adopted to trade union pressure on pay and other issues. Essentially, it

⁷⁹ The Irish Times, 6 June, 1981.

⁸⁰ AR, ICTU, 1980 and 1981.

⁸¹ *ibid.*, 1980, p. 22.

⁸² Budget, 1980.

was reluctant to adopt measures that could prove unpopular. Although high levels of current expenditure produced a budgetary over-run in 1979, the government continued its expansionary policies in 1980 (OECD, 1982, p. 50). This was due to the worsening international economic climate resulting from the second oil crisis, and the sharply accelerating increases in Irish unemployment and emigration. However, this situation was in itself to bring about renewed inflationary expectations amongst Irish workers. Meanwhile, the FUE had changed its views on centralised bargaining. In September, as the talks entered their final stages, they collapsed twice in ten days. This resulted in intervention by the government. 'The Taoiseach managed to press the FUE national executive into resuming negotiations by pledging them guarantees on the content of the 1981 budget' (Lalor, 1982, p. 83). The second NU was ratified in September 1980 (O'Brien, 1981, p. 154). However, the conclusion of this second understanding drew the resentment of the FUE at the undue political pressure brought to bear upon it.

The economic partnership between the trade unions, the employers, and the government, underwent change. Taking all into account, centralised bargaining was not meeting the objectives of any of the parties to the agreements. This fact was to compound the difficulties inherent in renegotiating the national agreements. A creeping disillusionment was clearly evident in the growing reluctance of the FUE to continue its participation in the agreements by 1980. For the trade unions the agreements were not transforming pay restraint into job creation at a level necessary to meet the growing labour supply. While improvements in State social policy provisions constituted part of the agreements, they made no inroads into social inequality and disadvantage. This left unions with the perception that government had failed to follow through on its pledges. Although the agreements contained procedures for containing industrial conflict, its level during the 1970s was higher than in any other decade in the history of the state

(Brannick and Doyle, 1994, pp. 260-161). The state looked to the national agreements to restrain pay increases in order to preserve international competitiveness and deliver economic growth. However, this objective was compromised by the extensive and significant bargaining that was conducted below the national level. The result was that an effective second tier of pay determination developed during the 1970s (Fogarty et al., 1981, p. 32). For employers, the agreements sought to impose similar basic wage norms on all sectors of the economy. This was viewed by certain sections of the business community, particularly indigenous companies in exposed sectors, as undermining their competitiveness.

The catch-all nature of Irish political parties imposed an inducement on governments to buy off short-term pressure from interest groups through ad hoc policy concessions. This worked against the creation of enduring agreements between the State and the economic interest groups evident in continental neo-corporatism. The social partners failing to share comparable views on the policies needed for tackling economic problems compounded these difficulties. Employers warned that spiralling wages fuelled inflation, and contributed to rising unemployment. The unions rejected this view. For them unemployment was a consequence of deficient demand. Their solution was an expansionary fiscal policy. Employers resisted the demands for public sector job creation on grounds that increased public spending would have a crowding out effect. These divergent approaches to economic difficulties greatly complicated the process of reaching national pay agreements. Close ideological affinity between the trade unions and the government, a common feature of stable neo-corporatist arrangements, was also lacking in Ireland.

National pay bargaining was to come to an end in 1981. Although talks opened towards negotiating a new NU in 1981, and the ICTU met with Taoiseach Haughey

three times in the first half of the year,⁸³ an impasse was soon encountered on pay terms between employers and unions. The parties to industrial relations faced the prospect of a return to decentralised pay determination.

Prior to the June general election the Fianna Fáil manifesto *Our Programme for the 80s*, and the Fine Gael manifesto *A Better Future*, had painted diametrically opposed images of the economy.⁸⁴ Despite this, the picture of the economy painted by the Central Bank at the time was one of unremitting grimness.⁸⁵ The leader of the opposition, Dr. Garrett FitzGerald of Fine Gael, argued that under Fianna Fáil the economy had endured four years of indecision and inaction.⁸⁶ He went on to state that Fianna Fáil had failed to control the rampant inflation afflicting the economy.⁸⁷ The Taoiseach countered that he had called the election in order to put himself in a strong position from which to impose a discipline on the public finances his government had not so far achieved.⁸⁸ John Kelly, a Fine Gael front-bencher, stated that his party's priority was the stimulation of jobs.⁸⁹ *The Irish Times* argued that in essence 'the purpose of the election was to decide who would become crisis manager for the economy.'⁹⁰ *The Irish Independent* pointed out that the majority of the populace were unconvinced that the political leaders could 'run the country right.'⁹¹ The general election of June 1981 saw a minority coalition government comprising Fine Gael and the Labour Party come to power. At the most inopportune time in the Republic's

⁸³ AR, ICTU, 1981

⁸⁴ *Our Programme for the 80s*, 1981, Fianna Fáil; *A Better Future*, 1981, Fine Gael.

⁸⁵ Central Bank of Ireland, Quarterly Bulletin, Summer, 1982, p. 10.

⁸⁶ *The Irish Times*, 8 June, 1981.

⁸⁷ *Irish Independent*, 1 June 1981, p. 4.

⁸⁸ *The Irish Times*, 15 June, 1981, p. 5.

⁸⁹ *ibid.*, 9 June, p. 9.

⁹⁰ *ibid.*, 6 June, 1981, p. 9.

⁹¹ *Irish Independent*, 2 June, 1981, p. 1.

affairs, remarked *The Irish Times*, it suddenly found itself condemned to, what ultimately proved to be, a period of weak and unstable government.⁹²

Coakley (1982, p. 91) points out that in the run up to the election Fine Gael had ‘emphasised the need for corrective action to improve the state of the economy.’ This conformed with the statements coming out of the Central Bank which argued that the ‘fundamental problem is that the community still does not realise, apparently, that it must adjust its living standards and expectations downwards in the face of both deteriorating terms of trade and the need to commit resources to servicing the increased external debt.’⁹³ Polls had shown that unemployment, and especially jobs for young people, were easily the most important questions on the minds of the voters, with prices being of next greatest importance.⁹⁴ The new government was determined to bring order to the public finances. According to the National Economic and Social Council (NESC) (1986, p. 43) a spiralling current budget deficit, public sector borrowing requirement, and national debt, precipitated a new approach to economic management by the government. As *The Irish Times* saw it; in a situation marked by economic crisis harsh economic decisions could not be avoided.⁹⁵ Regaining control of the public finances would entail constraining the rising public service pay much more tightly than under previous administrations (FitzGerald, 1991, p. 385). The supplementary budget introduced in July 1981, was designed to reduce the central government borrowing requirement and the balance of payments deficit. The ESRI (1981, p. 15) pointed out that the changes were estimated by the government to reduce the borrowing requirement by £336 million compared with what it otherwise would have been.

⁹² *ibid.*, 15 June, 1981, p. 12.

⁹³ Central Bank of Ireland, Annual Report, 1982, p. 8.

⁹⁴ *Irish Independent*, 11 June, 1981.

⁹⁵ *The Irish Times*, 29 June, 1981.

Redmond (1985) points out that there were also indications that certain Fine Gael ministers were less than convinced of the merits of the national tripartite agreements. Consequently, in spite of the fact that Taoiseach Garret FitzGerald met four times with the ICTU⁹⁶ prior to the breakdown of discussion on a new NU, when the breakdown occurred the government was unwilling to intervene to save the talks as it considered the terms on the table incompatible with economic correction. Although this brought the ICTU's overall encounters with the Taoiseach to seven in that year, from 1981 onwards the ICTU was pushed out of the policy making process, and its influence over the national budget ceased to exist. The Fine Gael wing of the coalition essentially decided that the social partners had no right to influence economic and social policy.⁹⁷ The government's policy towards, and relationship with, the trade unions had essentially changed. 'It was to be a bleak period for Congress and labour,' (Girvin, 1994, p. 129). National pay bargaining was not to be reinstated before 1987.

The seeds of collapse, the agreements' failure to correct national economic problems, and to close gap between their objectives and achievements, had been sown over a number of years. Unrealised expectations, and undelivered commitments, brought about the demise of national bargaining. From late 1981 onwards, in the context of worsening economic conditions, wage rounds again became decentralised (Cox, 1983). *The Irish Times* points out that as the country battled through a severe recession demands for the correct management of the public finances, and curbs in public spending, were placed at the top of the political agenda.⁹⁸ By 1982 all political parties were committed to curbing public spending. This objective was not compatible with underwriting collective agreements on the sorts of terms that had characterised the

⁹⁶ AR, ICTU, 1982.

⁹⁷ *The Irish Times*, 3 February, 1982, p. 1.

⁹⁸ *ibid.*, 1 June, 1981.

two NUs. As a consequence, trade union influence on public policy was to be reduced drastically during the first half of the 1980s.

Political and Economic Instability

The period from June 1981 to November 1982 was distinguished by a level of political instability not previously experienced in Ireland. Three general elections were contested, each of which brought with it a change of government. The minority Fine Gael-Labour Party coalition, falling on budget day 1982 after introducing an upwardly redistributive budget that led the independent deputies sustaining it to withdraw their support, was succeeded by a minority Fianna Fáil administration in March 1982. Thereafter, Haughey met with the ICTU only twice. This Fianna Fáil government promised a more humane approach towards balancing the books. However, Taoiseach Haughey soon reversed policy course (Hardiman, 1988, p. 179). Fianna Fáil's budget of March 1982 makes no reference to reviving the NUs.⁹⁹ The publication in the autumn of Fianna Fáil's economic plan *The Way Forward*,¹⁰⁰ based on redirecting wealth upwards, proved too much for the minority government's left-wing parliamentary support. To this point Fianna Fáil had been relying on socialist deputy Tony Gregory, and three Workers' Party TDs (Lee, 1989, p. 509). Gregory and the Workers' Party deputies choose to withdraw their support from Fianna Fáil in protest at *The Way Forward*. Fine Gael subsequently tabled a motion of no confidence in the government, and when the vote was taken on 4 November the government was defeated by 82 votes to 80 (Collins, 1992, p. 62). Another general election was held in November 1982, and this saw Fianna Fáil replaced by a majority Fine Gael-Labour coalition government.

⁹⁹ Budget, 1982.

¹⁰⁰ *The Way Forward*, 1982, Fianna Fáil.

‘Not only politically, but also economically, instability peaked in 1981-1982’ (Mjoset, 1992, p. 381). For national development the governments of 1981 and 1982 were of such short duration, and unstable character, that no discernible economic policies emerged. With the national debt and current budget deficit spiralling out of control, the latter having reached £12.8 billion and the former £998 million by 1982¹⁰¹, a coherent policy approach was essential for corrective purposes. By the time the second Fine Gael-Labour Coalition of the 1980s came to power in November 1982 the national debt had exceeded GNP. ‘The fact that Fine Gael profited from the 24 November election [1982] might well be a tribute to the potency of free market ideology’ (Jacobsen, 1994, p. 149).

This government, Garret FitzGerald’s second administration, was to remain in power until 1987. The state of the public finances allowed government little scope for action on issues of trade union concern.¹⁰² By 1982 all the major parties agreed on the need to stabilise the national debt/GNP ratio (Mjoset, 1992, p. 381). The state’s policy for much of the 1980s was to maintain the trade unions at a remove from the policy making process (Roche, 1994a, p. 172). After 1981 the government’s policies towards the trade unions were to see the ICTU marginalised as a policy making force. Ultimately the trade unions were, as argued by Fianna Fáil TD Seán Calleary, to face unprecedented attacks from the government on pay and negotiating procedures.¹⁰³ The state changed its overall policy from focusing on employment to balancing budgets, export growth, and international competitiveness. The trade unions’ access to the Taoiseach diminished dramatically after 1981. The ICTU met with Taoiseach Garret

¹⁰¹ C[entral] S[tatistics] O[ffice], S[tatistical] A[bstract] of I[reland], 1982-1985, p. 298.

¹⁰² Policy of Economic Recovery, 1982, Fine Gael.

¹⁰³ Dáil Eireann, Vol. 363, 6 February, 1986.

FitzGerald only once in 1983, and not at all in 1984.¹⁰⁴ Persistent turbulence over public service pay, and the Government's disinclination to return to tripartism, made for difficult relations between the government and the trade union movement in general. Meetings between the government and ICTU at this time were formal, tense, and in general unproductive, and remained so throughout this government's term (FitzGerald, 1991, p. 454). FitzGerald (1991, p. 454) goes on to say that 'the only personal recollection I have of a genuine worthwhile discussion with the unions is of an encounter between the ICTU and the Fine Gael Ministers that took place in our party office.' He further observes that certain of the unions' hostility towards the government might have related to the fact the Labour Party constituted part of a Government taking a determined stand on pay and decentralised collective bargaining.

Overall, the early 1980s saw an overdose of electoral entertainment in which the major parties played on the theme of "stability" to shed the independent deputies and fringe parties with which they allied after the June 1981 and February 1982 contests (Jacobsen, 1994, p. 146-7).

At the time Fianna Fáil and Fine Gael had competed over the right to impose the least agonising cuts necessary to stave off the spectre of IMF domination.

Union Strength, Policies, and Economic Decline

The early 1980s saw change in the nature of the trade unions' representation on government committees. In the years leading up to the proposed critical juncture in 1981, the ICTU maintained a presence on a substantial number of committees integral

¹⁰⁴ AR, ICTU, 1983, 1984, and 1985.

to its position in the national agreements (Appendix B).¹⁰⁵ However, after 1981, although the number of committees on which the ICTU was represented did not diminish substantially, the ending of central pay agreements saw the kinds of committees on which it was represented change. The presence of the ICTU's membership on a number of new sectorial committees pointed to the ending of the national agreements.¹⁰⁶ However, the true significance of this change is not captured fully here, as this observable implication's significance was measured quantitatively as opposed to the qualitatively.

Trade union membership, that had been expanding for the previous two decades, finally suffered a setback in 1981. The level of trade union membership in Ireland in 1980 had stood at 545,200, an increase of 11,000 on 1979 (Appendix C). This figure constituted an all-time high. However, the following year, 1981, the year of the third proposed critical juncture, trade union membership fell by 3,000, or 0.4 per cent, to 542,200. Although a small fall, and not significant according to the measures set out in Chapter II, its significance could more easily be recognised qualitatively as opposed to quantitatively. This was the first time in 23 years that Irish trade union membership had actually fallen. In 1982 trade union membership fell by a further 5,300, to 536,900. At this time unemployment climbed from 8.9 per cent in 1981 to 12.8 per cent in 1982 as the recession began to bite (Conniffe and Kennedy, 1984, pp. 8-18). Over the next five years trade union membership was to continue falling, while the annual rate of decrease became higher year on year. This slide in membership was not arrested until 1988, by which time it had acquired a stark and worrying significance for the movement as a whole.

¹⁰⁵ *ibid.*, 1980.

¹⁰⁶ *ibid.*, 1983.

Roche and Larragy (1989, pp. 34-35) argue that some of this decline in membership can be attributed to structural shifts in the composition of the labour force. Employment dwindled in the traditionally highly unionised areas of manufacturing and grew in the services sector where obstacles to unionisation were considerable. As a consequence of falling membership the unions' capacity to engage in militant action was reduced. The period from 1980 to 1987 saw a lower number of strikes, and days lost through strikes, than had the late 1970s. Yet, the years from 1982-1986 recorded the highest ever number of workers involved in strikes (Brannick and Doyle, 1994, p. 261).

There was also a dramatic change in the level of trade union policies that were incorporated into the government's policies. By the late 1970s the trade unions' policies had been regularly finding their way into the government's legislation. The Minister for Labour was continuously accepting representations from the ICTU on various Bills and Acts. The Department of Labour approved the amendments sought by the ICTU to the Safety in Industry Bill in July 1979, and the Payment of Wages Act 1979. At the ICTU's urgings, on 6 February 1980 the Minister for Labour implemented EEC recommendation on 40-hour working weeks.¹⁰⁷ In April 1980 the ICTU set out its views on the Redundancy Payments Acts to the government.¹⁰⁸ The following March the Minister for Labour informed Congress that, with the consent of the Minister for Finance, he had implemented their requested changes.¹⁰⁹ In early 1981 the Department of Labour introduced legislation on the protection of young people in employment, which conformed to Congress's proposals.¹¹⁰ In April the Night Work (Amendment)

¹⁰⁷ *ibid.*, 1980.

¹⁰⁸ *ibid.*

¹⁰⁹ AR, ICTU, 1981.

¹¹⁰ *ibid.*

Bill was passed by the Dáil.¹¹¹ This had been sought by Congress in its Executive Council Report to the 1980 Annual Delegate Conference.¹¹² Under the second NU Congress had an input into the Maternity Protection of Employees Bill, the Social Welfare (Amendment) Bill, and the Working Hours Bill.¹¹³ However, in July 1981 the ICTU condemned¹¹⁴ the deflationary policy of the budget introduced by Fine Gael Minister for Finance John Bruton.¹¹⁵

By January 1982 the ICTU was at loggerheads with the Fine Gael-Labour Coalition over their proposed budget. Congress sought a reduction in the tax burden on workers, by increasing taxes on farmers and the self-employed.¹¹⁶ Following the change of government in March 1982 Fianna Fáil's budget incorporated a number of the ICTU's pre-budget submissions relating to increases in the rate of social insurance benefits, and child allowances.¹¹⁷ However, the ICTU was simultaneously growing annoyed at the government's lethargy in implementing certain legislation, such as the Green Paper on Services for the handicapped.¹¹⁸ Although the ICTU expressed support for the EEC Commission's proposal for a council directive on voluntary part-time work, the government opposed this. Determined to deflate the economy, government also rejected the unions' policy on pay in the public and private sectors.¹¹⁹ The government did pass the Trade Disputes Act in July 1982, extending the protection of the 1906 Act to all workers apart from the security forces.¹²⁰ However, on 30 July 1982, a government statement on public expenditure policy insisted that public employees

¹¹¹ Dáil Eireann, Vol. 328, 2 April, 1981.

¹¹² AR, ICTU, 1980.

¹¹³ *ibid.*, 1981.

¹¹⁴ *ibid.*

¹¹⁵ Budget, 1981.

¹¹⁶ AR, ICTU, 1982.

¹¹⁷ Budget, 1982.

¹¹⁸ AR, ICTU, 1982.

¹¹⁹ *ibid.*

¹²⁰ Dáil Eireann, Vol. 337, 8 July, 1982.

would not be paid any further special pay increases that had been agreed with the ICTU in January. In the Fine Gael budget of February 1983 the tax burden on PAYE workers was increased, and social welfare was cut,¹²¹ to the dismay of the ICTU.¹²² Thereafter, it was clear that on the issues of taxes, wages, and welfare, the government and the ICTU were firmly in opposing camps. The ICTU's pre-budget submission on housing was also ignored by the government in 1983.¹²³ After 1981 the level of trade union policies incorporated into the government's policies towards organised labour underwent change.

From mid-1982 onwards, in the face of an unsustainably high and increasingly difficult to reduce national debt, the tide had effectively turned against Keynesianism. Munck (1993, p. 38) argues that all the political parties became committed to curbing the volume of public expenditure as an essential precondition for any plan of economic recovery. However, the Coalition government of November 1982 to February 1987 experienced considerable difficulty in devising an effective strategy (O'Byrnes, 1986, p. 219). 'An attempt to achieve fiscal correction and disinflation through increased taxation rather than expenditure reduction, completed the economic picture' (McCarthy, 1999, p. 5). This development was to greatly worry the business community. Leading businessman, Michael Smurfit, observed prophetically that the continual delay in actually tackling the underlying problems in the economy would only make the cure more difficult, and harder to achieve, in the future.¹²⁴ However, economic growth was negative in 1982 and 1983, while unemployment doubled between 1980 and 1983

¹²¹ Budget, 1983.

¹²² AR, ICTU, 1983.

¹²³ *ibid.*

¹²⁴ The Irish Times, 9 June, 1981, p. 7.

(Mjoset, 1992, p. 380). The government's attempt to control expenditure was an abysmal failure (Brunt, 1988, p. 29).

The 1980s saw the economy enter a vicious downward spiral, with taxes remaining high while high interest rates depressed investment and reduced the productive capacity of the economy. Control over current spending proved difficult to achieve at a time of high unemployment and rapid population growth. Government spending on social services jumped from 28.9 per cent of GNP in 1980 to 35.6 per cent in 1985 (Leddin and Walsh, 1998, p. 302). However, the stabilisation of the debt to GNP ratio required sharp cuts in borrowing and consequently in current spending.

The inescapable consequence of sustained heavy borrowing to finance expenditure which does not contribute adequately to developing productive potential is that the service of past borrowing absorbs a large and growing proportion of tax revenue (Kennedy, 1981, p. 140).

The 1980s saw the economy stagnant, the public finances deteriorate, and unemployment reached unprecedented levels. However, the OECD (1986, p. 12) pointed out that by the mid-1980s the rate of increase in unemployment was being offset by the growing rate of emigration. Total net emigration began to approach the very high levels experienced during the mid-1950s. The NESO (1986, p. 304) showed that between 1981 and 1986 75,000 people left the country. As the recession deepened the rate of emigration accelerated. In 1985-1986 a net emigration of 31,000 occurred, in contrast to only 1,000 in 1981-1982 (Brunt, 1988, p. 34). For the first time in a quarter of a century 1986 saw the population of the country decrease (Munck, 1993, p. 37). By 1987 the Irish economy was in the worst state it had ever been. O'Donnell (1998, p. 6)

states that the period 1980 to 1987 had been one of prolonged recession, falling living standards, huge unemployment, and the return of emigration. Even more worrying was a report contained in *The Economist* that calculated that the economic situation would take over a decade to show any signs of improvement.¹²⁵ The NESC (1986, p. 39) stated that the absence of centralised agreements limited the influence of the trade union movement at a time when the economic situation of employees was worsening.

Commentators observed that the trade unions' influence over public policy diminished at this time, as the government's policies towards the unions changed, becoming less accommodating. Throughout the depressed years of the early 1980s the state's posture was to keep the unions at arms length from the public policy process (Roche, 1994a, p. 172).

It was evident during the period of Coalition government that influential Fine Gael members of the cabinet were not willing to accord the ICTU special status in consultation over economic policy (Hardiman, 1988, p. 225-6).

They regarded it as simply one among a number of interests. Between 1982 to 1987 the ICTU's relations with the Labour Party also grew increasingly strained (Collins, 1993). The Party's shared responsibility for the level and range of public spending cuts introduced by the government served only to distance it from Congress. The ICTU no longer had the direct access to the government it had enjoyed during the 1970s (Wickham, 1992, p. p. 85). It was to prove a bleak period for both Congress and labour. Most of the actions of Congress, and individual trade unions, between 1981 and 1987 were thus defensive in nature.

¹²⁵ *The Economist*, 3-9 October, 1987.

Table 4.3: The Empirical-Theoretical Fit 1981

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees			X	
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government	X			
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy		X		
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour	X			
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?		X		
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?		X		
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?	X			
O6: Do domestic and international organisations regard the economic state of the country as in crisis?	X			
O7: Do elected representatives regard the economic state of the country as in crisis?	X			
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?	X			

From Table 4.3 it is clear that both of the hypotheses' observable implications pointed to a significant, swift, and enduring change in the ICTU's influence over public policy, this at a time of macroeconomic crisis. With the first hypothesis, 80 per cent of the observable implications pointed to medium or high empirical-theoretical fit, while 70 per cent indicated a high fit exclusively. In the case of the second hypothesis, all of the observables indicated a medium to high empirical-theoretical fit, with 75 per cent indicating a high fit. With the level of high empirical-theoretical fit for both hypotheses surpassing the minimum 60 per cent threshold the table confirms that there was a critical juncture in the ICTU's influence over public policy in 1981.

In summation, the early 1980s were to see a significant, swift, and enduring change in the ICTU's influence over public policy. At the time the economy was performing disastrously. With the economy in crisis, and some of the main economic indicators hitting historic lows, a period of political instability manifested itself. This view of the economy was unanimously shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. At this time centralised bargaining was abandoned by the political parties in their efforts to find a solution to the economy's problems. As the political establishment came to recognize the necessity of the correct management of the public finances it became committed to reducing public spending. As part of this approach, government policy towards organised labour came to concentrate on maintaining the ICTU at a remove from the public policy making process, as its policies were seen as incompatible with economic recovery. A new approach was adopted towards both the economy and the trade unions by the Fine Gael-Labour Party coalition government. Consequently, the ICTU's access to the Taoiseach, its representation on government committees, the government's

economic and industrial relations policies, the trade unions' influence on these policies, and ministerial attitudes, all changed to the trade unions' disadvantage. Ultimately, the ending of the central agreements denied the ICTU access to the government, and the formulation of its policies, that it had gained in 1970. The unions were to remain in the political wilderness until 1987. It was at a time of macroeconomic crisis that the ICTU's influence over public policy changed significantly, swiftly, and enduringly. According to the observable implications criteria set out in Chapter II the change in the trade unions' influence over public policy was a critical juncture.

Figure 4.3: The Critical Juncture Grid, Ireland, 1981

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	X	
NO		

Potential Critical Juncture 4: 1987 – The Return to Centralised Agreements

The hiatus from centralised collective bargaining that began in 1981 came to an end in 1987 with the conclusion between the government and the social partners of a new central pay agreement. By that year the problems with the Irish economy, locked in vicious circle of stagnation, rising taxes, and rocketing debt, had reached crisis proportions. This national pay agreement, part of a strategy designed to right the Irish economy, was to be first in a series of such three-year agreements. The social partnership, deriving from these agreements, produced a transformation in Ireland's public finances. It became the cornerstone of a sustained period of economic growth that provided the much-needed recovery from the fiscal crisis of the early to mid-1980s. The ICTU's influence over public policy was to be dramatically enhanced by this return to centralised collective bargaining.

The Economy and Union Membership

Certain of the country's economic indicators had reached historic lows, while national economic and political commentators, the media, as well as domestic and international organisations, regarded the economic state of the country as in crisis by 1987. The macroeconomic policies that had attempted to shelter the Irish economy from the consequences of the two oil shocks of the 1970s had by the early 1980s led to unsustainable macroeconomic imbalances. The OECD (1987, pp. 11-15) pointed out that the 1979-1987 period was one of very poor economic performance on almost all counts: slow growth, rapidly deteriorating public finances, stagnation of per capita disposable income, huge balance of payments deficits, industrial relations turmoil, and a large drop off in domestic demand. NESAC (1986, p. 7) stated that over those years

annual average GNP growth was negative. All in all, by the mid-1980s a number of acute imbalances confronted the Irish economy (OECD, 1987, p. 77).

Bacon (1986, p. 1), writing for the ESRI, commented that 'the first half of the decade of the 1980s, taken as a whole, was a period of appalling economic performance in Ireland.' Bradley and FitzGerald (1989, p. iii), also writing for the ESRI, pointed out that from 1980 to 1987 growth averaged only 0.5 per cent per year. In the period between 1982 and 1987 the national debt doubled, rising to over £23 billion, 40 per cent of which was sourced abroad (Jacobsen, 1994, p. 161). This represented 130 per cent of GNP. According to *The Economist*

the people of Ireland were deeply in debt to the outside world, three times as much per head as Mexico. The government borrowed vast sums, and spent them on welfare services that can be sustained only by more borrowing.¹²⁶

As a consequence of this *The Irish Times* pointed to the fact that there were those economic commentators who began to actively advocate a policy of debt repudiation.¹²⁷ At the same time, although the inflation rate had fallen from 17 per cent to less than 4 per cent, the borrowing requirement still stood at 13 per cent of GNP by 1986 (Jacobsen, 1994, p. 160). Unemployment rose rapidly during the 1980s (Appendix D). It climbed from 8.9 per cent in 1981 to peak at a historic high of 17.7 per cent in 1987 (Daly, 1994, p. 122), with a total of 254,526 people out of work.¹²⁸ Job loss statistics had in fact risen to the top of the European unemployment league.¹²⁹ However, the

¹²⁶ *ibid.*, 24-30 January, 1987, pp. 53-55.

¹²⁷ *The Irish Times*, 12 February, 1987.

¹²⁸ CSO, SAI, 1990.

¹²⁹ *The Irish Press*, 15 February, 1987.

numbers at work had been in decline since the late 1970s. They fell from a peak of 1,145,000 in 1979 to 1,095,100 by 1986 (Leddin and Walsh, 1998, p. 320). According to *the Irish Independent* 'manufacturing industry is in crisis. Since 1980 the number of people employed in manufacturing has dropped by over 40,000. One in six jobs have disappeared.'¹³⁰ *The Irish Independent* observed that overall it had been four years of disastrous coalition government.¹³¹ *The Irish Times* used the term 'battered' to describe the state of the economy by early February 1987.¹³² The general consensus in the newspapers on the state of the economy, as voiced by the *Irish Independent*, was one of stagnation and crisis.¹³³

The Central Bank viewed the situation in 1987 with great pessimism. It also foresaw no prospects for an improvement in the employment situation.¹³⁴ 'It is difficult to avoid the conclusion that Irish economic performance has been the least impressive in Western Europe, perhaps in all Europe,' (Kennedy and Conniffe, 1986, p. 288). 'By 1987 the Irish economy was universally seen to have reached its nadir' (EIU, 1992, p. 6). As the Central Bank saw it, the situation did not permit for any improvements in the state of the nation's social welfare benefits to needy members of society.¹³⁵ Poverty resulting from the depression was eroding the lives of a growing segment of the population.¹³⁶ Consequently, Irish society was close to crisis due to the state the economy found itself in.¹³⁷ The business community was also growing extremely worried about the problems confronting the economy and the policy makers. Leading businessman, Tony O'Reilly, warned of the possibility of IMF involvement in the

¹³⁰ *Irish Independent*, 4 February, 1987, p. 8.

¹³¹ *Irish Independent*, 11 February, 1987.

¹³² *The Irish Times*, 3 February, 1987, p. 6.

¹³³ *Irish Independent*, 17 February, 1987.

¹³⁴ The Central Bank of Ireland, *Quarterly Bulletin*, Summer 1987, p. 7.

¹³⁵ *The Irish Times*, 2 February, 1987.

¹³⁶ *ibid.*, 12 February, 1987.

¹³⁷ *ibid.*, 10 February, 1987.

affairs of the country if the crisis in the economy was not dealt with in a decisive manner. This would give the IMF a degree of control over the economy, effectively ending Irish economy sovereignty. 'Bitter' and 'hard' decision would have to be taken, he warned, in order to right the economy.¹³⁸

The fall in trade union membership was finally arrested in 1987/88. Rising unemployment, and the deepening recession between 1981 and 1987, saw trade union membership fall significantly. Virtually all sectors of the trade union movement suffered during the most sustained and serious loss in trade union membership recorded since the Second World War (Roche 1994b, p. 133). By 1986 the number of people in Irish trade unions had fallen to 482,700 (Appendix C). This in itself constituted a fall of 18,800 from 1985. In 1987, the year of the proposed critical juncture, union membership fell by another 14,100, or 2.8 per cent (Roche, 1994a, p. 61). This left 468,600 trade union members in the Republic of Ireland, a decrease of 76,600, or more than 14 per cent, since 1980. All of the membership gains that had been made during the latter half of the 1970s had been wiped out during the mid-1980s. However, in 1988 trade union membership increased for the first time since 1980, reaching 470,500 (Roche, 1997). Although constituting an increase of only 0.4 per cent, this marked the beginning of a turn around for the Irish trade union movement. Over the eight years following the proposed critical juncture, trade union membership in Ireland grew by 10.5 per cent in total, reaching 517,900 by 1995.

The NESC Report

By the mid-1980s the Coalition government had made little progress on gaining control over debt and unemployment. *The Sunday Press* pointed out that more than half of the

¹³⁸ Irish Independent, 14 February, 1987, p. 8.

national debt had been incurred while under the coalition administration, rising from £11.82 billion in 1982 to £23.29 billion in 1986.¹³⁹ Taoiseach FitzGerald said that ‘the national debt and interest payments were rising faster than national income, and constituted a vicious circle.’¹⁴⁰ The leader of the opposition, Charles Haughey, remarked that ‘the economy is at a total stand-still.’¹⁴¹ In this context of deep despair the government became interested in the prospect of building support among the main economic and social interests behind a national recovery strategy. Through the involvement of all the major economic interests and of government representatives, the NESC, which had been established in 1973, acted as a forum for discussing the economic crises. In the autumn of 1986 the NESC produced a report entitled *A Strategy for Development, 1986-1990* (Murphy, 1999, p. 275). The report predicted that existing government policies would give rise to further emigration, deterioration of the public finances, and reduced flexibility for policy makers (NESC, 1986, p. 307). ‘The argument against a continuation of present policies is sometimes based on the consideration that discretion over economic and social policy would ultimately be removed from [Irish] control’ (NESC, 1986, p. 304). The report was comprehensive, and set within a medium term framework.

The NESC report emphasised the necessity of a national plan to tackle the crisis in public expenditure. It recommended a simultaneous assault on the problems of unemployment and fiscal imbalance. This would require an integrated medium term strategy that would command acceptance throughout society. The report was conceived of as a means of giving new life to the economic recovery plans of the Coalition government. While still in opposition Fianna Fáil proposed building on the NESC’s

¹³⁹ The Sunday Press, 11 January, 1987.

¹⁴⁰ The Irish Times, 11 February 1987, p. 10.

¹⁴¹ *ibid.*, 4 February, 1987.

consensus. Ironically, the method and approach set out in *A Strategy for Development* was absorbed into Fianna Fáil's 1987 election manifesto *The Programme for National Recovery* (Breen et al., 1990, p. 220). 'It was referred to directly in both the Fianna Fáil budget of March 1987 and the Programme for National Recovery [national agreement]' (Trench, 1988, p. 6).

The 1987 Election

By 1986 Fianna Fáil, in opposition, was freer than the Labour Party to criticise the incidence of expenditure cuts. Consequently, it was better able to capitalise on popular discontent with government policy. At the time Fianna Fáil was aware that the unions were growing disillusioned with the government and especially the Labour Party (Allen, 1997, p. 169). In the absence of political links the trade union movement faced the daunting prospect of continued marginalization from policy debates. Spotting an opportunity, Fianna Fáil embarked on a strategy of wooing the trade unions. It did not regard arms length dealings with them as ideal for imposing fiscal discipline. It was more willing to involve the unions in policy discussions than the Coalition government. Haughey (1986) denounced the monetarist policies of the Fine Gael-Labour government, and supported the calls of union leaders for a return to social partnership agreements. These policies were put on a more formal basis after 1986 when the Fianna Fáil Trade Union Committee began a series of meetings with figures in the unions. This was to lay the foundation for a future agreement between the party and the unions.

Labour ministers had struggled in cabinet, with some successes, to maintain or improve the value of social benefits (NESC, 1990, p. 199). This stance imposed considerable strain on the Coalition (FitzGerald, 1991, p. 640). Yet, the Labour ministers' stance had not made their relationship with the trade unions any easier

(Collins, 1993). The Coalition government struggled with chronic fiscal problems, until eventually, in 1987, disagreement over expenditure cuts proposed for the budget led to the resignation of the Labour ministers from the government (Mjoset, 1992, p. 382).

The general election of 1987 saw all party leaders making the case for fiscal rectitude, and declare that no additional promises could be made during the campaign.¹⁴² Both the leader of Fianna Fáil, Haughey, and the deputy leader, Lenihan, stressed that the election was about economic recovery.¹⁴³ Taoiseach Dr. FitzGerald regarded the burden of the national debt as a set of handcuffs that bound the country's hands with high taxes and high interest rates.¹⁴⁴ At the time FitzGerald proposed an all-party forum approach to dealing with the country's economic crisis after the election. However, this suggestion was met with cool disapproval by Fianna Fáil.¹⁴⁵

Due to the state of the economy a change in economic policy was recognised as a necessity by all the political parties. The Fine Gael 1987 election manifesto, *Breaking out of the Vicious Circle*, proposed reduced public spending and borrowing.¹⁴⁶ During the 1987 general election Fianna Fáil campaigned on a platform of opposition to cuts in social spending, and advocated a return to centralised pay agreements. Opinion polls conducted leading up to the election in February found that unemployment constituted the major campaign issue for the electorate, followed by taxation, prices, finance, crime, and lastly Northern Ireland.¹⁴⁷ There was a general consensus amongst the public that the country was in the midst of a serious financial crisis.¹⁴⁸

¹⁴² The Times, 7 February, 1987.

¹⁴³ The Irish Times, 2 February, 1987.

¹⁴⁴ *ibid.*, 3 February, 1987.

¹⁴⁵ The Sunday Press, 6 February, 1987.

¹⁴⁶ *Breaking out of the Vicious Circle, Election '87*, 1987, Fine Gael.

¹⁴⁷ The Irish Times, 5 February, 1987, p. 8.

¹⁴⁸ Irish Independent, 16 February, 1987.

The election saw a shift of urban working-class support towards Fianna Fáil, this in protest at the harshness of the measures proposed by the coalition (Laver et al., 1987, p. 104). 'A huge drop in Fine Gael's vote in the election of February 1987, coupled with Labour's determination to go it alone, opened the way for a minority Fianna Fáil administration' (Ó'Gráda, 1997, p. 32). Independent deputies, such as Neil Blaney from Donegal, were willing to support the government provided it took the necessary steps to right the economy.¹⁴⁹ The independents placing the economy before demands concerning their own constituencies' interests was an indication of the desperate economic situation of the time.

The Economist argued that two things were needed from the new government: changing the consensus on the acknowledgement of the crisis in the economy into an acceptance of what was needed to be done, and providing the leadership needed to carry out the measures necessary to bring about an economic turnaround.¹⁵⁰ As the new Fianna Fáil administration was a minority government it was considered likely to want to avoid the electoral risk of implementing severe spending cuts. However, the new administration soon made it clear that it proposed little modification to the outgoing government's plans.¹⁵¹ After Mr Haughey visited the Department of Finance for a briefing on the state of the national finances Fianna Fáil promptly recanted on its manifesto promises (O'Halpin, 1993, p. 202). The Taoiseach said that the economic situation the country found itself in was one of extreme difficulty (Trench et al., 1987, p. 18). He remarked that people were worried about unemployment and emigration, and that they 'wanted someone to take the situation by the scruff of the neck.'¹⁵² The budget introduced in March 1987 implied much greater fiscal adjustment than was

¹⁴⁹ *ibid.*, February 20, 1987.

¹⁵⁰ *The Economist*, 13 February, 1987.

¹⁵¹ *Financial Times*, 1 April, 1987.

¹⁵² *Irish Independent*, 13 February, 1987.

either intended or achieved in the preceding years. The OECD (1989, p. 16) argued that this constituted a marked shift in policy emphasis and a determination to reduce the large government deficit. Expenditure was reduced by £250 million while tax revenue was increased by £117 million (OECD, 1987, p. 21).

This blast of fiscal rectitude was pragmatic, driven by the necessity to get the public debt under control (Burda, 1997, p. 103). The Government's public expenditure cuts, especially in health, were greatly resented (Marsh and Sinnot, 1990, p. 6). However, the measures imposing fiscal restraint, and seeking to ensure low inflation, were ultimately to result in a macroeconomic stability that was to facilitate an economic boom for much of the 1990s (O'Hearn, 1998, pp. 140-141). Nevertheless, given the scale of the task the Fianna Fáil government set itself, and the hugely deflationary implications of bringing the public finances under control, it was concerned to avoid confrontation with the trade unions, especially the unions in the public service.

The unions' access to the Taoiseach changed at this time. The number of meetings between the Taoiseach, Charles Haughey, and the trade unions increased significantly after the general election. In contrast to Taoiseach Garret FitzGerald, who met with the ICTU once in 1985 and not at all in 1986,¹⁵³ Taoiseach Haughey met with the ICTU four times in 1987 (Appendix A). Most of these meetings concerned the government's plans for economic recovery.¹⁵⁴ The following year the Taoiseach was to personally meet with the ICTU on four more occasions.¹⁵⁵ The years thereafter were to see more such encounters.

¹⁵³ AR, ICTU, 1986 and 1987.

¹⁵⁴ *ibid.*, 1987 and 1988.

¹⁵⁵ *ibid.*, 1988.

The Unions and the PNR

There was to be a dramatic change in the relationship between the trade union, the employers, and the government. The government's actions on first assuming office appeared unpromising from the ICTU's point of view. The severity of public spending cuts caused difficulties for trade union leaders, especially those with members in the health services where the heaviest cuts were falling. However, this Fianna Fáil government was to revive tripartite bargaining. Within a few months of assuming office the new government promoted talks on a national pay agreement in accordance with the principles laid down in the NESC report (Jacobsen, 1994, p. 177). The administration was interested in securing a three-year tripartite agreement throughout the economy (Allen, 1997, p. 170). 'The Taoiseach invited the unions, along with the other major social partners, to take part in an effort to spur recovery by means of consensus' (Mjoset, 1992, p. 383). It became apparent during the discussions that to facilitate this pay agreement the government was willing to modify its restrictive stance on public service pay, and discuss tax concessions, job creation targets, and welfare provisions.¹⁵⁶

The new government's policies towards organised labour were different to those of its predecessor. Fianna Fáil supported a centralised pay agreement on account of its benefits in terms of industrial peace and trade union commitment to a painful but necessary series of spending cuts.¹⁵⁷ Where the Coalition government had set its face against any revival of this form of influence by the trade union movement¹⁵⁸, Fianna Fáil revealed a preference for defusing rather than opposing industrial conflict, and for seeking trade union support rather than excluding them from political deliberations

¹⁵⁶ The Irish Times, 5 August, 1987.

¹⁵⁷ *ibid.*, 10 October, 1987.

¹⁵⁸ *ibid.*, 17 October 1987.

(Hardiman, 1988, p. 237). By 1987, after six years of decentralized agreement, the unions were predisposed to return to centralised pay determination (Roche, 1994a, p. 180). However, the prospect of agreement on a very moderate pay rise, combined with tight control over second-tier bargaining, drew the employers into the national agreement.

The trade union movement entered into these negotiations in a much weaker position than during the 1970s. Although the unions had not been consulted on economic and social policy by the Coalition government in the years between 1982 and 1987, they had still possessed a level of leverage in the Dáil with both the Labour Party and Fianna Fáil. However, with Fine Gael now in opposition, and supporting government policy, the unions had few options besides doing a deal with the government. If they failed to achieve an agreement they would be consigned to the politics of protest. Once it was obvious the government was interested in concluding a centralised agreement, the opportunity to engage in discussions on a wide range of issues placed a great deal of pressure on ICTU not to abandon the talks.

The talks developed from the links that had been cultivated between the unions and Fianna Fáil while in opposition (Allen, 1997, p. 169). They built upon the NESC report, whose analysis of the scale of the economic crisis had the support of the trade union movement, as well as that of the employers. For the trade union movement the point of departure was the wish to regain influence over issues like jobs and social policies on inequality (Hardiman, 1992, p. 348). They also wanted a say in the measures taken against unemployment, improvements for workers on low pay, and some concessions on taxation. At the ICTU's annual conference of November 1987, at which delegates voted to put job creation at the top of the trade union agenda, the Executive Council of the ICTU recommended acceptance of the PNR.

Their argument in support of the Programme for National Recovery was that it was a way of preventing Ireland going down the Thatcherite road where the unions had been excluded from power (Allen, 1997, p. 170).

The union movement decided to enter into a national agreement with the government and employers that included specific commitments on job creation (ICTU, 1995). The result was the conclusion between government, ICTU, and employers, all acting through the tripartite NESC, of the PNR in October 1987 (O'Donnell and Thomas, 1998, p. 118). By the mid-1990s job creation was at the top of the agenda of every political party, and every relevant organisation and institution, in the state.

The PNR was designed to bring Ireland out the vicious circle of stagnation, rising taxes, rocketing debt, and spiralling unemployment and emigration (Bradley, 1988, p. 61). For the trade union movement the PNR enabled it avoid the marginalization suffered by the TUC in Britain under Margaret Thatcher. Subsequent years saw more neo-corporatist agreements concluded. Unlike the 1970s, the agreements of the 1980s and 1990s were based on a shared understanding of the problems facing the economy and society and the policy required to address them (NESC, 1996, p. 14).

The PNR proved to be the crowning achievement of Haughey's period in office as it restored stable social partnership bargaining that brought considerable benefits for Irish capitalism (Allen, 1997, p. 169). The terms of the national pay agreement resembled the NUs in scope, but not in content. The central issue was an agreement on wage levels in both the private and public sectors for a three-year period. However, the PNR, and its successor national programmes, involved agreement on a wide range of economic and social policies. The PNR also established a Central Review Committee

to monitor the implementation of the programme, and ensure ongoing dialogue between government and the social partners on economic and social policy issues (O'Donnell, 1998, p. 11).

The strategically weak position of the trade union movement by 1987 must be appreciated in order for this development to be fully comprehended. The trade union militancy of the late 1970s and early 1980s had been eroded through economic hardships (Brunt, 1988, p. 39). With this weakening of the trade unions their leaders found themselves with a relatively free hand to pursue the type of social partnership arrangements they had long desired. They looked upon the miners defeat in Britain in 1984-1985 as a warning of what could come to pass in Ireland if they did not cement their alliance with Fianna Fáil. Consequently, the social partnership arrangements of the late 1980s mainly grew out of the economic demoralisation of that time. 'Ireland's social partnership approach [was] one of the most significant developments in public policy in the European Union' (NESF, 1997, p. 9).

The Unions and Policy Developments

The change in the government's economic policy, first encapsulated in the fiscal adjustment of its March 1987 budget as a determination to reduce the large government deficit, was subsequently elaborated on in the PNR of October 1987. In contrast to the experience with most earlier programmes to reduce the budget deficit, the expenditure reductions targeted for 1987 were more than achieved. Expenditure proposals for 1988 implied a further tightening of fiscal policy. The 1988 budget aimed at a continuation of fiscal consolidation in line with the PNR objectives (OECD, 1989, p. 18). Subsequent budgets were designed to be in harmony with the terms of the PNR, and the

other agreements thereafter.¹⁵⁹ They provided for the implementation of several specific initiatives included in the PNR, and over which the trade unions had a direct input, such as reductions in taxation and the maintenance of social welfare payments.¹⁶⁰ This was in stark contrast to the budgets of the mid-1980s that had done little for organised labour. Following the recommendations of the NESC, the authorities set as their budgetary objective the debt/GNP ratio, as a first step towards reducing it to a sustainable level. This decisive effort to reduce the debt, and to turn the economy around, was based upon a broad political consensus.

There was to be a certain level of change in the trade unions' representation on government committees. The PNR, brought about by the macroeconomic dilemma the country found itself in, was to see the reintegration of the battered trade union movement into the public policy making process. On returning to power in 1987 Charles Haughey enhanced the influence of the Secretary of the Taoiseach's Department (Farrell, 1993, pp 178-179). The result was that the Secretary of the Department of the Taoiseach in large measure negotiated, and oversaw, through the monthly meetings of the Programme for National Recovery-Central Review Committee that he chaired, the implementation of the agreement. The Ministerial-ICTU group also met monthly to review progress on the economy.¹⁶¹ Three joint government-ICTU working parties on Employment and Development Measures, Taxation, and Social Policy, were established. They were also chaired and serviced by the Secretary of the Department of the Taoiseach. The ICTU now found itself with direct access to the Department of the Taoiseach. Further such committees were formed following subsequent national pay agreements.¹⁶² It is noteworthy that in 1987 the overall number

¹⁵⁹ Budget, 1988, 1989, 1990.

¹⁶⁰ *ibid.*

¹⁶¹ AR, ICTU, 1988.

¹⁶² *ibid.*, 1988.

of committees on which the ICTU was represented did not change substantially, decreasing in fact. However, nationally, unions had secured input into public policy-making through the Programmes themselves and through consolidating their position as an essential constituency with rights of representation on state boards, committees, and policy forums. As this observable implication's significance is measured quantitatively, the true qualitative significance of the above change in the trade unions' representation on government committees is overlooked to an extent.

The level of trade union policies that were incorporated into the government's policies towards organised labour changed in 1987. During 1986 the trade unions' policies had been regularly ignored by the government. In 1985 and 1986 Congress had sought the provision of more training for young people. However, the Minister for Labour cut funding to the Industrial Training Authority (AnCO).¹⁶³ Congress's policy on the more extensive taxing of farmers to ease the burden on PAYE workers fell upon deaf ears in the Fine Gael-Labour Coalition Government. In March 1986 the ICTU found the government reluctant to implement amending legislation on the Unfair Dismissals Act 1977 and the Companies Act. It was equally reluctant to consider the unions' request for a reduction in the working week to below 40 hours.¹⁶⁴ The Congress pre-budget submission of 1986 encouraged an increased public construction programme, more funds for youth employment, increased social welfare payments, and the easing of the embargo on recruitment in the public service.¹⁶⁵ However, the budget implemented none of these suggestions.¹⁶⁶ The government was promoting its own policies and then inviting Congress's observations after the fact. A host of ICTU policy

¹⁶³ Dáil Eireann, Vol. 368, 3 July, 1986.

¹⁶⁴ Seanad Eireann, Vol. 103, 16 May, 1986.

¹⁶⁵ AR, ICTU, 1986.

¹⁶⁶ Budget, 1986.

objective were left by the wayside.¹⁶⁷ Its advocacy of the report of the Commission on Social Welfare came to naught as the Minister announced the government did not have the resources to implement its recommendations.¹⁶⁸ One notable exception, Congress policy on the health and safety aspects of Visual Display Units (VDUs) was taken up by the government. But this was only because the ICTU came to the issue first.

In January 1987 the policies of the ICTU's pre-budget submission 'A Plan to Work,'¹⁶⁹ were ignored by the Coalition government.¹⁷⁰ The following March its pre-budget submission¹⁷¹ failed to influence the new Fianna Fáil government to increase income tax allowances.¹⁷² However, the government did increase social welfare in line with inflation.¹⁷³ The ICTU's advocacy of a national plan was accepted by the government and, along with the employers, they ultimately formulated the PNR. From 1987 onwards Congress policy on pay, tax, and social welfare, became incorporated in the PNR. This provided that the government would maintain the overall value of social welfare benefits and, within the resources available, consider special provisions for greater increases for those receiving the lowest payments. In late 1987 the Congress advocated Worker Participation (State Enterprises) Bill was placed on the government's agenda, and become law the following summer.¹⁷⁴ The recommendations of the Interim Board on Occupational Health and Safety, upon which the ICTU had representation, were given effect in a Framework Bill introduced under the PNR. The ICTU viewed the 1988 budget in the context of the PNR, a first step towards the implementation of the tax reform and social equity elements of the agreement. The ICTU considered the

¹⁶⁷ AR, ICTU, 1986.

¹⁶⁸ Dáil Eireann, Vol. 368, 24 June, 1986.

¹⁶⁹ AR, ICTU, 1987.

¹⁷⁰ Budget, January, 1987.

¹⁷¹ AR, ICTU, 1987.

¹⁷² Budget, March, 1987.

¹⁷³ *ibid.*

¹⁷⁴ AR, ICTU, 1988.

social welfare increase of 3 per cent adequate.¹⁷⁵ In line with its pre-budget submission, the burden on the PAYE workers was reduced.¹⁷⁶ After 1987 the trade unions' policies were again finding their way into the government's policies towards organised labour. The essence of the agreement reached in 1987 was inclusiveness and accommodation.¹⁷⁷

Subsequent years saw more neo-corporatist agreements concluded. Ireland had embarked on a tripartite approach to income policy (Prondzynski, 1992, p. 82). However, 'there was a fundamental change in Ireland's approach to social partnership between that practised up to the early 1980s and that practiced from 1987 onwards' (Teahon, 1997, p. 53). The agreements of the 1980s and 1990s were not confined to wages alone, but encompassed a wide range of economic and social policies. In particular, the emphasis of these tripartite deals has been on macroeconomic stability, greater equity in the tax system, and enhanced social justice (Rhodes, 1995). 'In the decade after 1987, when the PNR was launched, interest group activity in Ireland attained centre stage, with the tripartite agreements of the 1990s cementing social partnership' (Murphy, 1999, p. 291). The making and implementing of these agreements shows how closely the trade unions have become involved in public policy making and its administration.

The social partnership shifted Irish economic policy, and particularly Ireland's political economy, from a British towards a European mode of consensus between the social partners. 'These new arrangements have re-established a reciprocal relationship between Congress, the government, and employers on a much stronger institutional footing than heretofore' (Girvin, 1994, p. 130). The Irish trade union movement has benefited handsomely since the introduction of the PNR in 1987. From that time

¹⁷⁵ *ibid.*

¹⁷⁶ Budget, 1988.

¹⁷⁷ Dáil Eireann, Vol. 374, 20 October, 1987.

onwards the ICTU was to play a central role in the formulation of government economic and social policies through the central agreements instituted following the expiry of the PNR.

Table 4.4: The Empirical-Theoretical Fit 1987

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees			X	
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government	X			
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour	X			
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?			X	
O2: Do opinion polls find that the public regard the economic state of the country as in crisis?	X			
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?		X		
O6: Do domestic and international organisations regard the economic state of the country as in crisis?	X			
O7: Do elected representatives regard the economic state of the country as in crisis?	X			
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?	X			

Table 4.4 shows that the observable implications of both hypotheses pointed to a significant, swift, and enduring change in the ICTU's influence over public policy, this at a time of macroeconomic crisis. With the first hypothesis, 70 per cent of the observable implications pointed to a high empirical-theoretical fit. In the case of the second hypothesis, 87.5 per cent of the observables indicated a medium to high empirical-theoretical fit, while 75 per cent indicating a high fit exclusively. As the minimum 60 per cent threshold for high empirical-theoretical fit was surpassed by both hypotheses the table confirms that there was a critical juncture in the ICTU's influence over public policy in 1987.

In summation, there was a significant, swift, and enduring change in the ICTU's influence over public policy in 1987. This was at a time when the economy was in a state of crisis. The period from 1980-1987 proved to be depressing years for the Irish economy, and trade unions. Economic performance was disastrous up until 1987. Continuation with the policies that had brought this situation to a head was no longer a viable option (NESC, 1986, p. 320). This view was unanimously shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. With its economy in a terrible state the Irish political establishment came to recognise that there was a need for a consensual approach to this problem if it was to be resolved. The economic crisis precipitated a general election early in 1987 that saw Fianna Fáil returned to government. A new approach was adopted towards both the economy, and the trade unions, by a Fianna Fáil administration determined to right the economy, and reduce the large government deficit through expenditure reductions. This was to ultimately involve the trade unions in policy consultation with the reinstatement of centralised bargaining. As a consequence, the ICTU's access to the

Taoiseach, representation on government committees, overall trade union membership, government economic and industrial relations policies, the trade unions' influence on government policies, and ministerial attitudes, all changed in the trade unions' favour, with policies in particular coming to reflect those advocated by the unions themselves. This significant, swift, and enduring change in the ICTU's influence over public policy took place at the time of a macroeconomic crisis. According to the observable implications criteria set out in Chapter II the change in the trade unions' influence over public policy was a critical juncture.

Figure 4.4: The Critical Juncture Grid, Ireland, 1987

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	X	
NO		

Conclusion

This chapter has examined in detail four instances of where the Irish trade unions' influence over public policy was, *prima facie*, recognised as having changed to the extent of constituting possible critical junctures. These proposed critical junctures were initially set out in Chapter III after conducting an examination of change in the ICTU's influence over public policy in the period from 1945 to 2000. Of these four proposed critical junctures, three: 1959, 1981, and 1987, were found to constitute actual critical junctures according to the criteria laid out in Chapter II. In each of these cases, and conforming with the critical juncture framework, the trade unions' influence over public policy underwent change of a significant, swift, and enduring nature, at a time when the economy was in a state of crisis. In each of these cases the empirical-theoretical fit, as set out in the Tables 4.1, 4.3, and 4.4 was very high for both hypotheses. Consequently, this satisfied the hypotheses, and their observable implications criteria, as set out in Chapter II.

A number of other important implications can be drawn from the chapter. Firstly, the change in the ICTU's influence over public policy in 1970 does not constitute a critical juncture. Although there was a swift and enduring change in the ICTU's influence over public policy in 1970, with the introduction of the first national agreement since 1964, this agreement came about at a time of macroeconomic difficulties rather than macroeconomic crisis. This means that none of the observable implications of the second hypothesis indicated a crisis in the economy. The national agreements, although providing the ICTU with unprecedented access to the government and its policies, did not result in a significant change in the trade union's influence over public policy, as they were building upon influence that had already been gained in 1959. As significant change and a macroeconomic crisis (generative cleavage) are

central to the concept of a critical juncture, their absence in the case of 1970 reduces the change in the ICTU's influence over public policy to something less than a critical juncture. In this case the empirical-theoretical fit, as set out in Table 4.2, averaged above medium for the first hypothesis and below medium for the second, consequently failing to satisfy either of the hypotheses in the end. Nevertheless, there was a change in the trade unions' influence over public policy in 1970, this coinciding with the economic difficulties at that time.

The second major implication of this chapter is that a critical juncture has been identified with a legacy that lasts for only six years in total. The early 1980s were a time of economic and political turmoil in Ireland. In 1981 the government abandoned centralized bargaining as it sought a solution to the economy's problems. As a consequence, the trade unions were maintained at a remove from the policy making process until 1987. By that time the economy had been hitting new lows annually. The Irish political establishment, casting around for answers to the economic dilemma it found itself in, came to recognise the need for a new consensual approach to the economy if its problems were to be resolved. The new Fianna Fáil administration sought to involve the trade unions in policy consultation with the reinstatement of centralised bargaining. The centralised agreements provided the ICTU with access to the government and the formulation of its policies, this coming after years of exclusion. Consequently, the critical juncture that occurred in 1981 possessed a legacy that endured for a mere six crisis-ridden years. Against this it is possible to contrast the critical juncture from 1959, and its legacy that endured for 22 years. In relation to the literature, and what Collier and Collier (1991, pp. 33-34) have to say concerning critical junctures, a legacy that lasts only six years is not in any way extraordinary. They only insist that one has to have explicit criteria for determining when a legacy ends, and that

one must be open to ambiguities about end points. The political and economic dynamic in Ireland in the early 1980s was inherently unstable. This was largely due to the macroeconomic problems gripping the country at the time. This instability was to work against the 1981 critical juncture possessing a legacy of substantial duration.

A third issue worthy of discussion here was that of the three proposed critical junctures that were in fact found to constitute actual critical junctures, two of these occurred in years in which general elections were held, namely 1981 and 1987. Electoral landslides may create critical junctures by producing an overwhelming mandate for policy and/or structural change. But even elections that produce modest victories (1981 and 1987) and limited mandates are nearly always followed by modest alterations in policies (Cortell and Peterson, 1999, p. 184). Nevertheless, it is the case, from the evidence as set out, that the political parties that came to power in those years drastically altered their policies towards the trade unions, despite constituting either coalition or minority governments. This resulted in the ICTU's exclusion from the corridors of power in 1981, and its subsequent reintegration with the reinstatement of national pay agreements in 1987. The changes in the ICTU's influence over public policy in the case of 1959 (dramatic) and 1970 (more incremental) were not in general election years. It should also be noted that there were no critical junctures in the ICTU's influence over public policy in any of the other years that witnessed general elections between 1945 and 2000, even years marked by landslide electoral victories (1977). Consequently, this permits us to discount elections as the catalyst for change in the trade unions' influence over public policy.

Figure 4.5: The Critical Juncture Grid for Ireland, 1945-2000

Generative Cleavage (Macroeconomic Crisis)		Change (Significant, Swift, and Enduring)	
		YES	NO
YES		1959 1981 1987	
NO			1970

Chapter V

The United Kingdom

Britain possesses 'a unitary system of government dominated by the executive' (Allum, 1995, p. 76). Under this system a political party can take substantially less than 50 per cent of the national popular vote in a general election, but can still win substantially more than 50 per cent of the parliamentary seats. The system is one of alternating single-party governments (Finer, 1975, p. 9). Single-party governments have to seek neither political compromise, as in Sweden and Ireland, nor endure interest group politics, as found in America. Consequently, power is more centralized in Britain than in any of the other countries under examination in this thesis. The British political landscape is effectively populated by three political parties. Yet, the British political system is best described as a two-party system, as this reflects the situation in Parliament rather than the voting behaviour of the electorate (Heywood, 1997, p. 261).

This chapter shall examine changes in the TUC's influence over public policy. It is searching for changes in influence of a significant, swift, and enduring nature at times of macroeconomic crises. This search shall be conducted by testing the potential critical junctures in the TUC's influence over public policy, as set out in Chapter III, against the hypotheses and observable implications set out in Chapter II. Based upon the prima facie data in Chapter III, this chapter will focus on the four instances, 1945, 1970, 1974, and 1979, where the TUC's influence over public policy was identified as having changed to the extent of constituting possible critical junctures. As with the previous chapter, the objective here is to investigate whether or not the hypotheses relating to change in trade union influence over public policy, as set out in Chapter II, can identify critical junctures.

Potential Critical Juncture 1: 1945–War, The Labour Party, and the Trade Unions

The British trade union movement's roots lie in the Industrial Revolution (Edwards et al., 1998, pp. 2-3). As a consequence of these origins craft unions of skilled workers grew up first. This resulted in the British union movement possessing a fragmented structure. Coordination from above, via central organizations, was weak. As craft unions prevented the admission of those of different occupations, less skilled workers sought solidarity among themselves. They formed the general unions that began to emerge at the end of the nineteenth century (Hobsbawm, 1964, p. 179).

The British union movement has never been divided on the grounds of religious or political affiliation. There is only a single peak organization, the TUC, which was founded in 1868. Like the CBI, the TUC has no bargaining mandate. Nor does it have the resources to coordinate collective bargaining or strike behaviour. Among the trade union centres of Europe the TUC is probably the weakest in terms of staff, and financial resources (Visser, 1990, p. 77). 'The TUC was not able to acquire an unquestioning authority or power over its affiliate members' (Taylor, 2000, p. 13). Its lack of central leadership has been a recurring theme in post-war British politics.

The genesis for the post-war consensus in Britain can be found in the Second World War. The conflict united the country against a common enemy, while the privations endured inspired a widespread desire for a new and better beginning. The coalition government that endured from 1940 to 1945 fostered social and intellectual links between the Labour Party and the Conservatives. The Conservatives, who had always maintained that central planning of the economy would not work, could look to the spectacular success of the government's tightly controlled war economy. The years of effort to defeat Hitler took certain of the bite out of ideological differences between the parties. The acceptance of Keynesianism was evidenced in the 1941 budget, and the

1944 White Paper that commanded the support of the three main political parties in its objective of full employment. From 1944 until the 1980s all British governments accepted, at least publicly, a prime responsibility for maintaining full employment (Farnham and Pimlott, 1986, p. 30).

The relationship between Britain's trade unions and the state was transformed during the war. In the 1930s the TUC had established limited access to consultation. However, it was the war that accelerated this process (Taylor, 2000, pp. 83-84). The trade unions' participation in the war effort was vital. In the week prior to the end of the Second World War in Europe Churchill remarked that 'we owe an immense debt to the trade unions and never can this country forget about how they have stood by and helped.'¹ 'The unions could claim to have influenced – almost decided – manpower policies vital to the war effort and worked in partnership with Government to administer those policies' (Barns and Reid, 1991, p. 152). This contribution placed the unions in a strong position to ask for regular post-war consultation on matters of concern to them. By 1945 argued Citrine (1964, p. 382) the TUC had established the right to be heard on 'those questions of general policy which were of common interest.' By the end of World War II all the ingredients for a new widely supported consensus were present in the country's political culture.

Trade Unions and the 1945 Election

Several major developments in British industrial relations can be dated back to the war. Amongst the most important developments was full employment, the involvement of trade unions in government policy-making bodies over wide areas of the economy, and the acceptance by all major parties of a commitment to the construction of a welfare

¹ Hansard Parliamentary Debates, Vol. 410, 2 May 1945, c. 1405.

state (Crouch, 1979, p. 19). Full employment was of major importance to the labour movement generally. Before the Second World War society had been characterized by alternating periods of boom and slump. The 1920s and 1930s had seen a prolonged economic depression throughout the industrial world. During that era unemployment in Britain had reached 20 per cent, and trade union organization had been massively weakened.

On major issues of trade and industry, poverty and unemployment, collective security and rearmament, peace and war, the TUC in the 1930s found it almost impossible to get a serious hearing from the National Government, the Baldwin Government or the Chamberlain Government (Birch, 1968, p. 84).

However, trade union representation on advisory committees was greatly increased under Chamberlain's wartime administration, while the National Joint Advisory Council was established in October 1939 (Crouch, 1979, p. 21). At the same time, the mass of social legislation passed in those years led to the establishment of a range of tribunals, supervisory committees, and so forth, at regional and local levels to oversee the new services. Trade unionists were present on many of these committees. This enabled the unions to exercise influence in areas from which they had previously been excluded. It also gave them access to information about how the political and economic systems worked. 'On the other hand, this involvement fell short of any bodies which exercised real control over the economy' (Crouch, 1979, p. 21).

Labour's new status was symbolized by the appointment of Ernest Bevin as Minister for Labour and National Service in the coalition government in 1940 (Bullock,

1960, p. 1). Bevin, General Secretary of the Transport and General Workers' Union (TGWU), was the leading figure in British labour and had played an important part in the General Strike of 1926. His appointment had been in recognition of the unions' importance to the war effort. As Minister he acquired vast powers over the allocation of labour to the war effort. 'He brought unions further into government and gave greater confidence to workers than in 1914-18' (Booth, 2001, p. 173).

The political consensus on the development of a welfare state provided a further admission of working-class interests into politics, though in a manner that did not challenge radically the established power structure. It therefore gave added reality to the consensus to which all interests seemed to be committed in the newly emerging pattern of institutions. 'A strong harmony of interest and outlook existed between the political and industrial wings of the Labour movement in 1945. The "contentious alliance" had never seemed more at ease with itself' (Taylor, 1993, p. 31).

The ending of World War II, like World War I, was followed immediately in Britain by a general election. Churchill, like Lloyd George, had initially sought to perpetuate the wartime coalition.² But here the parallel ends. In 1945 all the political parties contested the general election independently. 'They went to the polls in 1945 committed to a broad range of economic and social policies of a qualitatively different kind from anything enacted in the interwar years' (Seldon, 1994, p. 43). During the war, the Labour Party had maintained its organization, and had issued statements of post-war policy. In contrast, the Conservative Party had done neither.

Angry with Labour for breaking away from the Coalition, Churchill would not await the ending of the Japanese war, and resigned on 23 May (McCallum and Readman, 1999, p. 21). Polling day was set for 5 July 1945. 'The TUC issued a 'call to

² The Times, 2 July, 1945, p. 3.

workers' urging them to vote for the Labour Party' (Taylor, 2000, p. 100). During the election campaign Churchill sought to associate Labour with socialism, and thereby show that it was dangerous. He also promoted the achievements of the wartime coalition, with particular emphasis on the part played in it by the Conservatives. For Clement Attlee, leader of the Labour Party, the important issue was the future. In this regard Labour had a comprehensive programme, contained in their election manifesto *Let us Face the Future*, whereas the Conservatives did not (Childs, 2002, p. 80).

The outcome of the 1945 general election was a stunning result for the Labour Party, a victory that surpassed all expectations. Labour took 47.9 per cent of the total vote and 393 seats in Parliament.³ With an overall majority of 146, the Labour Party formed its first single-party government (Sked and Cook, 1979, p. 15). Clement Attlee came to power with an authority never before possessed by a socialist prime minister in Britain.⁴ 'Labour comes of age,' proclaimed Kingsley Martin in the *New Statesman* shortly after the party's stunning election victory' (Jefferys, 2000, p. 68). For the Conservatives, returning to Parliament with only 213 MPs, the outcome was most unexpected.

The Economy

National commentators, the media, and politicians, regarded the economy as in crisis in 1945. The Labour government 'inherited economic and social problems of the utmost severity' (Shaw, 1996, p. 20). By the end of the war the British economy was in a terrible state. The Governor of the Bank of England observed that "we emerge from the struggle with a gravely distorted economy, with an enormous burden of external debt,

³ Financial Times, 27 July, 1945, p. 5.

⁴ The Times, 27 July, 1945, p. 5.

and a balance of payments problem such as we have never before had to face.”⁵ During the six years of conflict Britain had lost approximately one quarter of its national wealth (Morgan, 1984, p. 144). As early as 22 August 1940 Sir Kingsley Wood, Chancellor of the Exchequer, presented a paper to Cabinet indicating that Britain was virtually bankrupt. This ‘marked the effective end of Britain’s status as an independent power’ (Ponting, 1994, p. 501). ‘By 1941 its foreign exchange reserves had vanished. Britain then became dependent on American Lend-Lease’ (Childs, 2001, p. 8). *The Times* warned that with the ending of the war Britain had to face up to the complex economic problems of the transition to peace.⁶ At this time 55 per cent of the populace thought that food shortages were greater than in the midst of the war (Wybrow, 1989, p. 21).

The economy was, in many fundamental respects outdated by 1945. In fact it had been in a run-down state even before the war began. However, during that conflict the economy, stretched to the point of breaking, had been distorted from top to bottom in order to produce the maximum war effort. Consequently, the iron and steel industries faced a depression as the war ended and the demands of the military slackened.⁷ Labour Party deputy leader Herbert Morrison observed “our great producing industries have been going downhill for years, and are now in a dangerous mess. And it will take an effort almost as great as the effort of war itself to get them right.”⁸ He went on to pose the grave question as to whether Britain would be able to pay its way in the post-war world.⁹ Ernest Bevin had warned prior to the election that a Conservative victory would

⁵ *ibid.*, 5 July, 1945, p. 2.

⁶ *ibid.*, 22 June, 1945, p. 8.

⁷ *ibid.*, 3 July, 1945, p. 8.

⁸ *The Independent*, 30 June, 1945, p. 2.

⁹ *ibid.*,

have meant a return to the dole queues of the 1930.¹⁰ At the same time Winston Churchill pointed out that every sort of consumer good was in short supply.¹¹

As a result of the war certain of the country's main economic indicators had reached historic lows. By 1945 the national debt, running at 232 per cent of GNP, had tripled, while the country's standard of living had fallen considerably (Appendix D). The Bank of England foresaw a total Sterling Area deficit of some £700 – £1,000 million over the first two post-war years (Fforde, 1992, p. 62). Consequently, it was necessary for Britain to ask the other countries in the Sterling area to restrict their claims on the UK for dollars to essential needs.¹² According to Conservative Chancellor of the Exchequer, Sir John Anderson, the external economic position of the country was dire. 'We have gone almost to the limit of our physical and economic strength.'¹³ *The Times* warned that 'the nation cannot allow expenditure to outstrip its revenue indefinitely. That way lies economic disaster.'¹⁴ It went on to point out that the results would be unemployment and social deprivation.¹⁵ The economy was contracting at the time, with GDP falling by 7 per cent in 1945, while the number of days lost to industrial disputes reached a high of 2.8 million (Appendix D). However, on the positive side unemployment stood at the small figure of 103,000,¹⁶ while the rate of inflation was also low. The low level of unemployment was due primarily to the fact that millions of citizens were either in the armed forces, or working in industries supplying the war effort.

¹⁰ *The Times*, 11 June, 1945, p. 2.

¹¹ *ibid.*, 4 July, 1945, p. 7.

¹² *ibid.*, 7 July, 1945, p.6.

¹³ *ibid.*, 3 July, 1945, p. 2.

¹⁴ *The Times*, 8 June, 1945, p. 2.

¹⁵ *ibid.*, 21 June, 1945, p. 2.

¹⁶ A[nnual] R[eport], T[rades] U[nion] C[ongress], 1947, p. 245.

On 21 August 1945 President Truman cancelled lend-lease. His economic advisers could not see the wisdom of quickly restoring a worldwide trading equilibrium (Sked and Cook, 1979, p. 28). 'By the autumn of 1945 Britain was only able to pay for about 40 per cent of its overseas expenditure' (Cairncross, 1992, p. 45). 'As Keynes put it, Britain was in danger of a financial Dunkirk' (Crafts and Woodward, 1991, p. 25). To compound matters 'about two-thirds of its merchant fleet was lost and about one-third of the housing stock had been damaged or destroyed' (Stevenson, 1984, pp. 448-449). Britain sought financial help from Washington and was subsequently offered a credit of up to \$3,750 million at 2 per cent interest (Fforde, 1992, p. 85). However, in return for this loan Britain was required to end its Empire preferences in trade. The US was setting the international economic agenda in the post-war world.

The Trade Unions in Post-War Britain

More than anything else, it was the wartime changes that prepared the way for the development of the welfare state. During the war there had been a massive expansion in the role of government. It had taken on large-scale powers over the production and distribution of resources, and over the labour force. The war had also seen the development of blueprints for vast new government responsibilities in the provision of welfare, and the maintenance of full employment.¹⁷ The primary developments were the Beveridge Report (1942) and the White Paper on Employment Policy (1944). The Beveridge Report, the popular name for *Social Insurance and Allied Services*, called for a new social security system based on compulsory social insurance, and fixed subsistence-level benefits in return for flat-rate contributions. In the White Paper on Employment, the government accepted the maintenance of a high and stable level of

¹⁷ The Times, 26 June, 1945, p. 2.

employment as one of the primary aims and responsibilities of government after the war.

Following the war there were dramatic changes in the government's economic policies and in its policies towards the trade unions. Government commitment to post-war social reconstruction was signaled in 1944 with the Education Act, and the White Papers entitled *A National Health Service* (a comprehensive health service with free treatment financed by taxation) and *Social Insurance* (which accepted the whole of the Beveridge report from 1942). There had been a leftward lurch in the ideological of both elite and public opinion. Post-war social reconstruction enjoyed widespread support from reformist intellectuals, civil servants, the political parties, leading figures in the Churches, universities, and media, and from the public. This achievement 'was made by a government that nationalized the 'commanding heights' of the economy and preached higher efficiency to private industrialists at every opportunity' (Booth, 2001, p. 174). It also created a welfare state to make good the effects of market failure on ordinary workers and extend to all citizens the right to social security (Lowe, 1993, p. 55). The main leftward measures introduced by the Labour governments (1945-1951) were broadly continued by the Conservative Governments in the 1950s.

Clement Attlee's Cabinet of 1945 consisted of a group of individuals of great social contrasts and life experiences, as well as great personal rivalries. 'Yet it is doubtful whether any other peace time Cabinet was made up of members with greater moral purpose' (Childs, 2002, pp. 83-84). However, Labour faced an appalling situation when it took office. Apart from the problems with the economy Britain had more responsibilities than ever before, in Germany, Austria, Italy, Greece, the former Italian colonies, and the old British Empire (Booth, 2001, p. 174). The only advantage was that Germany and Japan, key pre-war economic rivals, were temporarily 'out of

commission.’ Yet ‘it had to manage these commitments with an astonishingly weak export sector and the worst balance of payments deficit of any nation in history’ (Booth, 2001, p. 174).

From 1940 onwards trade union leaders had begun to play an active role in government policy making. ‘The return of a Labour administration in 1945 brought about an even closer degree of involvement on the part of the trade union establishment in the machinery of government’ (Hawkins, 1976, p. 19). After 1945 the number of bodies on which unions had representation expanded as the administration was committed to establishing new institutions of government and economic planning. The trade unions possessed wide representation on an increased number of advisory committees, Royal Commissions, departmental committees, and a variety of ad hoc agencies.¹⁸ At all levels of the industrial system, therefore, the unions were becoming more active. There are difficulties of definition, but the number of government committees on which the TUC has representatives seems to have hovered at around 60 for most of the period between 1945 and the 1970s (Taylor, 2000, p. 145). From this it is clear that the trade unions’ representation on government committees underwent change of an enduring nature.

The TUC now had a receptive audience in government for its proposals. The unions held a dominant position in the policy making of the Labour government, and they gained from this influence. Once in office Labour promptly implemented its comprehensive programme of reforms with a flurry of legislation. Labour created a ‘welfare state,’ or more accurately, extended in dramatic fashion the social services granted by the state. Legislation provided insurance against unemployment, sickness, industrial injury, and old age. The National Health Service Act (1946) – which did not

¹⁸ AR, TUC, 1946, p. 30.

go into effect until July 1948 – provided medical care for all, regardless of ability to pay. In order to implement the education Act of 1944, the government, by 1951, had trained 35,000 new teachers, constructed 1,000 new buildings, extended the school leaving age to 15, and had underwritten higher education (Budge et al., 2001, p. 607). Legislation was also passed abolishing most of the provisions of the Trade Disputes and Trades Unions Act of 1927. At this time, ‘the relationship between the government and the top echelons of the trade union movement was particularly close’ (Shaw, 1996, p. 59).

The trade unions’ access to the Prime Minister changed. Up to 1945 contact between Prime Minister Churchill and the TUC was limited to the exchange of letters.¹⁹ However, following the 1945 general elections things changed for the TUC, albeit slowly. In early September 1945 Prime Minister Attlee addressed the 77th Annual Trades Union Congress in Blackpool, becoming the first Prime Minister to do so. Yet, this was the only occasion in 1945 when the TUC met with the Prime Minister (Appendix A).²⁰ However, the following year the TUC met with Attlee seven times. The topics discussed at these meetings went beyond trade union issues to encompass the United Nations (UN), the conditions for trade unionists in fascist Spain, and the reasons for the continuation of conscription.²¹ This frequency of meeting between the TUC and the Prime Minister was maintained in the following years.

Between 1943 and 1946 there was a marked change in the level of trade union policies incorporated into the government’s policies towards organized labour. In 1943 the TUC tried to influence aspects of the government’s Education Bill without

¹⁹ *ibid.*, 1945, p. 69.

²⁰ *ibid.*, 1946, p. 312.

²¹ *ibid.*, 1946 and 1947.

success.²² However, in 1944, after three years of Congress urgings, the Chancellor of the Exchequer introduced an increase in pensions for retired local government employees.²³ In February 1944 the TUC gained representation on the Civil Nursing Reserve Advisory Council.²⁴ The same year saw the government agree to the TUC's demand for an overhaul of the Workmen's Compensation Legislation.²⁵ Following representations from the TUC general council, the Home Secretary undertook a review of the law relating to the employment of children.²⁶ At this time the TUC also sought changes to the Trade Disputes and Trade Union Act of 1927. However, Prime Minister Churchill informed the TUC that he could not see Conservative MPs supporting such a move.²⁷ Soon afterwards the TUC was invited to submit observations to various government committees reviewing aspects of the economy. The trade unions also had an input into the White Papers on *Social Insurance*, *Workmen's Compensation* and *A National Health Service* in 1944.²⁸

In 1945 the TUC influenced the Labour government into extending the life of the 1944 Pension (Increase) Act.²⁹ The TUC also had an input into the National Insurance Bill in June 1946,³⁰ and got the government to agree to remove all wartime labour controls as quickly as possible.³¹ The TUC secured the reduction of weekly working hours to 40 in many industries.³² On 2 November 1945 the TUC met with the Chancellor of the Exchequer to discuss the budget. A similar meeting took place in April 1946 after that budget, and more discussions on questions arising out of the April

²² *ibid.*, 1944, p. 76.

²³ *ibid.*, 1944, p. 45.

²⁴ *ibid.*, 1944, p. 58

²⁵ *ibid.*, 1944, p. 61.

²⁶ *ibid.*, 1944, p. 72.

²⁷ *ibid.*, 1945, p. 206.

²⁸ *ibid.*, 1945, p. 72.

²⁹ *ibid.*, 1946, p. 54.

³⁰ *ibid.*, 1946, p. 63.

³¹ *ibid.*, 1946, p. 174.

³² *ibid.*, 1946, p. 185.

budget were held in July.³³ The TUC also held frequent meetings in 1946 with the Minister of National Insurance to discuss the National Insurance Act. The following year the TUC had a direct input into the Pensions Act 1947.³⁴ The recommendations of the TUC regarding juvenile employment were taken on board by the Minister of Labour in 1947.³⁵ The government also sought the TUC's views on matters as diverse as the National Service Bill and the Transport Bill.³⁶ In late 1946 the TUC met with the Minister of Supply John Wilmot, to discuss the nationalization of the iron and steel industry. At this meeting the minister sought the TUC's views on the nationalization Bill itself.³⁷

The Evolution of the Welfare State

There was a change in the relationship between the government and the trade unions. The Attlee government, for the first time in peacetime, brought the unions into formal contact with the government in a continuing relationship. The rationale of corporate bias for government was the need to avoid the damaging industrial conflicts that had marked the 1920s. The rationale of the informal incorporation for business and the trade unions was that it gave them a permanent voice in policy-making. This increased their capacity to serve the interest of their members.

The major theme of post-war economic policy was closer government involvement in running the economy than at any previous time. This encompassed the creation of a mixed economy. That was done by a series of important nationalizations. First came the nationalizations of the Bank of England, the coal mines, electric power,

³³ *ibid.*, 1946, p. 226.

³⁴ *ibid.*, 1947, p. 115.

³⁵ *ibid.*, 1947, p. 169.

³⁶ *ibid.*, 1947, pp. 256-257.

³⁷ *ibid.*, 1947, p. 272.

and inland transport.³⁸ These moves had all be set out in the Labour Party's election manifesto *Let us Face the Future* in 1945 (Craig, 1975, p. 126). As Clement Attlee remarked; "in the present state of affairs you cannot afford to allow vital organs of economic power to rest in the hands of people who are outside the control of the community."³⁹

Various commentators observed how the trade unions' influence over public policy changed in 1945. Seldon (1994, p. 45) argues that the unions' formal contact with government gave them the feeling that they had a virtual right to make an input into policy via their leaders. In delivering the Welfare State, substantial measures of nationalization, and much else, the Attlee governments were in effect carrying out a 'social contract' with the trade unions. This was a quarter of a century before the more explicit understandings between the unions and the governments of Harold Wilson and James Callaghan in 1974-1979. Minkin (1991, p. 72) points out that the imprint of the unions 'lay on many key features of the post-war settlement.' The government's firm commitment to the maintenance of full employment reflected the TUC concerns that there must be no return to the dole queues of the 1930s. 'But it would be quite wrong to suggest that the Attlee government was a mere transmission belt for the implementation of TUC policy' (Taylor, 1993, p. 40).

The fall in trade union membership was finally arrested in 1946. The years prior to the election of the Labour government had seen trade union membership fall in Britain. In 1944 the unions lost 85,000 members, with overall membership falling to 7,890,737. This constituted a decrease of 1.06 per cent. However, this trend was not that surprising considering so many workers had joined the armed forces. The following year union membership decreased by 15,737, or 0.2 per cent, falling to

³⁸ *ibid.*, 1946, p. 227.

³⁹ *The Times*, 26 June, 1945, p. 7.

7,875,000 member overall (Appendix C). However, in 1946 trade union membership increased by a dramatic 928,000, or 11.8 per cent. This was the largest annual change in trade union membership recorded in Britain during the years under examination. Nevertheless, with the gradual demobilization of an army numbering 5,090,000 from June 1945,⁴⁰ an abrupt increase in the civilian workforce, and trade union membership, was not that unexpected. Throughout this period the TUC had been urging rapid demobilization in order to free more personnel for industry.⁴¹ In 1946 trade union membership in fact surpassed the previous high watermark attained in 1920 (Ebbinghaus and Visser, 1999). In the years afterwards there was a gradual upward trend in British union membership. By 1953 there were over 9.5 million trade unionists in Britain, an increase of almost 21 per cent on 1944.

After 1945 the Conservatives' adapted to the interventionist welfare state and managed economy. Ideologically, the Conservatives' acceptance of the radical programme of the Attlee government, although initially enacted by a partisan majority, signified that it had won the general assent of the British people. 'Majoritarianism had been converted into consensus' (Beer, 2001, p. 19). Post-war consensus was born.⁴² The Conservatives stated that they regarded the trade union movement as vital to the workings of the economy, and they took the approach that they would 'do everything to help the trade unions to serve the best interests of the nation and their members' (Craig, 1975, p. 143).

In the general election of 1951 the Conservative Party won 321 seats, giving them an overall majority of 17 in the House of Commons. It was a modest victory, but significant in ending the post-war rule of the Labour Party which itself had won a

⁴⁰ AR, TUC, 1946, p. 227.

⁴¹ The Times, 28 June, 1945, p. 2.

⁴² The Independent, 28 August 1989.

narrow victory in the general election of the year before (Sked and Cook, 1979, p. 111-112). This brought the curtain down on what was 'the greatest peacetime administration of the twentieth century, its achievements marvelous, its leadership remarkable, its legacy both comprehensive and radical' (Blair, 2000, p. xvi). During Churchill's post-war government, ministers appointed even more trade unionists to consultative committees than had been the case under Attlee (Seldon, 1981, p. 206).

The heyday of consensus in the late 1940s and early 1950s existed simultaneously with the growth of forces that were to eventually undermine it. A primary force was the relative decline of the British economy. For most of the second half of the twentieth century economic growth in Britain was to lag behind that of its main competitors. This placed severe strain on the welfare state as national income failed to keep pace with government commitments. Economic policy from the 1950s to the 1970s was characterized by stop-go cycles of expansion, producing inflation and a balance of payments crisis, which in turn led to a sharp recession (Edwards et al., 1992).

Table 5.1: The Empirical-Theoretical Fit 1945

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees	X			
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government				X
O4: Change in the trade unions' relationship with a political party			X	
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour	X			
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?			X	
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?		X		
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?	X			
O6: Do domestic and international organisations regard the economic state of the country as in crisis?				N/A
O7: Do elected representatives regard the economic state of the country as in crisis?	X			
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?	X			

As Table 5.1 shows, 70 per cent of the observable implications of the first hypothesis pointed to a high empirical-theoretical fit, indicating significant, swift, and enduring change in the trade unions' influence over public policy. With the second hypothesis, six of the seven observables, or 85.7 per cent indicated a medium to high empirical-theoretical fit, while five of the seven observable implications, or 71.4 per cent, indicated a high fit exclusively, thus pointing to a macroeconomic crisis. The findings for both hypotheses surpassed the minimum 60 per cent threshold for high empirical-theoretical fit, confirming that there was a critical juncture in the TUC's influence over public policy in 1945.

In summation, the 1940s were a time of great difficulty for the British economy and trade unions. The economy, overstressed by the years of conflict, and having been pushed to the limits of its endurance, was in a bad way by 1945. This view of the economy was unanimously shared by the national media, political and economic commentators, the central bank, and elected representatives. Nevertheless, 1945 was to witness a significant, swift and enduring change in the trade unions' influence over public policy. After the Labour Party came to power in 1945 everything changed for the unions. A new approach was taken towards the economy and the trade unions by the new government. Access to the Prime Minister, union representation on government committees, trade union membership, government economic and industrial relations policies, the trade unions' influence as seen by observers, and ministerial attitudes, all improved in the trade unions' favour, with government policies in particular coming to reflect the policies desired by the unions themselves. Government granted the TUC an integral part in the development of the thinking that lay behind its economic and social policies and programmes. The TUC's influence over public policy changed radically at a time of macroeconomic crisis. According to the observable

implications criteria set out in Chapter II this change in the trade unions' influence over public policy was a critical juncture.

Figure 5.1: The Critical Juncture Grid, Britain, 1945

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	X	
NO		

Potential Critical Juncture 2: 1970–The Cracks in Consensus

The Conservatives made a strong comeback after their electoral defeats in 1945 and 1950, with the party going on to win three general elections in succession (1951, 1955, and 1959). Both of Churchill's successors as Prime Minister – Sir Anthony Eden and Harold Macmillan were 'One Nation' Conservatives who were disinclined to confront the trade unions. Nevertheless, both were concerned with the pressure of wage rises on inflation, and with industrial disputes, especially unofficial strikes. However, Macmillan was less inclined to deflate the economy, instead favoring the involvement of the trade unions and employers in consultations on running the economy.

Superficially, the thirteen years of Conservative rule between 1951 and 1964 appear to have been fairly successful. However, Tory economic complacency ensured that the necessary economic growth would never be generated. *The Economist* argued that Britain had failed to aspire to economic growth, to improve its living standards, and to respond to change with the eagerness and effectiveness that so many other countries had accustomed themselves to doing.⁴³ Not enough money was channeled to key industries, stop-go economic policies undermined the confidence of industry to invest in the long term, and too much money was permitted to go abroad. Moreover, bad industrial relations bedeviled attempts to put things right, for the workers began to see that the real beneficiaries of the affluent society were those who had money to invest.

The pillars of voluntarism began to crumble in the 1960s, although the process was not continuous. The acceleration of Britain's relative economic decline increasingly brought into question the utility of Keynesian demand management. As such, governments, notably the Labour governments of 1964-1970, turned to supply side management and neo-corporatist solutions. Under Wilson's administrations a

⁴³ *The Economist*, 13-19 June, 1970, p. 10.

voluntary prices and incomes policy was first introduced (1964-1966), and then a statutory policy (1966-1970).

The trade unions reacted to incomes policy with, at best, a reluctant acceptance or, most often, opposition that took two forms. First, the trade unions, through the TUC and their position within the Labour Party, attempted to change policy. Second, strikes by individual unions in both the private and the public sector had obvious political repercussions. Marsh (1992b, p. 33) argues that 'there can be little doubt then, that trade unions became increasingly involved in politics from the end of the 1960s, or that they were more militant in support of their political ends.'

The OECD (1970, p. 11) points out that in the autumn of 1969 incomes policy was abandoned. From then on the guidelines on wages and price increases were not applied, and no use was made of the powers to refer specific increases to the Board for Prices and Incomes. During the first half of 1970 average earnings rose 13 per cent, and retail prices by over 8 per cent (OECD, 1970, p. 12). Fiscal and monetary strategies aimed at diverting resources from home demand to exports, and import replacement, by holding down the growth of disposable incomes, and maintaining a high savings ratio, had yielded results by late 1969 (OECD, 1970, p. 14). There was a massive switch to surplus in the financial position. Subsequent months saw some relaxation of fiscal policy and monetary conditions.

Throughout the 1950s and 1960s the unions had been increasingly incorporated by the government into decision-making, this in an effort to strengthen the economy's performance. This reflected the failure of successive governments to solve the problems with the economy. The governments believed that both the national interests, and their own electoral success, rested upon the achievement of a renewed economic prosperity. As such they increasingly turned to economic planning. This inevitably

ensured the involvement of the trade unions more directly in consultations on policy making. The consequence of this increased politicization was to strengthen the position of the TUC. However, during the 1960s such trends were overlain by a developing detachment between the Labour Party and the unions. Shared identification with the record of 1945-1951 had begun to fade.

However, in almost direct contradiction, government's concern with growing economic problems led them to intervene more in matters that directly affected the trade unions. In effect, both the Labour and Conservative governments argued that in order to make industry more efficient and productive they needed to become increasingly involved in supply side management in a way that threatened to restrict the autonomy of the unions. Labour's decision to legislate on industrial relations in 1969 had the effect of altering the character of its relationship with the trade unions. Such intervention inevitably led to antagonism between the unions and government that in turn further politicized the unions.

The Conservatives and the Economy

As trade unions had been invited to serve on important committees by both the Labour and Conservative governments, political scientists during the 1960s talked of a corporate state developing in Britain. On the surface it seemed as if policy was forged from a consensus amongst ministers, employers, and union leaders, on how the economy should develop. In exchange for the government's maintenance of full employment, participation in such bodies as the NEDC (National Economic Development Council), and influencing policy, union leaders were expected to deliver their members' agreement and cooperation on pay restraint. However, during the late 1960s, with considerable publicity being given to a rash of 'wildcat strikes,' particularly

in the car industry, it seemed that union leaders wielded little control over their members. The lessons learned by politicians was that union leaders 'could not deliver' their side of the bargain, even to Labour governments.

National commentators, the media, the Bank of England, and domestic and international organisations, regarded the economy as in difficulty by 1970. Hodgkinson, writing in the *British Economic Survey* (BES) (1971, p. 1), observed that the five dominant problems with the British economy in 1970 were inflation, unemployment, bad industrial relations, low growth of production, and uncertainty about the value of joining the EEC. The TUC observed that '1969-70 [was] a period of very slow economic growth, with record post-war unemployment and a slow rate of productivity growth.'⁴⁴ The *BES* (1971, p. 36) argued that economists could no longer talk of having cured the endemic problem of unemployment. *The Economist* pointed out, with a sense of concern, that by 1970 the British economy was expanding at only 2.2 per cent per annum.⁴⁵ However, at the same time unemployment had reached a high of 2.5 per cent. The only other post-war year to see a higher rate of unemployment was 1963, and 2.5 per cent was, as the Tories pointed, the highest level for May since 1940.⁴⁶ *The Economist* explained that the maximum variation in the rate of unemployment across the regions of Britain in 1970 stood at 4.8 per cent, compared with 2.2 per cent in 1966.⁴⁷ The OECD (1970, p. 5) found that the rate of inflation had reached its highest level in eighteen years in 1970, peaking at 7.06 per cent. Concurring with this view the Bank of England (1971, p. 3) observed that the three months from March to June saw the economy grow only very slowly, while industrial costs and prices rose rapidly. This made inflation a problem in its own right, not simply

⁴⁴ AR, TUC, 1970, p. 433.

⁴⁵ *The Economist*, 20-26 June, 1970, p. 73.

⁴⁶ *Time International*, 1 June, 1970. Vol. 95, No. 22, p. 27.

⁴⁷ *The Economist*, 23-29, May, 1970, p. 11.

something that had to be tackled due to its impact on the value of Sterling. *The Guardian* went further, arguing that inflation constituted the most serious problem confronting the government.⁴⁸ This is how the public in general also saw the situation, with three times as many people regarding the cost of living as the primary problem facing the country than any other issue (Wybrow, 2001, p. 264). For Cairncross (1995, p. 183) the 1970s, as a whole, were to be marked by the struggle to contain inflation.

There was an absence of real growth in exports since 1969 (van Blankenstein, 1971, p. 27). The number of days lost due to industrial disputes stood at a post-war high of almost 11 million in 1970 (Appendix D). The Bank of England (1970, p. 268) argued that the sharp increase in industrial disputes impaired the productive potential in a number of important sectors of industry. At the same time the OECD (1970, p. 11) warned that incomes increasing without commensurate increases in productivity would result in inequitable shifts in the distribution of purchasing power. This situation was becoming of increasing concern to the business community. Businessman Viscount Watkinson, Chairman of Cadbury Schweppes, argued that industry and the unions needed to put their houses in order, and removed their burden from the government.⁴⁹ The National Institute of Economic and Social Research's (NIESR) (1970) quarterly review predicted a small growth rate for the economy and consequently the bleak prospect of a further rise in unemployment. 'The main feature of this period is one of deteriorating economic performance' (Woodward, 1991, p. 197).

Although the life of the outgoing Parliament in 1970 had witnessed 15 by-election defeats for the Labour Party it was surprising, therefore, that Labour looked like winning the general election of 18 June 1970 (Norton, 1996, p. 54). The Tory lead in the opinion polls, which had stood at 15 per cent in January, had been reduced to a

⁴⁸ *The Guardian*, 8 June, 1970, p. 10.

⁴⁹ *The Times* 17 June, 1970, p. 27.

neck and neck race by early May 1970,⁵⁰ with the polls showing Labour leading by the following week.⁵¹ The country appeared somewhat on edge at the prospect of Conservative leader Ted Heath, who came across as cold and distant, becoming prime minister. At the time the government received its highest approval rating in over three years (Wybrow, 2001, p. 168-169). This was the reason why Wilson decided to go to the country when he did.

Political opinion on the state of the economy was very partisan. Peter Walker, the Conservative shadow housing minister, commented that it was scandalous that with thousands of people wanting a home, Labour should go into the 1970 election with 100,000 unemployed in the building industry.⁵² Ian Macleod, shadow Chancellor of the Exchequer, remarked that men were deliberately being kept unemployed because every additional 60,000 unemployed meant an improvement of £100m in the balance of payments.⁵³ Robert Carr, Conservative spokesman on employment, observed that the period leading up to the general election had witnessed the worst strike record in British history.⁵⁴ Ted Heath warned that if the Labour party remained in power there would be an economic crash afterwards.⁵⁵ However, Prime Minister Wilson rejected all of what he called 'the Conservatives' doom laden predictions of economic disaster.'⁵⁶

However, in a non-partisan fashion the Chancellor of the Exchequer [Roy Jenkins] admitted that the UK economy had, for some considerable time, been moving in a 'vicious circle' consisting of periods of rapid growth

⁵⁰ The Daily Mail, 2 May, 1970, p. 3.

⁵¹ The Evening Standard, 7 May, 1970, p. 1.

⁵² The Times, June 15, 1970, p. 7.

⁵³ *ibid.*, June 16, 1970, p. 1

⁵⁴ *ibid.*, June 17, 1970, p. 4.

⁵⁵ The Guardian, 6 June, 1970, p. 1.

⁵⁶ *ibid.*, 9 June, 1970, p. 1.

accompanied inevitably by a serious deterioration in the balance of payments.⁵⁷

The Labour Party's election manifesto, *Now Britain's Strong – Let's Make it Great to Live In*, and the Conservative's *A Better Tomorrow*, both promised Britons a better life, but apart from faster growth disagreed on how to achieve it.⁵⁸ On election day only 72 per cent of the electorate cast their votes (Butler and Pinto-Duschinsky, 1971, p. 23). Labour's share of the national poll fell to 43 per cent, a drop of 4.9 per cent on 1966. But that of the Conservatives increased by 3 per cent to 46.4 per cent. This gave the Conservatives 330 seats, while Labour's presence in the House of Commons fell to 287 MPs, a loss of 76 seats. The result left the Conservative Party in possession of an overall majority of 30 in the Commons. It was an unexpected victory for the Conservatives that the Guardian compared to Truman's 1948 presidential victory in America.⁵⁹ A poor set of trade figures, released three days prior to polling, told against Labour (Jenkins, 1991, p. 92). *The Times* concluded that in its defeat Labour was reaping the results of three years of economic stringency, of wage restraint and of slow growth, and that these failures sprang from the neglect of long-term strategy in the early 1960s.⁶⁰ A clear indication that dealing with the economy could prove a poison chalice for the incoming Tory government was signaled on 23 June 1970 when figures from the Central Statistics Office showed a sharp fall in economic activity in the first quarter of the year.⁶¹ *The Times* pointed out that this was evidence of an incipient recession at a time of accelerating pay and price inflation.⁶²

⁵⁷ AR, TUC, 1970, p. 435.

⁵⁸ *The Economist*, 23-29 May, 1970, p. 20.

⁵⁹ *The Guardian*, 19 June, 1970, p. 5.

⁶⁰ *The Times*, 22 June, 1970, p. 11.

⁶¹ *ibid.*, 24 June, 1970, p. 21.

⁶² *ibid.*, 24 June, 1970, p. 21.

The build up of economic problems, along with concerns over the TUC's domination of government, was to significantly alter the TUC's influence over public policy in the early 1970s (Crouch, 1977, p. 79). The Conservative Party was elected on a ticket to right the economy and reform the trade union movement (Craig, 1990, p. 116-119). For the first time, at least since the war, industrial relations had figured as a prominent general-election issue. The unpopularity of incomes policy, the evidence that pay claims and strikes were out of control, and the Labour government's capitulation to the unions over its Industrial Relations Bill, were all issues that had been used by the Conservatives in their campaign. Although TUC relations with the Labour Party had deteriorated in 1969, the unions had still possessed an influence over the Labour government's policies through their sponsorship of Labour MPs. However, now, due to economic circumstances, the political goal posts had shifted. The TUC had no such influence over the Conservatives.

The relationship between the TUC and the Conservative party changed at this time. The Conservatives were committed to radical changes in, if not an ending of, the post-war consensus. They came to power intent, as their manifesto stated, on trade union reform (Lindsay and Harrington, 1979, p. 263). Their programme constituted 'a fundamental departure from many of the established features of the voluntary system' (Goodman, 1981, p. 610). 'The principle labour quangos either had been or were about to be wound up by the end of the year' (Blake, 1985, p. 312). The new government proceeded to implement policies such as standing firm against public-sector pay claims, and preparing a detailed Industrial Relations Bill. Less tangibly, but at least as important, they cut off many of the accustomed channels of communication between government and the unions. The TUC that, on the election of the Conservatives, had repeated its 1951 offer of co-operation to the Tory government, was aggrieved at this

curtailment of its accustomed role. However, by 1972 these developments were to be reversed as the Conservatives performed a radical policy u-turn.

The TUC's access to the Prime Minister changed in 1970. In 1969 there were 25 meetings between the TUC and Labour Party Prime Minister Harold Wilson (Appendix A). Almost half of these meetings concerned the government's White Paper, *In Place of Strife*. This proposed the introduction of legislation to reverse the increasing shop-floor power that was undermining the union leaders control over their members. However, following the stirrings of opposition to the Bill in the Parliamentary Labour Party (PLP) the government withdrew the legislation (Ellis and Johnson, 1974, pp. 23-24). The remaining 13 meetings of 1969 were conducted in the NEDC.⁶³ There were eight further meetings between Prime Minister Wilson and the TUC up to the general election of June 1970.⁶⁴ In contrast, there were only three meeting between the Conservative Prime Minister Ted Heath and the TUC in the remaining months of 1970. The following year Heath met with the TUC only three times in all.⁶⁵ At the NEDC 'in contrast to previous years, the Chancellor of the Exchequer has normally taken the Chair at Council meetings rather than the Prime Minister.'⁶⁶

Apart from his positive stance towards Europe and entry to the EEC, Heath really did not have the slightest idea of what he wanted to do in government (Clark, 1998, p. 348). He had negotiated British entry to the EEC at the time of Macmillan, and was know as a convinced European. Heath was better able than most other politicians, Conservative or Labour, to put a convincing case for Britain in Europe (Childs, 2002, p. 187). The Commons ultimately approved the application by 356 to 244 votes. It was for Britain 'one of the decisive votes of the century,' (Jenkins, 1991, p. 329).

⁶³ AR, TUC, 1969, p. 109.

⁶⁴ *ibid.*, 1970, p. 174.

⁶⁵ *ibid.*, 1971, p. 155.

⁶⁶ *ibid.*, 1971, p. 267.

The year 1970 was to see a dramatic change in the government's economic policies. The Labour government's April 1970 budget included some tax cuts, and there was a substantial rise in the money supply.⁶⁷ Total expenditure was to be reduced by £330 million in 1971/72. The monetary policy outlined in the budget implied continued restraint on the supply of credit, though not as severely as in the previous financial year. Various prices and incomes policies were devised to persuade those responsible to take price and income decisions different from those which they would otherwise have taken. According to the OECD (1970, p. 18) wage rates and earnings in the UK had been rising much faster relative to productivity than in other major countries. After coming to power the Conservatives conducted a review of public spending with the objective of securing substantial savings (OECD, 1970, p. 15). The new Government took the view that it would be neither useful nor practicable to attempt a detailed intervention into wage bargaining either by laying down norms and criteria or by re-imposing a statutory incomes policy. In its view, past experience of a statutory and detailed policy suggested not only that its success was likely to be limited, in that influence over national settlements did not effectively limit the growth of earnings at local level, but that it would be counted-productive. Instead, the new policy was to rely mainly on the tougher stand that the Central Government itself took towards pay claims, and the similar hardening of attitudes that it hoped to inculcate in the rest of the economy. An important element was the government's declared greater readiness to sit out strikes, and its refusal to intervene to secure compromise settlements in disputes involving excessive wage claims (OECD, 1971, p. 23). The Conservatives also sought to bring with them a new style of government. In a White Paper entitled *The Reorganization of Central Government*, published in October 1970, plans were

⁶⁷ The Economist, 18-24 April, 1970, p. 15.

announced for an extensive reorganization of the machinery of government in an attempt to get less government, and better government carried out by fewer people (Skuse, 1971, p. 12).

Following Labour's defeat moves were made to re-establish the party's links with the trade unions. A Labour Party-TUC Liaison Committee was established, this bringing together the National Executive Committee (NEC), the parliamentary leadership, and the General Council of the TUC. It was envisaged from the outset as a key forum for policy formulation. In effect, the direct participation of individual unions in the Labour Party was transcended by this new channel of collective representation. This gave the TUC, for the first time in its history, a direct line into Labour Party policy making and thus into general election manifestos (Elliott, 1978). It was through this mechanism that the party negotiated the 'social contract', a corporatist deal between the Labour Party and the unions, covering the main elements of economic policy (Goodman, 1981, p. 611). Already in 1970 the NEC and the PLP had agreed on total opposition to the Conservative's proposed Industrial Relations Bill, promising its repeal and replacement with a scheme based on the report of the Donovan Commission. Over time Labour in opposition shifted sharply to the left under the impact of radicalized trade unions.

Overall, there were some minor fluctuations in trade union membership. Despite the change of government, and the frayed relations between the political parties and organized labour, the unions' membership continued to expand. In 1969 the level of trade union membership in Britain was 10,479,100 (Appendix C). That year had seen an increase of 279,100 in trade union membership. By the end of 1970 trade union membership had increased by a further 6.8 per cent to 11,187,000. This increase of 707,900, over two and a half times that of the previous year, was somewhat surprising

considering the election of a hostile Conservative administration in June 1970. The year following the proposed critical juncture saw trade union membership slump by 52,000, or 0.4 per cent. However, in 1972 union membership grew again, and was to continued growing for the remainder of the 1970s

Between 1968 and 1970 there was a distinct change in the level of TUC policies incorporated into the government's policies towards organized labour. In December 1968 the TUC called on the government to introduce legislation providing for adequate pensions in all occupations. Soon afterwards the government published a White Paper containing the TUC's proposals.⁶⁸ The policies contained in another White Paper, *In Place of Strife – A Policy for Industrial Relations*, antagonised the unions greatly,⁶⁹ and were ultimately dropped. The TUC's demand that the government introduce legislation regulating Asbestos was successful in 1969.⁷⁰ However, the TUC did not have everything its own way. Its demands for compulsory employer insurance for work accidents, and its desire to see the rate of coal mine closures reduced, came to nothing.⁷¹ The TUC was also disappointed when the April 1969 budget was not as expansionary as demanded.⁷² Nevertheless, the TUC was consulted by both the Departments of Education and Employment on policy issues.⁷³ The unions' calls for equal pay, and amendment of the Industrial Training Act, were answered in September and November 1969 when the government announced its intention to introduce Bills on both topics.⁷⁴ However, Labour fell from power before either Bill became law.

⁶⁸ AR, TUC, 1969, p. 170.

⁶⁹ *ibid.*, 1969, p. 214.

⁷⁰ AR, TUC, 1969, p. 274.

⁷¹ *ibid.*, 1969, p. 281.

⁷² *ibid.*, 1969, p. 428.

⁷³ *ibid.*, 1969, p. 296.

⁷⁴ *ibid.*, 1970, p. 209.

When the Conservatives came to power the new Employment Secretary gave no commitment on equal pay legislation.⁷⁵ After June 1970 the TUC decided not to cooperate with the Commission on Industrial Relations due to the government's Industrial Relations Bill.⁷⁶ However, all was not bleak, in November 1970 a Bill increasing public service pensions was introduced containing all the TUC had sought for a number of years.⁷⁷ But, then the Government published a *Consultative Document on the Code of Industrial Relations Practice* that the unions found unsatisfactory.⁷⁸ In March 1971, without consulting the TUC, the government introduced a Social Security Bill that imposed substantial cuts in National Insurance unemployment benefits. The unions vehemently protested this move.⁷⁹ However, not consulting the unions became a trademark of Conservative policy-making. At the same time the government refused to implement the Employed Persons (Health and Safety) Bill, despite TUC urging.⁸⁰ Although the TUC sought meetings with the government on the Employers' Liability Act, and on education policy in 1971, this was refused.⁸¹ Although many of the Labour government's policies on regional development were reversed by the Conservatives,⁸² the government did agree to the TUC request to increase the number of Special Development Areas.⁸³ However, the Conservative's budget of March 1971, although providing for increased retirement pensions, did not satisfy TUC demands.⁸⁴

⁷⁵ *ibid.*, 1971, p. 64.

⁷⁶ *ibid.*, 1971, p. 79.

⁷⁷ *ibid.*, 1971, p. 88.

⁷⁸ *ibid.*, 1971, p. 105.

⁷⁹ *ibid.*, 1971, p. 113.

⁸⁰ *ibid.*, 1971, p. 117.

⁸¹ *ibid.*, 1971, p. 137.

⁸² *ibid.*, 1971, p. 214.

⁸³ *ibid.*, 1971, p. 215.

⁸⁴ *ibid.*, 1971, p. 253.

The Industrial Relations Act, 1971 and Conservative U-turns

Although the Labour government's efforts to reform industrial relations came to naught, this did not deter the Conservatives, whose manifesto proposed changes in industrial relations law (Kessler and Bayliss, 2001, p. 23). The Conservative's Industrial Relations Bill sought a comprehensive redirection of the law to bring trade unions under greater statutory regulation and public accountability. This was despite the fact that 62 per cent of the population approved of the trade unions at the time (Wybrow, 1989, p. 160). The TUC saw the Bill as an attack on trade unionism.⁸⁵ Consequently, millions of workers struck in protest at the legislation, and left wing Labour MPs created rowdy scenes in parliament (Heffer, 1971, pp. 220-223). Nevertheless, the legislation was given Royal Assent on 5 August 1971 (Hollinshead et al., 1999). The TUC 'strongly advised' affiliates not to register under the Act and expelled those that did (Moran, 1977, p. 122). Ultimately a political failure, the legislation estranged the unions and the government.

This Conservative administration was to lurch from economic crisis to crisis. The Conservatives, when in opposition, had attacked the policy of assisting failing enterprises to stay in business in the hope that they could become profitable again. However, once in government they were less enthusiastic about letting market forces do their ruthless work (Craig, 1990, p. 120). This policy 'u-turn' came in the middle of the miners' strike in early 1972. At that time several major companies were faced with grave problems of survival. The government, having come to power with the intention of not rushing to the rescue of companies that could not survive market competition, now found itself nationalizing firms. As a consequence the government ended up nationalizing several major companies.

⁸⁵ The Times, June 25, 1970, p. 20.

Following a sterling crisis in June 1972 the pound was allowed float. However, the trade balance deteriorated to a record deficit of almost £700 million. Towards the end of the year the Conservatives' abandoned the Industrial Relations Act that had been rendered totally ineffective by union non-cooperation (Marsh, 1992b, p. 21-22). In November, the Heath government, in its most famous u-turn, went ahead with a statutory prices and incomes policy to combat inflation.⁸⁶ By the end of the year the British economy, experiencing stagflation, had reached crisis point. The problems forced the government to abandon, or reverse, many of the policies started in 1970.

During the first year of the Heath government there was no substantial change in trade union representation on government committees. Yet, throughout the 1970s the TUC's level of representation on tripartite institutions gradually expanded. This began under the Conservatives after their 1972 u-turn. Heath sought to bring the TUC and the CBI into discussions on the creation of a new national economic consensus. The unions' access to the Prime Minister underwent substantial change at this time. There were 13 meetings between Prime Minister Heath and the TUC in 1972, in stark contrast to only three in 1971.⁸⁷ This increase was due to Heath's use of the NEDC, of which the Prime Minister was chairman,⁸⁸ in an effort to draw the unions into closer contact with the government during its economic U-turn (Taylor, 1978, p. 93). In 1973 11 meetings were conducted between the Conservative Prime Minister and the leadership of the TUC.⁸⁹ In its attempt to reach agreement on overall economic policy the government ended up reversing its objective of depoliticizing industrial relations. The government's u-turns meant that the 1970 collapse in the trade unions' influence over public policy did not endure.

⁸⁶ Time International, 25 February, 1974. Vol. 103, No. 8, p. 19.

⁸⁷ AR, TUC, 1973.

⁸⁸ *ibid.*, 1972, p. 214

⁸⁹ *ibid.*, 1973 and 1974.

Table 5.2: The Empirical-Theoretical Fit 1970

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister		X		
O2: Change in the trade union representation on government committees				X
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government			X	
O4: Change in the trade unions' relationship with a political party			X	
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour		X		
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour		X		
O8: Change in the government's economic policies		X		
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike		X		
O10: Change in ministerial attitudes towards the role of trade unions in the polity		X		
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?			X	
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?				N/A
O3: Do the national media regard the economic state of the country as in crisis?			X	
O4: Do national economic and political commentators regard the economic state of the country as in crisis?			X	
O5: Does the central bank regards the economic state of the country as in crisis?			X	
O6: Do domestic and international organisations regard the economic state of the country as in crisis?		X		
O7: Do elected representatives regard the economic state of the country as in crisis?			X	
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?			X	

In Table 5.2 it is clear that none of the observable implications for either of the hypotheses indicated a high empirical-theoretical fit. It can also be seen that while 60 per cent of the observable implication of the first hypothesis indicated a medium empirical-theoretical fit, only 14 per cent of the second hypothesis's observable implications indicate a medium empirical-theoretical fit. The table confirms that there was no critical juncture in the TUC's influence over public policy in 1970.

In summation, in early 1970 there was a significant, swift, but not enduring change in the TUC's influence over public policy, this at a time of macroeconomic difficulties rather than crisis. The level of influence the trade union's possessed over the previous Labour government was unacceptable to the Conservatives who came to power in June 1970. They were committed to change in, if not the ending of, the post-war consensus. The view that the economy was in downturn was shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. In response to the danger to Britain's competitive position the Conservative Government's policy came to focus upon righting the economy and reforming the trade union movement. A consequence of this was the introduction of the Industrial Relations Act of 1971. At the time the TUC's access to the prime minister diminished substantially, however, its representation on government committees, and its overall membership level, remained largely unchanged. The government's policies towards the trade unions, the economy, and the level of trade union policies incorporated into the government's policies, also underwent change to the TUC's disadvantage. Ultimately, this coolness towards the unions was not possessed of an enduring legacy, and ended in a series of dramatic u-turns two years later. It was at a time of macroeconomic difficulties that the unions' influence over public policy

changed to an extent in 1970. However, this change in the trade unions' influence over public policy did not constitute a critical juncture as it did not possess an enduring legacy, and the economic was not in crisis at the time.

Figure 5.2: The Critical Juncture Grid, Britain, 1970

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES		
NO		X

Potential Critical Juncture 3: The 1973 Oil Crisis and the 1974 Election

On 6 October 1973, Egypt and Syria attacked Israel, with the intention of regaining territory lost in the war of June 1967. The Yom Kippur War ended in a truce on 24 October. The OPEC states, meeting on 15-17 October 1973 cut back oil supplies to the industrial states of the west and increased their price four-fold. This created enormous problems for all Western Nations for several years. As Britain depended on oil for 50 per cent of her energy needs 'this had disastrous implications for an already grim balance of payments situation' (Sked and Cook, 1979, p. 319).

National commentators, the media, the Bank of England, and domestic and international organisations, regarded the economy as in difficulty by 1974. The Bank of England (1974, p. 3) pointed out that during the last three months of 1973 the economy was subject to abnormal strains. As the UK had to pay a much higher price for oil than previously this led to a re-evaluation of fuel in general, and coal in particular. Prior to this the coal industry had faced years of downgrading (McKie and Cook, 1974, p. 76). OPEC's decision created a major political crisis as suddenly the labour-market position of workers in industries competing with oil had been considerably strengthened. Among the groups with pay claims looming in late 1973 were the coal miners, who put in for a 40 per cent pay claim. After the failure of talks with Heath in Downing Street, they introduced an overtime ban on 12 November. The following day the government declared a State of Emergency.⁹⁰ However, through November and December no settlement was found. By 30 December, the government imposed large scale power cuts, and reduced industry to a three-day working week, in order to conserve coal supplies (Childs, 2002, p. 197). 'In short, 1973 has been a year of increasing State intervention in the private sector by a government elected on a contrary manifesto'

⁹⁰ Time International, 26 November, 1973. Vol. 102, No. 22, p. 7.

(Gilson, 1974, p. 10). *The Economist* pointed out that the output of industry, and the incomes of families dependent upon industry, was sharply cut.⁹¹ A knock on consequence, highlighted by the Bank of England (1974, p. 5), was that exports declined in relations to imports. By the beginning of the new year the *Financial Times* argued that Britain was effectively experiencing a double recession with a winter coal shortfall as well a continuing oil shortfall.⁹² The current account deteriorated sharply in the fourth quarter of 1973, before worsening further in January (Bank of England, 1974, p. 4). At this time opinion polls found that over 48 per cent of the electorate considered that the economy would worsen rather than improve in 1974.⁹³ Donaldson, writing in the *BES* (1974, p. 6), observed that ‘at the beginning of 1974, Britain is in a state of crisis.’ *The Times* simply observed that the British economy was in a terrible muddle.⁹⁴ *The Guardian*, stated that the economy was in worse difficulties than at any time since the end of the Second World War. Inflation was accelerating, growth had vanished, and for most people real standards of living were going down.⁹⁵ A few days later the paper went so far as to refer to the situation facing the economy as ‘nightmarish.’⁹⁶

Healey (1989, p. 32) points out that in the second half of 1973 the balance of payments was in deficit by over £1 billion, while the Public Sector Borrowing Requirement (PSBR) stood at well over £4 billion. For the Bank of England (1974, p. 5) the two most pressing problems facing the economy in early 1974 were the balance of payments and inflation. But the NIESR (1973, p. 7) predicted a balance of payments deficit of £2.1 billion for 1974. The inflation rate, after the quadrupling of oil prices, rose to over 24 per cent by 1975 (Coxall and Robins, 1994, p. 29). For the public

⁹¹ *The Economist*, 5-11 January, 1974, p. 11.

⁹² *Financial Times*, 3 January, 1974, p. 5.

⁹³ *Time International*, 24 December, 1973. Vol. 102, No. 26, p. 4.

⁹⁴ *The Times*, 5 February, 1974, p. 11.

⁹⁵ *The Guardian*, 15 February, 1974, p. 12.

⁹⁶ *ibid.*, 18 February, 1974, p. 12.

inflation became the most urgent problem facing the country, almost to the exclusion of all others (Wybrow, 2001, p. 265). Unemployment, having hovered between 1.5 and 2.5 per cent during the 1950s and 1960s, increased sharply (Deaton, 1983, p. 237). Mitchell (2003, p. 168) point out that in 1974 835,000 people were unemployed, the highest number since 1940. However, the numbers without work were to rise to an annual average of 1.25 million in the period 1974-1979. Economic growth, which had averaged 2.8 per cent per annum between 1948-1973 plummeted to a mere 1.4 per cent between 1973-1979, and was negative in 1974 (Appendix D). The number of days lost to industrial disputes, at over 14 million, was to that time the second highest in British history. 'The increase in oil prices above the October 1973 levels are estimated to have added about \$6.25 billion to the value of imports in 1974, approximately half of the trade deficit of \$12 billion' (OECD, 1975, p. 18). The NIESR (1974, p. 12) observed that the government found itself confronted with the possibility of a simultaneous failure to achieve all four of its policy objectives – adequate economic growth, full employment, a satisfactory balance of payments, and reasonably stable prices. However, the Bank of England (1974, p. 123) did point out that the first three months of 1974 were clearly an exceptional period. Output was seriously curtailed by the shorter working week and the general restrictions on the use of energy in industry.

On 4 February 1974, the same day as Heath's final meeting with the TUC, 81 per cent of miners voted for strike action. *The Times* called this an economic catastrophe for Britain, and British industry.⁹⁷ 'Several interest associated with the Conservative Party began to urge Heath to call a general election on the issue of who governs Britain: the unions or the government?' (Childs, 2002, 168). At first he demurred, but despite a flurry of activity there was no progress in reconciling the

⁹⁷ *ibid.*, 6 February, 1974, p. 1 and p. 19.

dispute. Three days later Heath finally called an election for 28 February. A *Daily Mail* poll released the day after the dissolution of parliament showed that if the election was fought purely on the issue of the miners dispute the Conservatives would have a 9 per cent lead over Labour.⁹⁸

The tone of the Conservative's manifesto, *Firm Action for a Fair Britain*, suggested at a final confrontation with the unions following an election victory, while Labour's, *Let Us Work Together – Labour's Way Out of the Crisis*, spoke of reconciliation if victorious. Initially, public opinion polls suggested considerable support for the government in its firm stand against the miners. If it went to the country it could expect an increased presence in the House of Common, and consequently to hold the line against the miners. The voices in the press, and in the Conservative Party, that urged Heath to go to the country from December 1973 onwards, were not of despair urging abdication. They wanted the Conservatives to capitalize on what was seen as widespread public loathing for trade unions (Crouch, 1977, p. 248). So deeply held were anti-trade union views in right-wing circles that any show of trade union strength generated not just resistance but something akin to hysteria – a 'levee en masse' of petit-bourgeois prejudice (Thompson, 1980, p. 39). It was at this time that right-wing anger at the 'effrontery' of trade unionism came to boiling point (Coates, 1989, p. 119). *The Times* observed that the Prime Minister seemed to be trying to paint ordinary trade unionists as enemies of the state.⁹⁹ However, the public was soon showing sympathy for the miners (Wybrow, 1989, p. 105).

In the extraordinary setting of a State of Emergency, and a three-day working week, there began the first election campaign in British history in which industrial relations was the central issue (Crouch, 1979, p. 86). By January 1974 nearly 750,000

⁹⁸ The Daily Mail, 8 February, 1974, p. 5.

⁹⁹ The Times, 25 February, 1974, p. 6.

workers had been laid off due to the three-day working week.¹⁰⁰ *The Economist* warned that the shadow of hyperinflation hovered over Britain.¹⁰¹ Initially opinion polls in *The Times* and *Daily Telegraph* put the Tories ahead of Labour by a range of 2 to 3.9 per cent.¹⁰² However, as the election day drew closer this lead was reversed. By late January it appeared to *The Economist* that the TUC had wrecked Heath's government as effectively as it had wrecked Wilson's in 1969.¹⁰³ The price increases on a vast range of foodstuffs in January were the highest since the Second World War.¹⁰⁴ Despite this, the Chancellor of the Exchequer, Anthony Barber, insisted that a tight grip on public expenditure, and continued wage controls, was essential if the country was to surmount its economic difficulties.¹⁰⁵ In the week before polling *The Times* predicted that the announcement by the Department of Trade and Industry of the £383 million deficit on visible trade in January could severely hurt the Conservatives as this was the biggest monthly deficit in British history.¹⁰⁶

Gordon Richardson, Governor of the Bank of England, predicted that the wider economic crisis meant there would be little scope for increased living standards in the years thereafter.¹⁰⁷ However, elected representatives also regarded the economy as in crisis. At the start of the election campaign the Prime Minister admitted that the economy was going through a difficult patch.¹⁰⁸ The economic difficulties, and their repercussions, provided ample ammunition for the opposition.¹⁰⁹ Shadow Home Office Spokesman Roy Jenkins commented that the government, on its dissolution of

¹⁰⁰ *The Economist*, 5-11 January, 1974, p. 74.

¹⁰¹ *ibid.*, 19-25 January, 1974, p. 74.

¹⁰² *The Times*, 15 January, 1974; *Daily Telegraph*, 16 January, 1974.

¹⁰³ *The Economist*, 26 January – 1 February, 1974, p. 11.

¹⁰⁴ *Financial Times*, 16 February, 1974, p. 1.

¹⁰⁵ *ibid.*, 21 February, 1974, p. 1.

¹⁰⁶ *The Times*, 26 February, 1974, p. 1.

¹⁰⁷ *The Economist*, 19-25 January, 1974, p. 13.

¹⁰⁸ *The Guardian*, 8 February, 1974, p. 5.

¹⁰⁹ *Financial Times*, 20 February, 1974, p. 1.

parliament, became the only administration in history to leave the country with an emergency but without a parliament.¹¹⁰ Labour leader Wilson regarded the economic crisis facing Britain as unparalleled,¹¹¹ and went on to say that the Conservatives had put the country on the road to economic ruin.¹¹² *The Guardian* argued that the true nature of the problems facing Britain could be judged from Heath's begging the miners to return to work in mid February.¹¹³ However, Jeremy Thorpe, leader of the Liberals, condemned Heath for suggesting that the miners were the enemies of the nation while still trying to reach an agreement with them.¹¹⁴ The gravity of the situation was unambiguous when Heath and Wilson both pointed out, in the same edition of *The Guardian*, that whichever government came to power there was no easy way out of the crisis.¹¹⁵ Wilson went on to say that 'on every count the handling of the nation's economy by this Conservative government has been a disaster.'¹¹⁶ 'We have never had a run of figures like these before in our history,' observed James Callaghan of Labour.¹¹⁷

The election campaign, which ended with polling on 28 February 1974, was fought by Heath asking for the return of a strong government to fight inflation, a government that would not be forced to give in to one particular group of workers. However, Wilson claimed that the Conservatives were using the miners dispute to distract the electors from the real issue, high prices, high mortgage rates, and the disastrous terms negotiated by Heath for entry to the EEC (Butler and Kavanagh, 1975, pp. 73-74). During the campaign the Social Contract between the Labour Party and the

¹¹⁰ *The Guardian*, 8 February, 1974, p. 8.

¹¹¹ *ibid.*, 9 February, 1974, p. 1.

¹¹² *ibid.*, 9 February, 1974, p. 6.

¹¹³ *ibid.*, 14 February, 1974, p. 1.

¹¹⁴ *ibid.*, 15 February, 1974, p. 7.

¹¹⁵ *ibid.*, 25 February, 1974, p. 1.

¹¹⁶ *ibid.*, 26 February, p. 1.

¹¹⁷ *The Times*, 26 February, p. 2.

TUC was announced. Its terms were a twelve-month interval between wage settlements, and that negotiated increases be confined to compensating for price increases since the last settlement, or for anticipated future price increases before the next settlement.

The electors produced results that had never been seen in post-war politics. On a turnout of 78.1 per cent, the Conservatives took 297 seats to Labour's 301. However, it was an election marked by the unprecedented success of the minor parties – the Liberals, Scottish and Welsh Nationalists, and Ulster Unionists – and while the Conservatives secured a slightly bigger share of the popular vote than Labour, it still ended up with less seats. For the first time since 1929 no party held an overall majority (Childs, 2002, p. 199). However, Heath's hopes of a reinforced mandate to govern were blighted by the result.¹¹⁸ The Conservatives failed in their gamble to reinforce their authority by an appeal to the country on who should govern through Britain's crisis.¹¹⁹ *The Times* argued that it was a moral defeat for Heath as when he had dissolved parliament he had a workable majority of 15, but afterwards had none.¹²⁰

The Fall of the Conservative Government

Heath did not offer his resignation immediately. Instead he sought a Coalition with the Liberals on the basis that his party had gained more votes than Labour, and that the Conservatives and Liberals agreed on Europe and on incomes policy. The Liberals refused this, consequently sealing Heath's fate. Wilson then formed the first minority government in Britain since 1929.¹²¹ Right-wingers Sked and Cook (1979, p. 330) argue that 'for Heath the politics of confrontation ended in failure.' 'The Heath

¹¹⁸ *ibid.*, 1 March, 1974, p. 1.

¹¹⁹ *ibid.*, 2 March 1974, p. 2.

¹²⁰ *ibid.*, 2 March, 1974, p. 2.

¹²¹ *Time International*, 11 March, 1974. Vol. 103, No. 10, p. 6.

government's U-turn and subsequent collapse merely confirmed the conviction of those on the new right that the next Conservative government needed to break trade union power and find an alternative to social democratic Keynesian management' (Booth, 2001, p. 178).

During the Heath administration it became apparent that there had been a fundamental shift of power towards the unions. To many, in pursuing excessive wage demands, they appeared the root cause of national decline. The new power of trade unions had been underlined when Wilson failed to put *In Place of Strife* on the statute books. However, the irony was that it was Heath's attempt to shackle this power that confirmed it beyond doubt.

The dire economic consequences of the oil crisis proved the undoing of the Conservatives. With the Conservative's electoral defeat Labour returned to power, its links to the TUC reestablished after their differences of the late 1960s. This provided the unions with the assurance that their goals would be at the forefront of the government's policies.

What the election did show was: that yet another central pillar of the post-war consensus – the avoidance of the politicization of industrial conflict – had finally crumbled as the preferred policy of a Conservative government (Crouch, 1979, p. 88).

The Labour Governments and the Social Contract

This period marked a change in the trade unions' relationship with the government. The collapse of the Heath government gave Labour the opportunity to put its new schemes, the social contract, into effect. Thereafter began an unprecedented period of close co-

operation between the unions and the state (Jones and Keating, 1985, p. 195). Union leaders were regularly consulted about government policies as part of the renewed corporatism of the 'social contract.' The period from 1974 to 1979 is seen by some political scientists as the time when union leaders exercised great influence, almost control, over the Labour governments (Kessler and Bayliss, 1995, p. 34).

There was change in the government's economic policies. The OECD (1975, p. 24) pointed out that although demand slowed down considerably through 1973, the prospect of excess demand in 1974 prompted restrictive measures from the Conservatives prior to their election defeat. The first change in economic policy came in November when public expenditure cuts of £1.2 billion were announced. At the same time the rate of inflation increased and the current balance of payments position deteriorated, largely reflecting the steep rise in commodity prices and strong domestic demand pressures. The jump in unemployment reflected an initial shedding of labour, due to the oil crisis, that was not taken back once output recovered (OECD, 1975, p. 14). At this time opinion polls found that the public looked negatively upon the economic situation (Wybrow, 2001, p. 312). Many have argued that inflation, and not the miners' strike, was the main issue at the heart of the election (Grant and Nath, 1984, p. 24). Denis Healey (1989, p. 32) remarked that when he became Chancellor he inherited from the Conservatives an economy that was 'practically beyond repair.' The demand management policies of the Labour government were restrictive in the first half of 1974. However, with output stagnant and unemployment rising, the OECD (1975, p. 24) pointed out that Labour acted to boost demand, at first marginally in its July budget, and then rather more substantially in the November budget. Statutory pay controls were abolished in July with the TUC agreeing to voluntary restraint of pay claims under a wider social contract (OECD, 1975, p. 8). However, the primary reason for the July

budget, as argued by the OECD (1975, p. 24), was the need to slow the rate of price increases.

The budgets of 1974 were received with rapture by the Labour movement as representing the first step in that irreversible transfer of wealth and power to working people, and their families, which we had promised in the election (Healey, 1989, p. 392).

The trade unions' access to the Prime Minister changed at this time. Coates and Topham (1986, p. 53) argue that a TUC – Labour Party Liaison Committee, formed in January 1972, with the Labour Party leader as a joint chair, ensured the unions of at least a monthly meeting with the Labour Prime Minister after the election of 1974. In fact, in 1974 the TUC met 29 times with Prime Ministers (Appendix A). They met with Heath four times prior to the February election,¹²² and with Wilson 25 times after that election. A further 27 meetings were conducted between the TUC and the Prime Minister throughout 1975.¹²³ This rate of meetings continued after James Callaghan took over from Wilson as Prime Minister in March 1976.¹²⁴

Early concessions to the unions by the new Labour government, all of which had been set out in its manifesto included the repeal of the Industrial Relations Act and the Housing Finance Act. New legislation gave increased rights to trade unions, greater employment protection, and provided for sexual equality and equal pay. New agencies in the employment field, the Manpower Services Commission (MSC), and the Health and Safety Executive (HSE) were established, with trade-union involvement in their

¹²² AR, TUC, 1974 and 1975.

¹²³ *ibid.*, 1975 and 1976.

¹²⁴ *ibid.*, 1976 and 1977.

running (Coates, 1980, p. 58). Representatives of both the unions and employers had called for the establishment of a conciliation and arbitration service independent of both government and civil service influence. The result was the Advisory, Conciliation and Arbitration Service (ACAS), which took up formal duties in September 1974. ACAS was created as the embodiment of the voluntary approach to industrial relations.

‘From early 1974, under the last Wilson administration, the TUC enjoyed the most intimate relationship it has ever shared with a government’ (Martin, 1980, p. 299). The trade unions had members on about 60 advisory bodies, the number which increased during the years of the Labour Government (May, 1975, p. 92). The spread of industrial tripartitism in the early 1970s reflected a political bipartisan attitude at the time.

By 1979 the TUC maintained a list of the General Council’s appointments to government committees and outside bodies, which named 67 major and subsidiary bodies, 10 of which were in the education field’ (Coates and Topham, 1986, p. 34).

Consequently, at this time the TUC possessed a wide range of informal contacts with Whitehall departments, most particularly with the Department of Employment (Marsh, 1992b, p. 43). Throughout the 1970s the level of trade union representation on government committees increase gradually, but more importantly, the qualitative nature of this representation improved. It was the nature of the committees, as opposed to the number of committees, that the trade unions gained representation upon, that was of real importance in this case. But, as this observable implication’s significance is measured

quantitatively, the qualitative significance of this change is missed out on to an extent here, and more importantly in the table below.

The Shortest Parliament Since 1681

Within a few days of the first Labour Cabinet meeting on 5 March, the miners' strike was settled. Thereafter, the three-day week, and the state of emergency, came to an end. However, the new Labour government found itself in a difficult situation. It had no clear majority in Parliament, faced a terrible trade deficit, with higher inflation, declining production, national disputes awaiting settlement, rising nationalism in Wales and Scotland, the issue of the EEC unresolved, and violence in Northern Ireland. Nevertheless, Prime Minister Wilson, not prepared to preside over a lame duck administration, instilled vigor in his ministers. However, the whole of the 1974 parliament was dominated by the prospect of another general election (Childs, 2002, p. 202).

By this time trade union membership in Britain stood at 11,764,000 (Appendix C). This constituted an increase of 308,800, or 2.7 per cent, over 1973. That year had witnessed an increase of 96,200, or 0.8 per cent, in trade union membership on 1972. The Labour Party's return to government in 1974 assured the TUC that its policy objectives would receive the government's attention. In 1975 trade union membership increased again, this time by 3.6 per cent, or 420,000, with overall membership crossing the 12,000,000 mark. Trade union membership was to increase every year after 1975, albeit at varying rates, until it peaked in 1979 at 13,289,000. All in all, during the period of Labour party governments from 1974 to 1979 trade union membership increased by roughly 1,525,000 members or 12.96 per cent.

Between 1973 and 1974 there was a distinct change in the level of TUC policies incorporated into the government's policies towards organized labour. The TUC contacted the Department of Employment in February 1973 concerning its review of redundancy payments. However, the Secretary of Employment replied that the review was incomplete. When the TUC contacted the new Labour Employment Secretary in March 1974 a meeting was promptly arranged and their views were incorporated within the Employment Protection Bill.¹²⁵ The TUC had made repeated representations to the Conservative government for an Order to be made under the Equal Pay Act, 1970, so women would have the statutory entitlement to at least 90 per cent of the appropriate male rates. However, the Conservatives had refused this.¹²⁶ But the Labour government enforced the Equal Pay Act.¹²⁷ Although the Conservatives informed the TUC that they would introduce anti-discrimination legislation in 1973 it was Labour that ultimately did so in 1974.¹²⁸

Urged by the TUC the new Labour government immediately set about repealing the Industrial Relations Act of 1971,¹²⁹ and introducing a Social Security Act.¹³⁰ Through 1973, and into 1974, the TUC first asked the Conservatives, and then Labour, to introduce legislation on social insurance. In April 1974 Labour introduced the National Insurance Bill to increase retirement pensions.¹³¹ After unsuccessfully pressing the Conservatives to increase unemployment benefit in 1973, Labour introduce a White Paper late in 1974 setting out proposals for improvements to the National Insurance Scheme, including unemployment benefit.¹³² But even under Labour the

¹²⁵ *ibid.*, 1974, p. 50.

¹²⁶ *ibid.*, 1974, p. 51.

¹²⁷ *ibid.*, 1974, p. 51.

¹²⁸ *ibid.*, 1974, p. 62.

¹²⁹ *ibid.*, 1974, p. 68.

¹³⁰ *ibid.*, 1974, p. 87.

¹³¹ *ibid.*, 1974, p. 89.

¹³² *ibid.*, 1975, p. 71.

TUC did not get things all its own way. In 1973 the TUC had sought their members appointment to new Authorities established under the reorganisation of the NHS. However, the Conservatives insisted upon appointing on managerial ability alone. When the TUC raised the issue with Labour in March 1974 it received a similar response.¹³³ The TUC criticism of the Conservative government's statement on education policy: *Education: A Framework for Expansion* came to naught. But with the change of government Labour's Secretary of State for Education met with the unions, welcomed their proposals, and suggested much closer consultation with his Department at both the Ministerial and official level.¹³⁴ The Labour Government's March budget incorporated many proposals contained in the TUC's Economic Review 1974.¹³⁵ This was in contrast to the Conservative's budget of 1973.¹³⁶ Labour Chancellor Denis Healey had assured the TUC that he would take their views into account when drawing up his budgets.¹³⁷

The shortest parliament since 1681 came to an end on 18 September, when Wilson called for elections on 10 October (Butler and Kavanagh, 1975). The campaign, a re-run of the previous one, saw Labour Party candidates returned in 319 constituencies, an increase of 18 on February. However, the Conservatives' presence in the Commons declined to 277. The Labour Party was back in government with enough seats to run the country. Following Heath's second election defeat he was replaced by the Conservatives in February 1975 with Margaret Thatcher. She, and her associates, repudiated consensus Keynesianism. They favoured an economic approach based upon

¹³³ *ibid.*, 1974, p. 114.

¹³⁴ *ibid.*, 1974, p. 133.

¹³⁵ *ibid.*, 1974, p. 217.

¹³⁶ *ibid.*, 1974, p. 225.

¹³⁷ *ibid.*, 1974, p. 231.

tight monetary control, an anti-inflationary policy that eschewed prices and incomes measures but entailed unemployment, and cuts in public spending.

During the era of the Social Contract the unions played a major role in the evolution of public policy (Dorfman, 1983, p. 15). Overall, 1974-1978 was to see remarkable co-operation between the unions and the Labour Government. Barns and Reid (1980, p. 222) suggest that during this period the Labour Government was a creature of the trade unions. The unions, increasingly led by left-wingers, appreciated the leverage that the government's fear of inflation provided. As a member of that Government admitted 'we frequently paid a high price to obtain the cooperation of our trade union friends' (Barnett, 1982 p. 60). The government ended the constraints on collective bargaining, while continuing and strengthening the system of price controls, increased pensions and raised taxes on the rich, repealed the Industrial Relations Act, and created ACAS. 'After its reelection in October 1974, the government honoured its commitments under the Social Contract, passing the Employment Protection Act (1975) and amending the Trade Union and Labour Relations Act (1976)' (Marsh, 1992b, p. 50).

However, in 1977, after two years of rigid incomes policy, the TUC was unwilling, due to rank-and-file pressure and wage anomalies, to agree to a uniform maximum figure for wage increases in the next period (Goodman, 1981, p. 612).

Thereafter, the Callaghan government unilaterally set the wage target. Pay increases were fixed at 10 per cent per annum for 1977-1978, and 5 per cent per annum for 1978-1979 (Wrigley, 1997, p. 126). As Denis Healey later reflected, the 5 per cent figure for

1978-1979 was too low – and the policy collapsed in the so-called ‘Winter of Discontent’ (Healey, 1989, p. 345). The ‘Winter of Discontent’ was to see Britain paralyzed by strikes. Holmes (1985, p. 156) argues that the crisis destroyed the credibility of the Labour Government as the party that could ‘work with’ the trade unions. The ‘social contract’ finally collapsed amid a welter of high wage demands, strikes, and industrial unrest.

Table 5.3: The Empirical-Theoretical Fit 1974

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees				X
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government			X	
O4: Change in the trade unions' relationship with a political party	X			
O5: Change in the level of trade union membership in the economy		X		
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour	X			
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?		X		
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?	X			
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?	X			
O6: Do domestic and international organisations regard the economic state of the country as in crisis?	X			
O7: Do elected representatives regard the economic state of the country as in crisis?	X			
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?	X			

As Table 5.3 makes clear, the first hypothesis's observable implications pointed to a significant, swift, and enduring change in the TUC's influence over public policy, while the second hypothesis's observables pointed to a macroeconomic crisis at this time. In the case of the first hypothesis, 80 per cent of its observables indicated a medium or high empirical-theoretical fit, while 70 per cent indicated a high fit exclusively. For the second hypothesis all observable implications indicated a medium or high empirical-theoretical fit, with 87.5 per cent indicating a high fit exclusively. As the findings for both hypotheses far exceed the minimum 60 per cent threshold for high empirical-theoretical fit, this confirms that there was a critical juncture in the TUC's influence over public policy in 1974.

In summation, 1974 witnessed a significant, swift, and enduring change in the TUC's influence over public policy. That the economy was in crisis at this time was a view unanimously shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally the elected representatives of both major parties. With economy in crisis, and experiencing a period of industrial relations collapse, a minority Labour administration came to power. A social contract already agreed with the unions, Labour proceeded to resolve the industrial relations problems, and implemented policies favourable to its union allies. Ultimately, the social contract was to give the TUC unprecedented access to the government, its policies, and their formulation, over the remainder of the 1970s. A new approach was taken towards both the economy and the trade unions by the new government. Consequently, the TUC's access to the Prime Minister, trade union membership, government economic and industrial relations policies, the trade unions' influence as seen by observers, and ministerial attitudes, all improved in the trade unions' favour, with government policies in particular coming to

reflect the policies desired by the unions themselves. The unions' influence over public policy changed significantly, swiftly, and enduringly at a time of macroeconomic crisis. According to the observable implications criteria set out in Chapter II the change in the trade unions' influence over public policy constituted a critical juncture.

Figure 5.3: The Critical Juncture Grid, Britain, 1974

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	X	
NO		

Potential Critical Juncture 4: 1979–The Conservatives Return to Power

In spite of the problems the Labour government had faced since 1974 its defeat in the 1979 general election was not a foregone conclusion. Denis Healey's 1978 budget was regarded by 68 per cent of the population as fair. This made it the most acceptable budget since the question was first posed in 1952 (Wybrow, 1989, p. 117). As Prime Minister, Wilson, and then Callaghan, were far more popular than Heath had been, and were far more popular than Thatcher as either opposition leader or later Prime Minister (Parkinson, 1992). However, due to the 'Winter of Discontent' the government lost significant support (Wybrow, 1989, p. 119). In the end it was the adverse results of referenda on devolution for Scotland and Wales that brought the government down. On 28 March 1979, the Labour government was defeated in the Commons by 311 votes to 310 on a Scottish National Party (SNP) no confidence motion. *The Economist* observed that 'the British Parliament, for the first time since 1924, asserted its constitutional right to vote out of office Her Majesty's ministers and force them to call a general election.'¹³⁸

During the general election campaign of 1979 the Labour government was not as willing as the Conservatives in 1974 to admit that the economy was in difficulty. This was simply because the situation, on the surface, did not appear as grave. Consequently, most, though not all, of the opinions expressed by elected representatives divided along partisan lines. However, mid way through the campaign Prime Minister Callaghan did admit that the public had suffered during the winter of 1978-79. Thatcher warned that to return Labour to office would be 'to accept our national decline as inevitable and simply make the best of it.' She went on to argue that there had been no economic progress at all under Labour.¹³⁹ A couple of days later Thatcher pointed out

¹³⁸ *The Economist*, 31 March – 6 April, 1979, p. 9.

¹³⁹ *The Guardian*, 17 April, 1979, p. 3.

that Britain's inflation rate under Labour rule stood at 107 per cent, compared with 23 per cent in West Germany. And that the government was responsible for the highest level of unemployment since the end of the Second World War.¹⁴⁰ Conservative MP Sir Geoffrey Howe, who was expected to be the next Chancellor of the Exchequer, spoke of 'a dismal inheritance of industrial decline.'¹⁴¹ Denis Healey, Chancellor of the Exchequer, admitted that unemployment was the biggest problem Labour had to deal with.¹⁴² David Steel, leader of the Liberal Party, declared that the election was all about 'how we can stop Britain sliding down hill.'¹⁴³ Sir Ian Gilmour, Conservative spokesman on defense, argued that the average family paid two and a half times as much income tax in 1979 as in 1973, yet had experienced no improvements under Labour¹⁴⁴

The Conservatives' election manifesto in 1979, originally drafted by Chris Patten, was particularly specific. It set out as its primary priority controlling inflation and the trade unions.¹⁴⁵ It pledged substantial cuts in all areas apart from the health service and defense. The manifesto stated that the Tories would limit the right to picketing, allow appeals to courts against expulsion from a union, and allow compensation for loss of job due to closed shop, provide public money to finance postal ballots, and require unions to contribute towards support of strikers. However, *The Guardian* observed that 'while the Labour manifesto [*The Labour Way is the Better Way*] is the usual shopping list – the Conservative manifesto is remarkably free from detailed pledges.'¹⁴⁶

¹⁴⁰ *ibid.*, 19 April, 1975, p. 28.

¹⁴¹ *ibid.*, 1 May, 1979, p. 21.

¹⁴² *ibid.*, 18 April, 1979, p. 4.

¹⁴³ *ibid.*, 1 May, 1979, p. 21.

¹⁴⁴ *ibid.*, 17 April, 1979, p. 3.

¹⁴⁵ *The Economist* 14 – 20 April, 1979, p. 17.

¹⁴⁶ *The Guardian*. 16 April, 1979, p. 11.

Monday 1 April 1979 saw a one day civil service strike – hardly the ideal backdrop for a Labour government about to fight a general election on the claim that it could live with the unions better than the Tories argued *The Economist*.¹⁴⁷ The *Financial Times* pointed out that ‘the view remains that the issue of the trade unions and their relations with the government will benefit the Conservatives after the industrial unrest of the winter.’¹⁴⁸ Yet, the Labour government consoled itself to the fact that the May election was far enough away from January and February’s strikes to render them a fading memory for voters.¹⁴⁹ However, the opinion polls were running against the government. *Newsweek* pointed out that ‘the current Conservative surge springs largely from public fury over the endless string of strikes last January and February.’¹⁵⁰ A national opinion poll in *The Daily Mail* in mid April put the Tories six points ahead of Labour.¹⁵¹ To compound matters, Lord Denning, Master of the Rolls, remarked that the power of the trade unions presented the greatest challenge to the rule of law. This came in the wake of former Metropolitan Police Commissioner, Sir Robert Mark’s observation comparing the trade unions with the Nazis.¹⁵² On 3 May 1979 76 per cent of the voters turned out, and gave the Conservatives 339 seats in the Commons. Labour fell from 319 MPs to 269, while the Liberals presence in Parliament was reduced to only 11 seats. *Newsweek* observed that Thatcher’s victory reflected the disenchantment with Callaghan and his failure to avert the winter’s strikes.¹⁵³

Developments in British society were bringing changes in the political thinking and aspirations of the electorate. Broadly speaking, the old working class was in

¹⁴⁷ *The Economist*, 7 – 13 April, 1979, p. 25.

¹⁴⁸ *Financial Times*, 30 April, 1979, p. 7.

¹⁴⁹ *The Economist*, 7 – 13 April, 1979, p. 25.

¹⁵⁰ *Newsweek*, 9 April, 1979, p. 24.

¹⁵¹ *The Daily Mail*, 17 April, 1979, p. 1.

¹⁵² *The Financial Times*, 21 April, 1979, p. 1.

¹⁵³ *Newsweek*, 14 May, 1979, p. 10.

decline, and the Conservatives were increasing their share of support amongst that class. However, Labour also was improving its position among the middle classes. Yet, the general election of 1979 is now seen as having turned on the votes of trade unionists. The experience of the 1970s – the Labour government’s swing from the intimacy of the Social Contract to the disagreement of the ‘Winter of Discontent’ – caused more trade unionists than ever before to vote Conservative (Kessler and Bayliss, 1995, p. 37).

National commentators, the media, the Bank of England, and domestic and international organisations, regarded the economy as in difficulty by 1979. Prior to the election *The Economist* warned that the next government would be hamstrung by a lack of cash, and that it could do little more than cut expenditure.¹⁵⁴ *The Guardian* stated that neither the Conservatives nor the Labour Party had a miracle cure for Britain’s economic ills, nor for reversing its industrial decline.¹⁵⁵ *The Times* warned that things would get worse before they got better for Britain’s manufacturing industries.¹⁵⁶ *The Times* went on to comment that the economic heritage of the government elected in 1979 would be dreadful.¹⁵⁷

Thatcher inherited an economy with unemployment at 1 million, a high level by post-war standards (Kessler and Bayliss, 1995, p. 38). Inflation was running at over 13 per cent, economic growth was stagnant,¹⁵⁸ and 29 million days had been lost through industrial disputes (Appendix D). The Bank of England (1979, p. 362) pointed out that this was the largest amount of days lost for any year since the general strike of 1926. Bone, writing in the *BES* (1979 p. 29), observed that during the first three months of 1979 ‘hospitals have been under siege, schools closed, rubbish piled up in the streets,

¹⁵⁴ *The Economist*, 14 – 20 April, 1979, p. 11.

¹⁵⁵ *The Guardian*, 1 May, 1979, p. 21.

¹⁵⁶ *The Times*, 24 April, 1979, 14.

¹⁵⁷ *ibid.*, 25 April, 1979, p. 7.

¹⁵⁸ *The Guardian*, 28 April – 4 May, 1979, p. 13.

ambulance crews have refused to handle emergency calls, dead bodies have been unburied, and municipal airports silenced.’ *The Financial Times* warned that there would be no quick fixes for the problems with the economy.¹⁵⁹ The inflationary spiral was soon to be given a further boost by another increase in OPEC oil prices in 1979-1980, and by the Thatcher government’s first budget that doubled the rate of VAT. The Bank of England (1979, p. 37) pointed out with some concern that the PSBR for the first half of 1979 stood at £6.5 billion. *The Economist* warned that Britain had borrowed on the collateral of North Sea oil, and without the oil the current account would have been far deeper in deficit.¹⁶⁰ Despite this Morris, writing in the *BES* (1979, p. 28), warned that that ‘the current account deficit for the first half of the year [1979] could be as high as £2,300 million.’ The government was also burdened by the fact that it still had to repay almost three quarters of \$3.9 billion loan it had received from the IMF at the time of the Sterling crisis in 1976 (Callaghan, 1987, p. 498).

Economic performance in 1979 was characterised by little growth and accelerating inflation. Accelerating unit labour costs, and the sizable appreciation of sterling, combined to give a loss of competitiveness. This not only induced imports, but resulted in weak export growth, entailing a substantial negative contribution to the growth of real GDP, and a swing in the current external account from a small surplus in 1978 to a deficit of 1.25 per cent of GDP in 1979 (OECD, 1980, p. 5). The OECD (1981, p. 5) pointed out that all components of domestic demand were relatively weak in 1979. Import penetration – reflecting the general loss of competitiveness – played a major role in the weakness of the balance of payments, which had shown a surplus of £966 million in 1978, but a deficit of £661 million in 1979 (Bank of England, 1979, p. 116). The combination of higher real earnings, tax cuts, and increased transfers

¹⁵⁹ *The Financial Times*, 28 April, 1979, p. 26.

¹⁶⁰ *ibid.*, 7 – 13 April, 1979, p. 76.

exceeded the economy's supply capacity: real personal incomes in 1978 and 1979 rose by about 12 per cent and real output by about 4 per cent. Consequently, there was a spillover into inflation and imports. These developments meant that the benefits of rising North Sea oil production were used to finance consumption rather than productive investment (OECD, 1980, p. 46). The Bank of England (1979, p. 109) warned that the consequence of failing to arrest the country's economic decline was likely to become more pressing as time went on. Condemned to very slow growth, the British people might even have to accept declines in real living standards. Opinion polls found that the public saw the cost of living as the primary problem facing the country, but that unemployment had also become a grave concern (Wybrow, 2001, p. 267).

Bone (1979, p. 33) points out that:

There is an interesting parallel that can be drawn between the way in which a previous Parliament came to an end in 1974 and how this Parliament has ended. Although details are different, the collapse of the Heath Government five years ago and the industrial relations troubles of Mr. Callaghan both follow an intense three-year effort to combat inflation by controlling wage rises.

The period between 1979 and 1981 was to constitute the worst economic recession of the post-war years. GDP at constant prices declined by over 3 per cent between 1979 and 1981, before beginning to grow again, while manufacturing output over the same period fell by 14 per cent (Kessler and Bayliss, 1995, p. 39). Unemployment increased

from 4.6 per cent in 1979 to 9.0 per cent, or 2.8 million people, by 1981, almost doubling in the space of just two years (Appendix D).

The cause of the recession in 1979-1981 was partly the worldwide recession, and partly the Government's economic policy, itself a reaction to the economy it inherited. The Conservative Government in its battle against inflation, which it saw as the greatest economic evil, pursued a tight monetary policy, raised interest rates to a peak of 17 per cent, sought reductions in public expenditure, and removed all exchange controls. The effect of high interest rates, and an emerging balance of payments surplus as a result of North Sea oil, boosted the exchange rate of the pound against the dollar to an unrealistic level for British exporters.

In retrospect, the 'Winter of Discontent' marked an important watershed for the Labour Government, the Conservative opposition, and the trade unions. As a result of trade union unrest, and Jim Callaghan's decision not to call an election in autumn 1978, the Conservatives won the election when it was held in May 1979 (Richardson, 1993, p. 95). The decision not to hold the general election in October 1978 put the Labour government's fate at the mercy of the unions' bargaining behaviour during the winter (Crouch, 1979, p. 106). Thatcher became prime minister in 1979, at least in part, because of the unpopularity of the unions resulting from the winter of 1978-1979 (Edwards and Bain, 1988, p. 320). In addition, the unrest strengthened the resolve of the Conservatives to reform the trade unions, hardened up their proposals, and increased public support for such reform. At this time public opinion was extremely negative concerning the economic situation the country found itself in, and its prospects for recovery (Wybrow, 2001, p. 314).

Thatcher and the Trade Unions

The Economist argued that the level of interference by the Labour government in the private sector, by attempting to assert control over it by removing its two major disciplines – the threat of bankruptcy and the threat of unemployment – would have to end. Political support for such industries as aviation, shipbuilding, and cars was having an incalculable impact on the economy in terms of labour immobility and more productive investment opportunities foregone.¹⁶¹ ‘The unions are to modern governments what the French barons were to medieval kings,’ argued *The Economist*, ‘an ever-present threat to their political stability to be met alternately with bribes or armies.’¹⁶² If Britain was to go into the 21st century a pluralist democracy, continued *The Economist*, there had to be a switch of emphasis back to private wealth creation and private choice.¹⁶³

There was change in the government’s economic policies. ‘The Conservatives came to power in 1979 with a mandate to embark upon a new direction in economic policy’ (Booth, 2001, p. 180).

If the radicalism of a government is to be measured by the extent to which it is prepared to break with the dominant assumptions of the governments that have gone before it, then the Conservative Government that returned to office in 1979 must count amongst the most radical governments of the century (Coates, 1989, p. 113).

¹⁶¹ *ibid.*, 14 – 20 April, 1979, p. 11.

¹⁶² *ibid.*, 14 – 20 April, 1979, p. 11.

¹⁶³ *ibid.*, 28 April – 4 May, 1979, p. 16.

Thatcher, and the bulk of her cabinet colleagues, entered office determined to pursue a significantly different set of policies to those that had constituted the corporatism of earlier Labour and Conservative administrations. They entered office also committed to a set of ideas significantly at variance with those accepted as commonplace in the ruling circles in Britain since 1945. The Thatcher Government believed in the value of inequality, in the desirability of self-help and the importance of individuality, and set its face against the egalitarian aspirations of the welfare state and the collective strength of organized trade unions. It accepted the idea that markets left to themselves perform better for all their participants than do markets subject to government direction and control. 'It was also convinced that economic decline, unemployment, and inflation were all to be explained by the excessive role of successive post-war British governments' (Coates, 1989, p. 113). 'They were committed to 'roll back' the state, to implement tougher policies on trade unions, welfare benefits and aid to uncompetitive industry, and with the ultimate goal of lowering taxes' (Booth, 2001, p. 180). The *BES* (1979, p. 1) points out that first step in this direction was taken with Sir Geoffrey Howe's budget, which lowered the standard rate of income tax from 33 to 30 per cent, reduced public expenditure by £1.5 billion, and set a limit of 7-11 per cent on the annual rate of increase in M3.

The gradual accretion of the TUC's role as general representative of the unions' economic interests was accompanied by growing centralization of decision-making. Policy initiative came almost exclusively from the General Council, which itself merely endorsed the detailed proposals generated within the TUC committee structure. In 1979 438 trade union organizations were officially recorded, with an aggregate membership of 13.28 million members, an all time high. Trade union density peaked at 55.4 per cent (Price and Bain, 1983, p. 47). The TUC affiliates constituted 108 trade unions, with a

total membership of 11.6 million (Hyman, 1983, pp. 36-37). The previous year overall trade union membership in Britain stood at 13,112,000 (Appendix C). This in itself had been an increase of 2.1 per cent, or 266,000 members, over 1977. The fact that the rate of growth in trade union membership slackened to 1.4 per cent in 1979 was a rather ominous sign in spite of overall membership reaching new heights. This growth rate was the lowest percentage increase in union membership since 0.8 per cent in 1973. In fact, it was lower than in any of the intervening years of Labour Party rule. Yet, within a few years the situation had changed dramatically, with the unions suffering an enormous loss of power and membership. What influence the TUC had still possessed over public policy while under the estranged minority Labour administration ceased to exist.

There was change in the government's policies towards organized labour. In 1979 the view that union power was a problem proved a vote winning issue for the Conservatives (Marsh, 1992b, p. 65). The government's philosophy contained elements that were distinctly 'liberal' in the nineteenth-century sense of that term – a philosophy of 'the free market and the strong state' (Gamble, 1979, p. 1). It was a philosophy that was explicitly and definitely opposed to the corporatist institutions, and dominant policy commitments of the post-war settlement. The Conservatives came to power pledged to reform the unions. It planned to legislate on three fronts; secondary picketing; the closed shop; and public finance to assist secret ballots (Hodgkinson, 1979, p. 1). This set the stage for a political struggle. At that time the standing of the unions among the general public was at an all time low. An opinion poll in 1979 showed that only 51 per cent of the adult population believed that the trade unions were a good thing for Britain as a whole, down six points on the year before (Wybrow, 1989, p. 160). This figure suggested that the Conservative government could take on the unions, despite the

apparent strength suggested by their high membership levels. The 'Winter of Discontent' effectively convinced large sections of the British public that the trade unions were in need of reform. The Conservatives were determined to carry this reform through (Thatcher, 1993, p. 40).

Thatcherism came to constitute a great move to the right (Hall, 1983). So traumatic had been Labour's failure to create an effective corporatist socialism based on producer groups that Margaret Thatcher's Conservatives were then able to persuade wide sections of society that their freedom as consumers could only be enhanced if the power of producer groups in the labour market was not merely frozen but was actually reduced. It was quite an achievement: to persuade the majority of the population that trade unions are a bad thing and private capitalist monopolies a good one, at the very time when capitalist concerns were leaving large numbers of people unemployed (Coates, 1989, p. 116-117).

Apart from the unions there was also a general disillusionment in Britain with tripartitism, and with government interventionist policies aimed at solving the country's economic problems. The election of a conservative Government in 1979 marked the rejection of incomes policies and many forms of major government intervention in the economy. Instead, the Conservatives promised a return to a more laissez-faire approach to economic policy, relying upon strict monetarist measures to control inflation. If this meant higher unemployment then that was accepted as a short-term consequence.

The OECD (1980, p. 29) pointed out that following the Conservative's election the direction of economic policy changed towards greater reliance on control of the money supply, and a fiscal policy consistent with this and the free working of market forces. This economic policy programme differed radically from earlier approaches. The combination of sluggish output growth, strong inflationary pressures, and the weak

balance of payments position, had not proved amenable to solution by the economic policies adopted previously (OECD, 1980, p. 29). In the June budget the previous government's public expenditure plans for 1979/80, presented in their April budget, were cut in order to reduce the size of the PSBR (OECD, 1980, p. 36). At the same time personal income tax rates were reduced, and VAT was increased substantially. The OECD (1980, p. 29) observed that in essence the government was attempting to put the economy, over the medium term, onto a relatively rapid non-inflationary growth path by diminishing the role of the state in the economy and giving greater economic responsibility to the individual through improving incentives to enterprise, innovation, and efficient working. In order to reduce the imbalances in the economy, and create a more stable environment in which the private sector could operate with greater certainty, the government announced its intention to eschew frequent changes of policy in response to short-term movements (OECD, 1981, p. 19).

The main instrument of the new approach was monetary policy, the emphasis given to monetary factors being somewhat greater than in previous years (OECD, 1980, p. 26). In pursuit of these aims, public expenditure as a percentage of GDP declined over the medium term, and the government started to sell off public sector holdings in industry. Financial assistance to the corporate sector and regional development programmes were also reduced. In effect, there was a major revision of industrial, employment, and regional policies following mid-1979 (OECD, 1981, p. 7).

The OECD (1982, p. 16) pointed out that in line with its market-orientated philosophy the new Government, in a major change of long-standing policy, relaxed exchange controls in June and July 1979 and then abolished them towards the end of the year. The Bank of England (1979, p. 378) argued that this removed a distortion in capital markets that could now freely direct resources to either overseas or domestic

investments according to where the best return was expected. In order to break out of the high-inflation/slow-growth trap, and adjust to structural change, the government adopted a fresh approach which placed greater emphasis than in the past on stable monetary policy within the context of the increased market orientation of the economy, and on a smaller role for the State confined to setting a consistent framework within which private enterprise and initiative could be encouraged (OECD, 1981, p. 65).

The Thatcher government was particularly hostile towards the trade unions, and the corporate politics of 'beer and sandwiches at Number Ten' came to a sharp end in 1979. It was also probably the first government this century that actively discouraged collective bargaining as part of its pursuit of individualism and market capitalism (Visser and Van Ruysseveldt, 1996, pp. 47-48). Heath's defeat in February 1974 had left an indelible mark on the party to put the unions in their place, moving the Conservatives towards a policy of individualism (Young, 1989, p. 75). Gamble (1988, p. 103) points out that the specter of industrial militancy haunted party thinkers.

The unions themselves were in no mood for an immediate fight with the Conservative government. Thatcher possessed a strong strategic position in relation to them (Jones and Kavanagh, 1994, p. 227). The economic situation and, in particular, dramatically rising unemployment and deindustrialisation weakened the unions' position (Edwards et al., 1992). Changes in trade union leadership, together with the failure of the TUC to exercise a leadership role, meant that the movement was likely to be weaker in its dealings with the new government than it had been in 1970 when Heath was elected. The Conservatives maintained the initiative by freezing the trade unions out of top economic policy making. Thatcher met with TUC representatives only six times between May 1979 and October 1981 (Mitchell, 1987, p. 513). She saw them as at best irrelevant, and at worst a danger. This was in stark contrast to the 17 meetings

conducted between Prime Minister Callaghan and the TUC throughout 1978, and the further 17 meeting between them in the first three months of 1979 (Appendix A). The trade unions found themselves expelled from the corridors of power.

The trade unions' representation on government committees underwent change. Under Thatcher there was a reaction against the involvement of interest groups in policymaking on the grounds this was the government's job (Punnett, 1987, p. 154-155). Thatcher did not destroy at a stroke the tripartite institutions. Congress House continued to appoint its nominees to statutory tripartite bodies like ACAS, the MSC and the Equal Opportunities Commission (EOC). But these nominees exercised at best only a limited influence over the direction and content of government policies.

By October 1981, the government had abolished between five and six hundred quangos (out of three thousand in 1979). Those abolished that seemed of some significance to the TUC – the Energy Commission and the Construction Industry Manpower Board – actually represented a very small proportion of policy contacts in the Labour years (Mitchell, 1987, p, 511).

The reduction in the number of advisory bodies and government committees on which the TUC had representation proved gradual. The MSC was not closed until 1988 (Crouch, 1990, p. 341). The NEDC was spared Thatcher's axe, and abolished finally by John Major in January 1993. But its scope of work had been restricted, and its secretariat reduced to a pitiful rump.¹⁶⁴

¹⁶⁴ AR, TUC, 1994.

The new government made monetary stability and low inflation its priority. Under the influence of Sir Keith Joseph, Thatcher gained access to the ideas of Enoch Powell, Friedrich von Hayek, and Milton Friedman, who believed that high inflation was the central problem from which all other economic problems were derived. Joseph was a key figure in the development of Thatcherism. His pamphlet, *Solving the Union Problem is the Key to Britain's Recovery*, argued that union power should be reduced, as it was preventing national economic recovery. 'Politicians espousing such views totally altered the political climate surrounding trade unionism' (Coates, 1989, p. 120). Thatcher's government 'rejected reliance on active fiscal policy in favour of efforts to secure balanced budgets' (Hall, 1992, p. 91). In the eyes of many Conservatives, the irresponsibility of the unions was largely to blame for Britain's relatively poor post-war economic performance, since acting together unions wielded more than sufficient power to prevent markets from working freely.

Between 1978 and 1979 there was a marked change in the level of TUC policies incorporated into the government's policies towards organized labour. The Labour government's proposals on industrial relations usually met with union approval, as they had been reached jointly. However, in May 1979 the Conservatives' proposals on picketing, the closed shop, and secret ballots were simply presented to the unions.¹⁶⁵ The TUC observed that these proposals would restrict the interests of their members.¹⁶⁶ The government also informed the TUC of its intention to double the qualifying period for unfair dismissal.¹⁶⁷ The Conservatives' June 1979 budget cuts to the Manpower Services Scheme meant that programmes advocated by the TUC, such as the Youth Opportunities Scheme, were either curtailed or scrapped.¹⁶⁸ The TUC advocated

¹⁶⁵ *ibid.*, 1979, p. 33.

¹⁶⁶ *ibid.*, 1979, p. 76.

¹⁶⁷ *ibid.*, 1979, p. 34.

¹⁶⁸ *ibid.*, 1979, p. 15.

Homeworkers (Protection) Bill, that Labour put before the Commons, was subsequently dropped by the Conservatives.¹⁶⁹

However, not everything went against the unions. In 1978 the TUC pushed Labour to increase pensions, but the government fell prior to passing the legislation. Following the general election the Conservatives indicated they would implement the increases agreed by their predecessor. However, the TUC later discovered that the increases were smaller than they had proposed.¹⁷⁰ The Conservative government's views on the reorganization of the NHS also met with the TUC's disapproval, as it attached great importance to all citizens having equal opportunities to receive medical care.¹⁷¹ In July 1979 the TUC demanded consultation with the Chancellor of the Exchequer prior to budgetary decisions being taken. However, this demand was ignored.¹⁷² The unions also condemned the government's plans for selling off the profitable parts of nationalised industries.¹⁷³ The TUC's call for increased spending on housing came to nothing, as the June budget saw reductions in public expenditure on construction of £250 million. In August the TUC met the Secretary of State for the Environment and the Minister for Housing and Construction. At this meeting the TUC referred to its relations with the previous government, and stressed the value of advanced consultation to little effect.¹⁷⁴ The one success the union had was when the Conservative Transport Minister agreed to keep them informed regarding the plans to close socially beneficial bus routes due to cost.¹⁷⁵

¹⁶⁹ *ibid.*, 1979, p. 42.

¹⁷⁰ *ibid.*, 1979, p. 89.

¹⁷¹ *ibid.*, 1979, pp. 136-137.

¹⁷² *ibid.*, 1979, p. 284.

¹⁷³ *ibid.*, 1979, p. 305.

¹⁷⁴ *ibid.*, 1979, p. 309.

¹⁷⁵ *ibid.*, 1979, p. 345.

The Conservatives and the TUC in the 1980s

The unions' legal privileges became the target of attack for the new political right. Von Hayek, Nobel Prize winner in economics, named union power the reason for the economic decline of Britain (Richardson, 1996, p. 219). In his view the trade unions owed their inordinate power to the law (von Hayek, 1984 p. 55). His writings proved an important influence on the Conservative's legislative assault on the unions in the 1980s. 'There can be no salvation for Britain until the special privileges granted to the trade unions are removed,' (von Hayek, 1980, p. 52).

James Prior, Secretary of State for Employment until September 1981, introduced the Employment Act 1980. This modified the Acts of 1974 and 1976, brought in by the previous Labour administration. The new Act restricted lawful picketing, made it difficult to sack conscientious objectors to union membership, and restricted legal immunities for sympathy strikes, blacking, and blockading. Prior did not go far enough for Thatcher, and she replaced him with the right-winger Norman Tebbit (Wrigley, 1997, p. 20). With the appointment of Tebbit contact between the unions and the government decreased further. Tebbit (1988, p. 56) asserted 'I scarcely saw them [the union leaders] at all except at meetings of "Neddy [NEDC]."' Under Tebbit's 1982 Employment Act union legal immunities were eroded, and the closed shop was further undermined (Tebbit, 1988). For the first time since 1906 the Act made trade union funds liable to claims for damage from employers for losses incurred as a result of an illegitimate trade dispute (Marsh and King, 1987). Subsequently, the unions hardly talked to the government on industrial relations for two years until after the TUC Conference in September 1983. 'Overall, the TUC had little contact with government and virtually no influence over industrial relations policy' (March, 1992a, p. 71). The Conservative governments of the 1980s were 'the first since the war to pursue a policy

on industrial relations which [was] integrally geared into [their] overall economic policies' (Wedderburn, 1985, p. 36).

Ominously, trade union membership fell for the first time since 1967 in 1980. In that year the British trade unions lost 342,000 members, or 2.5 per cent of their overall strength. In the post World War II period this constituted the largest loss of membership both numerically and percentage wise to this point. However, much worse was to follow for the trade unions in 1981 and in the years thereafter. By 1996 trade union membership had fallen to 7,987,000, a decrease of a staggering 5,302,000 members, or 39.9 per cent, on the 1979 apogee (Appendix C).

Table 5.4: The Empirical-Theoretical Fit 1979

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees			X	
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government			X	
O4: Change in the trade unions' relationship with a political party	X			
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour	X			
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?				X
O2: Do opinion polls find that the public regard the economic state of the country as in crisis?		X		
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?	X			
O6: Do domestic and international organisations regard the economic state of the country as in crisis?	X			
O7: Do elected representatives regard the economic state of the country as in crisis?		X		
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?	X			

It can be seen in Table 5.4 that 70 per cent of the first hypothesis's observable implications pointed to a high empirical-theoretical fit in 1979. In the case of the second hypothesis, 87.5 per cent of its observable implications pointed to a high or medium empirical-theoretical fit, while 62.5 per cent indicated a high fit exclusively. With the findings for both of the hypotheses surpassing the 60 per cent threshold for high empirical-theoretical fit, Table 5.4 confirms there to have been a critical juncture in the TUC's influence over public policy in 1979.

In summation, in May 1979 there was a significant, swift, and enduring change in the TUC's influence over public policy, this at a time of crisis in the economy. In a climate of macroeconomic crisis the Conservatives came to power with a set of policies radically different from those of the Labour Party. The unions' level of influence over both the Labour government and the economy was unacceptable to the Conservatives who had set themselves against the welfare state tradition. The view that the economy was in downturn was shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. The Conservatives' policies focused on removing the trade unions' influence over public policy, and correcting the problems with the economy, both of which they viewed as inextricably linked. The government's radical economic policies were built around the free workings of market forces, with monetary stability and low inflation as objectives. At this time the TUC's access to the prime minister diminished substantially, and its overall membership went into what eventually turned out to be a long and steady decline. This prolonged and uninterrupted fall in membership was only finally arrested in 2000. Soon legislation was introduced that restricted the unions' rights. The government's policies towards the trade unions, the economy, and the level of trade union policies incorporated into the

government's policies, all underwent change to the TUC's disadvantage. Ultimately, the unions' were to be maintained at arm's length from the policy making process for the following 17 years. It was at a time of a macroeconomic crisis that the unions' influence over public policy changed. This dramatic change in the TUC's influence was to be significant, swift, and possessed of an enduring legacy. According to the observable implications criteria set out in Chapter II this change in the trade unions' influence over public policy constituted a critical juncture.

Figure 5.4: The Critical Juncture Grid, Britain, 1979

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	X	
NO		

Conclusion

This chapter examined four instances of change in the TUC's influence over public policy. Each of these proposed critical junctures had been identified in Chapter III after a prima facie examination of change in the TUC's influence over public policy in Britain between 1945-2000. The proposed critical junctures in 1945, 1974, and 1979 were found to constitute critical junctures according to the criteria set out in Chapter II. In each of these instances the TUC's influence over public policy underwent change of a significant, swift, and enduring nature at times when the economy was identified as in crisis. Consequently, the empirical-theoretical fit in the Tables 5.1, 5.3, and 5.4 was very high. The crises in the economy had influenced the adoption of new approaches towards both the economy and the trade unions by the governments either in power, or coming to power, at those times.

However, there are a number of other implications that can be drawn from this chapter. The proposed critical juncture in 1970 turned out not to be a critical juncture. Although there was a significant and swift change in the TUC's influence over public policy, this change did not endure. At the same time the economy was stagnating as opposed to being locked into some kind of vicious crisis. The various observers whose views formed the independent variables within the observable implications of the second hypothesis shared this opinion of the economy at that time. As an enduring legacy, and a macroeconomic crisis (generative cleavage), are two of the criteria central to a critical juncture, their absence in this case means that the change in the TUC's influence in 1970 did not constitute a critical juncture. The Conservatives, who came to power in 1970, at a time of problems in the economy, were intent on reducing the TUC's influence over the government. However, within two years all was to change, with the Conservative government performing a series of dramatic u-turns. It was as a consequence of the macroeconomic difficulties that the unions' influence over public policy fluctuated wildly under the Conservatives. In this instance the empirical-

theoretical fit, as set out in Table 5.2, backs up our findings in that it was quite low for both hypotheses, but especially so for the second one relating to the economy. Despite this, there was a dramatic, if short-lived, change in the trade unions' influence over public policy in 1970.

The second implication to be drawn from this chapter is that a critical juncture had been found that lasts for just over five years, or one standard government's term of office. The mid-1970s, with oil crisis induced inflation and industrial relations troubles, were economically difficult for Britain. By early 1974 the economy was in a state of crisis. This precipitated the return to power of a minority Labour administration. A new approach was adopted towards both the economy and the trade unions by this government. The social contract gave the TUC unprecedented access to the government, its policies, and their formulation, for the rest of the 1970s. However, by 1979 the economy was moving towards crisis again. The 'Winter of Discontent' witnessed the collapse of the social contract and industrial relations unrest on a massive scale. The macroeconomic crisis contributed to the Conservatives winning the general election. The unions' influence over government was unacceptable to the Conservatives as they viewed it as detrimental to the economy. Soon legislation was introduced that restricted the unions' rights. Ultimately, the Conservatives were to remain in power for 17 years, throughout which the unions' influence in the Palace of Westminster was minimal. Consequently, the critical juncture that occurred in 1974 possessed a legacy that endured for a mere five economically difficult years. Against this it is possible to contrast the critical juncture from 1945, and its legacy that endured for 25 years. As was discussed in the conclusion to the previous chapter, a critical juncture's legacy that lasts for only the minimum five years is not that extraordinary in the literature. As set out in the critical juncture framework in Chapter II a legacy of this duration, a standard

government's term of office, just satisfies the minimum amount of time necessary for the change in the TUC's influence over public policy to constitute a critical juncture. As in the case of Ireland in the 1980s, the economic instability of Britain in the 1970s was to erode the stability of the 1974 critical juncture's legacy.

The fact that all four of the proposed critical junctures occurred in general election years is an important issue. This means that the three proposed critical junctures that were in fact found to constitute actual critical junctures occurred in years in which general elections were held, namely, 1945, 1974, and 1979. However, despite this, there were no critical junctures in the TUC's influence over public policy in either 1970, or any of the other years that witnessed general elections between 1945 and 2000 for that matter. The one factor common to all three periods of significant, swift, and enduring change in the trade unions influence over public policy was the crisis state of the economy at those times. In those economically difficult years the political parties that came to power altered the government's approach towards the trade unions. The results were the dramatic increases in the TUC's influence over public policy in both 1945 and again in 1974, along with their total exclusion from influence over public policy after 1979. Even the change in TUC influence in 1970 took place against the backdrop of economic difficulties.

Figure 5.5: The Critical Juncture Grid for Britain, 1945-2000

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	1945 1974 1979	
NO		1970

Chapter VI

The United States of America

The second half of the twentieth century was to witness the emergence of America as one of the world's two superpowers. Until the 1970s its economy dominated the capitalist world. Although it gradually lost ground in international markets to West Germany, the Common Market, and Japan, America remained at the centre of world commerce. Following the fall of the Berlin Wall in 1989, the collapse of the Soviet Union, and the ending of the Cold War, the United States stood apart as the most powerful country, both militarily and economically, in the world.

The American political landscape is effectively populated by two political parties. With few exceptions the Democrats and Republicans persistently poll over 90 per cent of the national popular vote, and there has been little multipartyism (Maidment and Tappin, 1989, pp. 85-86). In America there is 'an established two-party system in operation of the most inclusive sort' (Vile, 1999, p. 41). However, it is a two party system only in very special sense. The names 'Democrat' and 'Republican' tend to obscure the fact that for most purposes America operates under a multi-party system that coalesces into two great coalitions for strictly limited purposes (Dark, 1999, p. 23). Within this context American pluralist policy-making can only be understood by an appreciation of the constitutional federal structure, the separations of powers, and the consequent diffusion of political authority (Steinmo, 1989, p. 503). 'Interest-groups activity surrounding the US Congress is usually seen as the most intense in the world' (Heywood, 1997, p. 263). Despite this 'trade unions have never achieved the central status in US society and politics enjoyed by their counterparts in most other western industrial nations, and have been affected by a culture which stresses private enterprise and individual liberty as against collective or class rights' (Upham, 1993, p. 108).

This chapter shall examine variations in the American trade union peak organisation's influence over public policy within the timeframe 1945-2000. Four

particular periods of interest, derived from prima facie data in Chapter III, will be concentrated upon, 1946, 1960, 1980, and 1992. In these years the AFL-CIO's influence over public policy has been identified as having changed to the extent of constituting possible critical junctures. As with the previous chapters the essence of this examination is the search for change in the trade unions' influence over public policy of a significant, swift, and enduring nature, this at times of macroeconomic crisis. This search shall be conducted by testing potential critical junctures in the AFL-CIO's influence over public policy against the hypotheses and observable implications drawn up earlier.

The Depression, the World War, and Aftermath

In 1886 the American Federation of Labor (AFL) was founded. The AFL was an association of autonomous unions that sought to improve the well being of their members through collective bargaining rather than through the ballot box (Ippolito and Walker, 1980, p. 286). The AFL possessed little authority over its autonomous member unions. The national unions, not the federation, conducted collective bargaining. The AFL settled disputes between unions, and acted as a spokesperson for labour on political issues (Goodman, 1981, p. 628).

By 1932, in the heart of the depression, union membership that stood at over 5 million in 1920 had fallen to under 3 million (Goldfield, 1987, p. 8). The Presidential campaign of 1932 offered an opportunity for political protest against the failure of the Hoover administration. Despite AFL neutrality workers helped to swell the great majority that Franklin D. Roosevelt gained (Dubofsky and Dulles, 1999, p. 249). Consequently, there developed a new unionism that stressed industrial unionism, mass

membership, politics, and the expansion of labour goals to include all aspects of American life.

Roosevelt's election proved a watershed in American politics. The Democrats would control the executive for the following two decades, and the Congress for most of those years. As the Democrats and organised labour grew closer the unions were assured that their goals would be given consideration by government. With the New Deal, the struggles and hardships of a century appeared to have culminated in the possibility of complete attainment of workers' historic objectives. The National Labor Relations Act of 1935 sealed the New Deal's partnership with organised labour. Guaranteeing labour's right to organise and engage in collective bargaining, the Act was the most important piece of American labour legislation in the 20th century.

Union membership increased rapidly after 1932. At this time the craft unionism that dominated the AFL was challenged by industrial unionism (Goodman, 1981, p. 632). In 1935 the Committee for Industrial Organisation (CIO) was formed within the AFL. The following year the CIO established labour's Non-Partisan League, to get the labour vote out for Roosevelt in the 1936 presidential election (Haskins, 1976, p. 84). In 1938 the CIO broke with the AFL becoming the Congress of Industrial Organisation (CIO).

Potential Critical Juncture 1: 1946 – The Truman Years

In 1941, as the United States' undertook to supply the Allied powers, production in the so-called "war industries" increased. As a consequence, the country went from conditions of crippling unemployment, and economic depression, to full employment and economic recovery. With the further increase in production that followed the declaration of war there was an actual labour shortage (Haskins, 1976). 'From 1942

through 1945, the highest level of full employment in American history prevailed' (Dubofsky and Dulles, 1999, p. 312). World War II brought economic recovery from the Great Depression (Bernstein, 1995, p. 14).

Government, labour, and business did not want any interruption to this new prosperity. Harmonious labour-management relations were essential to the war effort. Organized labour pledged to avoid strikes, and agreed to a 48-hour week in defense production. In 1942, the Federal Government rewarded labour's assistance with the establishment of the Office of Price Administration to protect workers from the effects of inflation. A National War Labor Board (NWLB) was later established to monitor disputes between labour and management and see to it that wages were kept on a par with the ever-rising cost of living.

It must be noted here that American unions' representation on government bodies during and after this time, and for the remainder of the 20th century, was almost non-existent.¹ With the exception of certain tripartite committees created during World War II, such as the National Defence Mediation Board (NDMB) and the NWLB, the AFL-CIO has had no institutional presence on official standing committees of the United States government (Cohen, 1979, p. 86). Occasionally task forces, or special committees, are appointed to address a particular topic, and they may have labour representation. However, the National Labor Relations Board (NLRB), for example, did not have an official labour representative, nor is there an official business representative either.²

In 1944 organised labour threw itself into the campaign for Roosevelt's re-election. The CIO created the nationwide Political Action Committee (PAC) to ensure the Roosevelt-Truman ticket of labour's backing (Wilson, 1979, p. 3). This represented

¹ Correspondence: Ron Filippelli to author, 2003.

² *ibid.*

the CIO's formal entry into politics. The AFL maintained its traditional non-partisanship, but its member unions worked for Roosevelt's re-election. The unions were driven by the fear that if Roosevelt was defeated unemployment and bread lines would return.

The following year organised labour emerged from the war stronger than ever before, and it continued to gain in strength and numbers. In addition, it could still count on the friend it helped to re-elect to the White House. However, when Harry S. Truman became the President in 1945 he was confronted with the complicated task of overseeing the re-conversion from wartime to peacetime production, and with responsibility for removing wartime wage and price controls without damaging the economy. There was fear amongst workers that the production conversion, coupled with the return of millions from the armed services to the labour market, would create huge unemployment and trigger a depression, as happened after the Great War. There was a swift contraction in government spending, equivalent to nearly 30 per cent of national income, between 1945 and early 1946 (Gordon, 1974, pp. 90-91). However, after laying off defense workers, manufacturers tooled up and began producing consumer goods in volume.

For the labour movement economic expansion, inflation, and relatively full employment distinguished 1945-1946 from the economic contraction, deflation, and unemployment of 1919-1921. Union membership expanded and density peaked in 1946 (Kochan and Weinstein, 1994, p. 484). At first, many observers thought that in post-war America labour had become a new power in the land. Some even argued that American was almost becoming a socialist society (Dubofsky and Dulles, 1999, p. 333). However, these notions were soon to be dashed.

Soon after the war ended a tremendous number of strikes took place, the result of workers' pent-up demands for wages to match rising prices.³ The Wage Stabilisation Board, established by Truman to work out settlements in such disputes, struggled to arbitrate wage and price increases acceptable to both parties. The Truman administration appeared helpless to halt the trend. The American public resented the disputes and came to feel that the unions had become too powerful. The president, lacking political vision, and failing to pursue a coherent legislative programme of his own, tried to perpetuate the New Deal. However, the post-war mood was not conducive to an extension of New Deal reforms. Americans were weary of shortages and sacrifices (Divine et al., 1995, p. 865). In mid-October 1946 Gallup found that 53 per cent of citizens thought that price controls should have been removed.⁴ A further 71 per cent of citizens admitted that they were finding it more difficult to make ends meet than they had the previous year (O'Sullivan and Keuchel, 1981, p. 200). Industry attacked the administration's intention to continue the New Deal's favouritism of labour. In the face of rising discontent, Truman's efforts to extend the New Deal met with little success. By late October 1946 the President's approval rating was down to a paltry 32 per cent.⁵ The majority of voters felt that the President was doing a bad job with the economy.⁶

The media, national organisations, and national commentators, regarded the economy as in difficulty. By mid-1946 the American economy had an unemployment rate of 3.9 per cent, more than double that of the previous year. The Commerce Department was warning of the dangers of unemployment at a level of 5 million by 1948 (Kolko and Kolko, 1972, p. 21). The Bureau of Agricultural Economics warned

³ Time International, 2 September, 1946, Vol. 48, No. 11, p. 8.

⁴ *ibid.*, 14 October, 1946, Vol. 48, No. 16, p. 9.

⁵ *ibid.*, 21 October, 1946, Vol. 48, No. 17, p. 9.

⁶ *ibid.*, 21 October, 1946, Vol. 48, No. 17, p. 11.

that the economy was sliding into recession.⁷ At the same time inflation had skyrocketed, increasing by over 800 per cent, to a rate of 18.13 per cent (Appendix D). This was to be the highest level of inflation in post World War II America. Consequently, inflation proved a serious issue. In direct response to this Truman established the Office of Economic Stabilisation (Byrnes, 2000, p. 27). As a result of differences between the President and Congress over price controls the consumer price index did not stabilise until 1948. By then prices were more than a third above their 1945 level, while wage and salary incomes had risen only 15 per cent. At the same time the debt to GDP ratio, on an upward trajectory during the war, peaked at an all-time high of 121.7 per cent in 1946. With the ending of the war the economy contracted by a whole 19 per cent, almost one fifth of GDP ceasing to exist. The number of days lost to industrial disputes in 1946, standing at a staggering 116 million, almost three times more than in the previous year, was the highest in American history (O'Sullivan and Keuchel, 1981, p. 200). This figure was indicative of the level of industrial conflict the contracting economy experienced (Appendix D). *Time* called it 'the greatest epidemic of willful idleness in the annals of unionism.'⁸

In late October 1946 *Time* pointed out that after 12 years of the New Deal and a year and a half of Trumanism, the people wanted a change.⁹ *Time* expressed the view that the economy was defiantly in a slowdown, but refused to use the word depression for fear, it explained, that it could be misinterpreted as referring to a situation on a par with the depression of 1930s.¹⁰ The country was in a recession, it went on, if not a depression.¹¹ General Electric's President Charles E. Wilson warned that the economy

⁷ *ibid.*, 17 March, 1947, Vol. 49, No. 11, p. 33.

⁸ *ibid.*, 13 January, 1947, Vol. 49, No. 2, p. 33.

⁹ *ibid.*, 28 October, 1946, Vol. 48, No. 18, p. 8.

¹⁰ *ibid.*, 11 November, 1946, Vol. 48, No. 20, p. 35.

¹¹ *ibid.*, 18 November, 1946, Vol. 48, No. 22, p. 6.

was in serious difficulty. The trouble came from price controls and increased labour costs he explained. To compound this message Civilian Production Administrator John D. Small warned that US industrial production was down in September, and that it could not be expected to increase for the rest of the year.¹² However, Commerce Secretary Averell Harriman refused to agree that the economy was in a depression. He stated that 'I feel strongly that fears of a depression are based on unreasoning defeatism although naturally there must be periods of adjustment.'¹³

The President's relations with Congress became stormier after the GOP's victory in the mid-term elections of 1946. The Republicans won majorities in both the House and Senate for the first time since 1930. They took 51 seats in the Senate, then a chamber of 96, and 246 seats in the House of Representatives, giving them a majority of 58 in that chamber. *Time* pointed out that:

The election had been quiet and unemotional, but there was no mistaking the fact that the majority of Americans had cast a protest vote. It was a cold but nonetheless angry voice raised against many things: price muddles, shortages, black marketers, strikes, Government bungling and confusion, and too much government in too many things.¹⁴

The Republican Party, with strong anti-labour elements within it, had gained control of the Congress. 'In voting for the Republicans, the people had assumed that they were voting for a climate of freedom and for a party which would make a new effort to solve US industrial strife.'¹⁵ Brogan (1999, p. 591) argues that the election result was due

¹² *ibid.*, 4 November, 1946, Vol. 48, No. 19, p. 33.

¹³ *ibid.*, 11 November, 1946, Vol. 48, No. 20, p. 35.

¹⁴ *ibid.*, 18 November, 1946, Vol. 48, No. 21, p. 5.

¹⁵ *The New York Times*, 14 November, 1946, p. 4.

almost entirely to the economic painful process of adjustment from war to peace. 'Interpreting the result as a mandate for greater conservatism the Republican majority in the 80th Congress, backed by many Southern Democrats, slashed public expenditure, and reduced taxes in an effort to stimulate the economy' (Jones, 1995, p. 526).

Inflation had contributed to the growing political conservatism. New Deal liberalism was possible due to the economic disaster that had been the Great Depression. It was at that time that Americans overcame their aversion to big government. However, Byrnes (2000, p. 27) argues that inflation reversed that dynamic. Since the federal government was meant to control prices, it was blamed for inflation. The Republicans used inflation to highlight the failures of government intervention in the economy.

Observers noted a change in the trade unions' influence over public policy, and this was reflected in the policies toward them coming out of the Congress. 'Organized labor took a long look at the election returns and knew defiantly that an era had passed.'¹⁶ It had lost all its stalwarts in the House and many in the Senate. 'The Republicans had had not recaptured Congress to play second fiddle to the Democrats. On the contrary, they acted at times as if they hoped to undo the entire new deal' (Brogan, 1999, p. 595). The bills of most importance were designed to straighten out the economy and change labour legislation.¹⁷ 'The days of running to Washington for almost anything it wanted were over,' argued *Time*. 'The assurance of being bailed out by government when it got into trouble was gone.'¹⁸ The 80th Congress proved to be extremely conservative (Dye, 1997, p. 701). Welch et al., (2001, p. 682) point out that the mid-term elections significantly strengthened the hand of the anti-labour forces.

¹⁶ *Time International*, 18 November 1946, Vol. 48, No. 21, p. 7.

¹⁷ *ibid.*, 6 January, 1947, Vol. 49, No. 1, p. 3.

¹⁸ *ibid.*, 18 November 1946, Vol. 48, No. 21, p. 7.

The Republican's victory was interpreted as a popular mandate to take drastic action on the labour issue in spite of President Truman's position. Immediately after the mid-term elections Republican Senator Robert Taft announced that he and anti-labour colleagues would set about examining labour legislation with a view to reforming certain aspects of it.¹⁹ 'The Senate Labor and Public Welfare committee set itself the task of writing a whole new batch of labor legislation.'²⁰ 'Senator Joseph Hurst Ball was responsible for drafting four Bills attacking union rights and privileges.'²¹ *Time* observed that the Ball measures represented such a basic rewriting of the ground rules passed by the new deal that the astute Robert Taft even backed away.²² The leaderships of the AFL and CIO attacked what they termed a deliberate movement intend on destroying labour. However, they were unable to rally sufficient support, either in Congress or the country. Prices and wages rose quickly in the economy as Congress voted to end wartime controls following the election.²³

In 1945 the level of union membership in America stood at 14.3 million, an increase of 1.2 per cent, or 176,000 members, over the previous year (Appendix C). This increase was a continuation of the growth in union membership from the early 1930s. This constituted about 35.8 per cent of all non-agricultural workers (Byrnes, 2000, p. 25). In 1946, the year in which the Democratic Party lost control of Congress to anti-labour Republicans, trade union membership increased by only 73,000 or 0.5 per cent. In light of the ending of the Second World War, and the consequent military demobilisation, this was a surprisingly small increase. But at the time factories were reorientating towards the production of consumer goods, and workforces were turning

¹⁹ *ibid.*, 25 November 1946, Vol. 48, No. 22, p. 8.

²⁰ *ibid.*, 3 March, 1947, Vol. 49, No. 9, p. 7.

²¹ *ibid.*, p. 8.

²² *ibid.*

²³ *ibid.*, 18 November, 1946, Vol. 48, No. 21, p. 6.

over. However, trade union density peaked at this time. The following year trade union membership increased again, this time by 392,000, to 14.7 million. Ironically, this increase was larger than even in the year of the proposed critical juncture itself. Although 1948 through 1950 saw three years of declining union membership, by 1954 overall membership had surpassed 17 million (Appendix C). From this it can be concluded that the only discernible trend in trade union membership at this time was upwards.

President Truman, who assumed office on 12 April 1945, met with the Presidents of the AFL, William Green, and the CIO, Philip Murray, on 11 and four occasions, respectively, that year (Appendix A). In all, Truman met with trade union representatives 18 times in 1945.²⁴ In 1946 President Truman met with William Green seven times, and with Philip Murray 10 times. In total Truman met with the representatives of the trade union peak organisations 19 times in 1946.²⁵ The following year President Truman met with William Green of the AFL six times and with Philip Murray of the CIO on two occasions. In all Truman met with leading trade unionists on 11 occasions in 1947. However, in 1948, a Presidential election year, Truman met with the leaders of the AFL and CIO on 23 occasions in total.²⁶ From this it can be seen that after 1946 the AFL and CIO's access to the President dipped before increasing again.

Truman's economic policy reflected the view that the American people wanted a 'rest from experiments' (O'Sullivan and Keuchel, 1981, p. 200). Those who wished to extend further the New Deal would be disappointed with the Fair Deal. However, public and congressional opposition to the power of labour reached its peak in 1947. Labour was gearing up for another crack at wage negotiations, while Congress was

²⁴ Truman Presidential Museum and Library, 2003. 'The Presidents Day.' Accessed from <http://www.trumanlibrary.org/calendar/>

²⁵ *ibid.*

²⁶ *ibid.*

preparing a counteroffensive of its own. President Truman was caught in the middle. Sensitive to union demands, he permitted businessmen to negotiate large pay increases for their workers and then pass on the cost to consumers. However, when a rail strike threatened to cripple transportation Truman called for emergency powers. Many thought it time to check the power of organised labour before it became unmanageable. The American people were angered at what were considered labour's irresponsible demands at a time of difficult economic readjustment.

By 1947 many states, primarily in the South, had passed right-to-work laws that restricted boycotts, picketing, and closed-shop agreements. These restrained the impact of Operation Dixie, a Southern union-organising drive conceived in 1937, and launched after the war. In the Midwest traditionally anti-union employers moved to counter the unions' wartime gains, and right-to work laws were passed across the South and in states as far north as Indiana and Illinois (Nelson, 1995, p. 64). Consequently, the relocation of US manufacturing to the South weakened the unions (Zieger, 1991).

The post-war strike wave intensified an anti-union drive that had originated in the late 1930s, resulted in the passage of the Smith-Connally Act, and had developed a new vigor in 1946-1947. The anti-union drive coalesced around the demand for the amendment of the Wagner Act of 1935. In light of the prevailing political situation, labour's position was weak. In refusing to compromise over the proposed legislation, and seeking to hold reactionary employers responsible for the drive to modify pro-labour provisions of the Wagner Act, both the AFL and CIO misjudged Congressional realities.

The anti-union drive culminated in Congress's approval of the Labour-Management Relations Act of 1947, more commonly known as the Taft-Hartley Act. Many of the recommendations of the National Association of Manufacturers (NAM),

representing the business community, were incorporated within the Act (Rosenberg, 2003, p. 71). Whereas the Wagner Act had been designed to protect the labourer from his employer, the Taft-Hartley Act served the opposite purpose, although its backers claimed the act was designed to protect labour's rank and file from the abuses of their leaders (Wilson, 1979, p. 7). The law sharply curtailed the freedom of action, and consequently the industrial power, of the unions. The law would never have got through if the struggles between management and labour in the post-war period of rapid inflation had not been so bitter (Brogan, 1999, p. 595). However, what the Act actually meant depended on the NLRB's interpretation of it and, if its decisions were appealed, the courts. Since members of the board were appointed by the President, labour unions and management organisations became increasingly concerned with who would be President of the United States. Nevertheless, the Act checked union growth in the Sun Belt.

The Taft-Hartley Act was passed over the veto of President Truman (Hamby, 1973, p. 185). 'Truman called it a 'shocking piece of legislation' (Byrnes, 2000, p. 57). The Republican Party, and right-wing Democrats, objected to what they believed was the pro-trade union legislation of Roosevelt's administration. This in itself seemed to demonstrate that American labour was politically weak. The assumption that AFL unions could afford to ignore politics was shattered. The AFL comforted itself with the notion that congressmen who had supported the Act would be defeated at the next election. In response the AFL unions created Labor's League for Political Education (LLPE) in 1947, its own electoral machinery (Taft, 1968). This was provided a budget of \$343,293 for the 1948 election. Consequently, the knock-on effects of the economic problems that saw organised labour's influence over public policy diminished by the Republican recovery of Congress and the passage of the Taft-Hartley Act, was to see

organised labour's involvement in politics increased. However, with the introduction of Taft-Hartley the curtain came down on the New Deal era of organised labour expansion under government protection.

The Government, Economy, and the Unions into the 1950s

In the 1948 election, which saw Truman returned as President, labour concentrated on electing pro-labour legislators to the Congress and state legislatures. Union support (now including the AFL and its LLPE) proved vital in the election drive that saw the Democrats gain 75 seats in the House and nine in the Senate, regaining control of Congress. Labour looked forward to the repeal of the Taft-Hartley Act. But anti-labour forces in Congress continued to hold sway, and Taft-Hartley was not repealed (Wilson, 1979, p. 63).

Some trade union advocated policies were finding their way into law while others were not. In January 1949, urged by the unions, Truman sought to introduce a broad range of Fair Deal measures. Congress approved a higher minimum wage, the extension of social security to 10 million additional persons, and more public works. However, Truman failed to persuade Congress to repeal Taft-Hartley, to secure federal aid to education, or to accept his proposal for national health insurance (Divine et al., 1995, p. 866). Nevertheless, Truman succeeded in protecting the New Deal principles of federal responsibility for social welfare, and helped form the Democratic agenda for the 1960s. The Truman years were to constitute a consolidation rather than an advancing of the governmental economic initiatives from the 1930s. At this time the devastation in Europe and Japan placed the US economy in an extraordinarily powerful position, with US production accounting for 45 per cent of world output in 1948 (French, 1997, p. 197).

In 1952 the Democrats lost control of the White House. The problems with the economy in the early 1950s contributed to the Eisenhower victory, and saw organised labour's influence over public policy diminished further. The White House allied itself to big business. This development gave greater impetus to the AFL and CIO's drive for reunification. Although Eisenhower was critical of the welfare state he accepted most New Deal reforms.

Table 6.1: The Empirical-Theoretical Fit 1946

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the President		X		
O2: Change in the trade union representation on government committees				N/A
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government				X
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour		X		
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour		X		
O8: Change in the government's economic policies				X
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity				X
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?	X			
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?			X	
O3: Do the national media regard the economic state of the country as in crisis?		X		
O4: Do national economic and political commentators regard the economic state of the country as in crisis?			X	
O5: Does the central bank regard the economic state of the country as in crisis?			X	
O6: Do domestic and international organisations regard the economic state of the country as in crisis?		X		
O7: Do elected representatives regard the economic state of the country as in crisis?			X	
O8: Are government pronouncement on the state of the economy are consistent with a crisis-management approach?			X	

From Table 6.1 it is clear that only one of the observable implications for each of the hypotheses indicated a high level of empirical-theoretical fit. It can also be seen that while 44 per cent of the observable implications of the first hypothesis indicated a medium or high empirical-theoretical fit, only 37.5 per cent of the second hypothesis's observables pointed to a medium or high empirical-theoretical fit. With the findings for both hypotheses falling far below the 60 per cent threshold for high empirical-theoretical fit, the table confirms that there was no critical juncture in the AFL and CIO's influence over public policy in 1946.

In summation, 1946 witnessed a swift and enduring change in the trade unions' influence over public policy. This change took place at a time of macroeconomic difficulties, not crisis. However, this change was not truly significant in that it did not represent a complete reversal of fortune for the trade unions. Although the war had been good for the economy, its ending impacted upon the trade unions' influence over public policy. The building economic difficulties, with inflation outpacing wage increases, and industrial disputes erupting, saw the Republicans regain control of Congress. The view that the economy was in downturn was shared by the national media, and political and economic commentators, with the polls hinting at public dissatisfaction. The Republicans came to power promising to free up the economy and take action against the power of organised labour. Despite this, the AFL and CIO's access to the President remained static, while union membership increased in 1946. The government's policies towards the trade unions became conflicting in that, although the Executive's attitude remained unaltered, Congress's had changed, and this prevented certain pro-union legislation while permitting anti-union legislation to go through. Consequently, despite the presence of a Democratic President, the unions' level of influence over public policy underwent a decline of a swift, and enduring nature. But,

according to the observable implications criteria set out in Chapter II, the change in the trade unions' influence was not a critical juncture, as there was neither a significant change in influence, nor a macroeconomic crisis (generative cleavage) in the first place. Byrnes (2000, p. 27) sums it up best when he says:

whatever their political meaning, the economic troubles of the early Truman years actually masked the fundamental strength of the American economy. Labor strife and inflation were merely short-term pains of reconversion. In reality, the United States was in sound economic shape.

Figure 6.1: The Critical Juncture Grid, America, 1946

Generative Cleavage (Macroeconomic Crisis)		Change (Significant, Swift, and Enduring)	
		YES	NO
YES			
NO		X	

Potential Critical Juncture 2: 1960-The Kennedy Years

The administrations of Truman and Eisenhower were notable for their continuity. Galenson (1996) argues that after years of depression and war people were interested in achieving stable economic growth. Unlike FDR and Truman, Eisenhower had no commitment to social change. However, unlike extreme right-wing Republicans, he also had no plans to dismantle the social programme of the New Deal either.

By 1955 the percentage of workers in nonagricultural employment, belonging to trade unions, stood at 33.4 per cent (Troy and Shelflin, 1985). 'Reuther [President of the CIO] and Meany [President of the AFL] were committed to labour unity as a basis for enhanced political strength' (Renshaw, 1991, p. 147). Both federations presence in the Northeastern and Midwestern translated into local political influence, and a role in national affairs (Marshall, 1967). The united AFL-CIO was formed in 1955 (Goldberg, 1956). Following unification both congresses' PACs merged to form the Committee on Political Education (COPE), one of strongest PACs in America (Ippolito and Walker, 1980, p. 348).

'The unions played a puny part in American politics until the 1950s' (Wilson, 1979, p. 3). But thereafter this changed. Mierryk (1962, p. 77) noted that on the eve of the merger between the AFL and CIO, while they had not lost faith in the value of collective bargaining for improving workers' lot, the unions had elevated involvement in politics to something approaching an equal role. However, by the mid-1950s workers' radicalism was on the wane (Boyer et al., 1996, p. 943). Victories at the bargaining table had secured so many benefits that solidarity gave way to complacency. The middle-class aspirations of workers led to acceptance of the capitalist system (Bell, 2000, p. 220).

The unions emerged from the 1950s with the stigma of corruption about them, this arising from Federal investigations, charges of “racketeering,” and the introduction of the Landrum-Griffin Act (Ippolito and Wlaker, 1980, p. 381). The act, designed to protect union members from their leaders' abuse of power, instituted new union election regulations, and various other measures to protect the rights of the rank and file. This was symptomatic of a growing trend toward ever-increasing governmental interference in labour-management relations (Rayback, 1966, pp. 435-436). Rosenberg (2003, p. 81) argues that at the close of the 1950s unions were on the defensive, however, they were not fighting for their existence.

The Economy, and the Presidential Election of 1960

International organisations, the media, and national commentators regarded the economy as experiencing difficulties in 1960. The economic problems at the end of the 1950s, high unemployment and a large deficit, contributed to the routing of the Republicans in the 1958 mid-term elections. By 1959 the budget deficit stood at a peacetime record of \$12.6 billion. The principal reason for this deficit, observed *Time*, was the recession, as this cut tax revenues by \$6.2 billion.²⁷ The following year the rate of unemployment had reached 5.5 per cent, or 3.7 million citizens.²⁸ According to a Labor Department rule of thumb anything above 3 million was a sure sign of economic weakness.²⁹ This constituted part of a trend that had seen US unemployment rising gradually since the end of World War II (OECD, 1960, p. 5). Reflecting the waning state of the economy were the declines in the output of steel and other primary metals.³⁰ The steel industry was reduced to operating at 53.9 per cent of capacity by the early

²⁷ *Time International*, 13 July 1959, Vol. 74, No. 2, p. 14.

²⁸ *ibid.*, 3 October, 1960, Vol. 76, No. 14, p. 58.

²⁹ *Newsweek*, 5 September, 1960, Vol. 56, No. 10, p. 48.

³⁰ *Time International*, 24 October 1970, Vol. 76, No. 17, p. 66

autumn of 1960.³¹ 'By 1960 most businessmen and economists agreed that the economy was slumping dangerously' (Heath, 1975, p. 63). Although, the rate of inflation, declining since 1957, stood at the low level of 1.3 per cent in 1960, the Labor Department observed that the cost of living had reached an all-time high in September of that year.³² According to Capel (1991, p. 3) the economy was certainly in recession at this time. At the same time the ratio of debt to GNP came to 56 per cent. The OECD (1962, p. 6) pointed out that the US rate of economic expansion had slowed considerably during the latter years of the 1950s, with growth lagging behind that experienced in Western Europe. Whereas 1959 had seen the economy suddenly expand by 7.2 per cent after years of recession, the following year's growth rate fell to only a third of this, 2.4 per cent. The number of days lost to industrial disputes in 1960 stood at over 19 million (Appendix D). Although, none of the economic indicators in 1960 were at decade-long lows, French (1997, p. 44) states that the country was in recession.

The stock market fell in late 1960 due to business worries over the state of the economy.³³ Inland Steel Chairman Joseph Block said that he had never seen a year when economic forecasts were so out of line with actual production.³⁴ *Time* also observed that over optimism concerning the state of the economy had vanished, replaced by a sober realisation that it was not moving forward in line with expectations.³⁵ Government economists were pointing, with concern, to the continuing slide in production.³⁶ Industrialists Adolph G. Abramson of SKF Industries, Morris Cohen of the National Industrial Conference Board, Robert Woodward of Bethlehem Steel, and Nathaniel Rogg of the National Association of Home Builders, all regarded

³¹ Newsweek, 3 October, 1960, Vol. 56, No. 14, p. 50.

³² Time International, 7 November, 1960, Vol. 76, No. 19, p. 68.

³³ Newsweek, 26 September, 1960, Vol. 56, No. 13, p. 54.

³⁴ Time International, 3 October, 1960, Vol. 74, No. 14, p. 58.

³⁵ *ibid.*, 3 October, 1960, Vol. 76, No. 14, p. 58.

³⁶ Newsweek, 10 October, Vol. 56, No. 14, p. 57.

the economy as in decline.³⁷ After 1950, with the rebuilt economies of Western Europe and Japan providing brisk competition in international trade, the United States found itself running increasingly into the red in its overall international accounts.³⁸ *Time* pointed out that from 1957 to 1960 US gold reserves dwindled by 20 per cent as bullion went abroad to balance its accounts,³⁹ and that 1960 constituted the third straight year in which America had a balance of payments deficit of more than \$3 billion.⁴⁰ The government eventually had to respond to this situation. In November 1960 Treasury Secretary Robert B. Anderson met with President Eisenhower on the issue of the deficit in international payments and resulting drain on the US gold reserves. Soon afterwards Eisenhower imposed a Presidential directive designed to slow the outflow of gold by curbing US spending overseas.⁴¹

By 1960 most American economists were agreed that the country's economy was in difficulty. James A. Byrd, economic adviser for Huston's Bank of Commerce, William Butler, an economist for Chase Manhattan Bank, and *Wall Street Journal* columnist George Shea, all stated in *Time* that the economy was already well into a recession.⁴² This was also the view expressed by 200 economists attending the convention of the National Association of Business Economists in Manhattan in late October.⁴³ The President's Council of Economic Advisors (PCEA) confirmed that the economy was contracting.⁴⁴ Testifying before the Joint Economic Committee of Congress economist Charles L. Schultze of Indiana University described the prevailing

³⁷ *Time International*, 31 October, 1960, Vol. 76, No. 18, p. 57.

³⁸ *Newsweek*, 17 October 1960, Vol. 56, No. 16, p. 52.

³⁹ *Time International*, 28 November, 1960, Vol. 76, No. 22 p. 12.

⁴⁰ *ibid.*, 19 December, 1960, Vol. 76, No. 25, p. 15.

⁴¹ *ibid.*, 28 November, 1960, Vol. 76, No. 22, p. 11

⁴² *ibid.*, 3 October, 1960, Vol. 76, No. 14, p. 58.

⁴³ *Newsweek*, 31 October, 1960, Vol. 56, No. 18, p. 56.

⁴⁴ *Time International*, 31 October, 1960, Vol. 76, No. 18, p. 57.

conditions as “creeping stagnation.”⁴⁵ Rosenberg (2003, p. 103) agreed that by 1960 the economy appeared to be stagnating.

Fredrick R. Kappel, President of American Telephone & Telegraph Co., spoke for many when he said: “We have more problems than we realized. This is the first time in my lifetime that the credit of the US has been questioned. A very serious shadow lies over the American business picture.”⁴⁶

Early the following year President Eisenhower’s chief of the PCEA, Raymond Saulnier, admitted that the latter quarter of 1960 had been very bad economically.⁴⁷ In summing up the situation the OECD (1962, p. 5) observed that in contrast to the earlier post-war period, the United States economy at the start of the 1960s was marked by a slow rate of growth, high unemployment, and an uncomfortably large foreign deficit.

Despite the concerns over the economy in 1960 John Fitzgerald Kennedy personified the energy and self-confidence of American youth. The leaders of organised labour warmed to Kennedy as they had to Roosevelt twenty-eight years before. In him they saw the fulfilment of their dreams. His popularity, and formidable political organization, gained him a first-ballot victory at the 1960 Democratic nominating convention. “The election of John F. Kennedy is labor’s number one job,” proclaimed George Meany in 1960’ (Crown, 1961, p. 265). Union halls across the country were turned into Kennedy campaign centers, and union registration drives in the cities were of indispensable importance to his campaign (Koenig, 1986, p. 277). The

⁴⁵ *ibid.*, 19 December, 1960, Vol. 76, No. 25, p. 56.

⁴⁶ *ibid.*, 6 January, 1961, Vol. 77 No. 2, p. 17.

⁴⁷ *ibid.*, 27 January, 1961, Vol. 77 No. 5, p. 17.

arrival of a new age was signaled by the comparative youth of the presidential candidates of the two major parties. Senator Kennedy was 43, while Republican Vice President Nixon was 47.

The elected representatives pointed to the economic difficulties of the country. During the presidential election campaign domestic economic issues featured prominently, the recession being made a central issue by Kennedy (Schlesinger, 1965, p. 625). The Democratic platform argued for the need to achieve a growth rate of five per cent per year, and blamed slow growth entirely upon the Republican administration (Schlesinger and Israel, 1971, p. 3482). The Democrats condemned the Eisenhower administration for sloth at home and idleness abroad.⁴⁸ Kennedy observed that in 1959 the United States had the lowest rate of economic growth of any major industrialized society in the world.⁴⁹ The country's economy was not growing fast enough, he argued, as 17 million American's were going to bed hungry at night.⁵⁰ He pointed out that America faced serious economic problems with an unemployment rate standing at 6 per cent.⁵¹ Kennedy argued that the resumption of economic progress was the number one problem facing the next President (Schlesinger, 1965, p. 625). He promised to get the nation moving again (O'Sullivan and Keuchel, 1981, p. 219), and reduce unemployment to a minimum (Schlesinger and Israel, 1971, pp. 3483-3484). In response Vice President Nixon admitted that economic growth in the late 1950s had been too slow.⁵² 'You don't see a picture of a burgeoning economy at this particular period' stated Nixon.⁵³ The Secretary of the Treasury, speaking at the annual meeting of the International Monetary Fund (IMF) admitted that the economy was experiencing a

⁴⁸ *ibid.*, 8 August 1960, Vol. 76, No. 6, p. 12.

⁴⁹ *ibid.*, 19 September 1960, Vol. 76 No. 12, p. 19.

⁵⁰ *ibid.*, 11 July 1960, Vol. 76, No. 2, p. 18.

⁵¹ *Newsweek*, 3 October, 1960, Vol 56, No. 14, p. 34.

⁵² *Time International*, 1 August 1960, Vol. 76, No. 5, p. 14.

⁵³ *ibid.*, 22 August, 1960, Vol., 76, No. 8., p. 13.

slight recession.⁵⁴ During the second of the candidates' four televised debates Kennedy, and Nixon to a lesser extent, approached the problem of extricating the economy from recession.⁵⁵ Here Kennedy pointed out that the economy was slipping into its third recession after eight years of Republican administration.⁵⁶ But Kennedy's relative inexperience, and his religion, placed him at a disadvantage in the campaign, especially in the Southern states. However, Nixon ultimately fumbled his opportunity, his greatest mistake proving to have been his agreeing to meet Kennedy in their television debates (Boyer et al., 1996, p. 963). The outcome of these debates propelled Kennedy up the polls.⁵⁷

Kennedy's margin of victory in the presidential election reflected a desire in certain section of the public to keep things as they were, as well as hostility to the idea of a Catholic President.⁵⁸ Kennedy won by 34,227,096 votes (49.7 per cent) to Nixon's 34,107,646 (49.5 per cent). In electoral votes Kennedy's victory was a comfortable one: 303 to 219 (Boller, 1996, p. 300). However, there were questions of voting irregularities in both Illinois and Texas, but Nixon argued against a recount on the grounds it would damage America's image abroad (Mazo and Hess, 1968, p. 249). The election also saw the Republicans gain two seats in the Senate, while they gained 20 in the House of Representatives. However, the Democrats maintained strong majorities in both institutions. Kennedy, after setting the tone for a new era with his inauguration speech, filled his administration with a host of young technocrats and academics.

⁵⁴ *The Economist*, 1 October, 1960, Vol. 197, No. 6110, p. 42.

⁵⁵ *Time International*, 17 October 1960, Vol. 76 No. 16, p. 16.

⁵⁶ *ibid.*, 31 October, 1960, Vol. 76, No. 19, p. 15.

⁵⁷ *Newsweek*, 10 October, 1960, Vol. 56, No. 15, p. 15.

⁵⁸ *ibid.*, 14 November, 1960, Vol. 56, No. 20, p. 17.

Organized Labour and the Kennedy Administration

The AFL-CIO's Director of Organisation pointed out that in 1960 1.5 million workers had been organised following the AFL-CIO merger in 1955, but that an equal number had left the organisation. A difficulty he cited was the growth of white-collar employment (Galenson, 1996). The AFL-CIO's leadership realised that the changing character of the labour force had to be taken into account in efforts to expand membership. The early 1960s saw a large upsurge in the unionisation of federal employees. This growth ran counter to the general trend of union decline in the private sector (Goldfield, 1987, p. 53). In 1959 the number of trade unionists in America stood at 17,117,000. This was an increase of 88,000, or 0.51 per cent, on the previous year. However, this figure was still 373,000 less trade unionists than in 1956. By the end of 1960, trade union membership stood at 17,049,000, a fall of 0.4 per cent on 1959. Union density decreased by almost 3 per cent between 1956 and 1960 (Galenson, 1996). However, 1961 saw trade union membership fall by a further 4.3 per cent, to 16,303,000 (Bain and Price 1980, p. 89). This loss of 742,000 trade unionists was the largest annual decrease in union membership recorded in America to that time. This was somewhat surprising in light of the Democrats relations with the unions (Appendix C). At the same time the national workforce had increased to nearly 60,000,000 (Boyer et al., 1996, p. 960). Organised labour found itself in the ironic position of being criticised as big labour at the time when it represented a shrinking portion of the workforce.

Although it would be anticipated that union membership would increase following the election of a pro-labour President, initially the opposite happened. As automation reduced the number of workers in coalmines, auto plants, and steel mills, the decrease in union members sapped certain of organised labour's strength. The AFL-CIO's Director of Organisation pointed out that adverse publicity generated by the

McClellan hearings into union corruption, employer letters to employees emphasising union racketeering, and the prohibitive congressional legislation, damaged the unions' public image (Galenson, 1996). A Gallup poll taken after the hearings found that 43 per cent of American's saw union corruption as widespread, with an additional 34 per cent viewing it as limited (O'Sullivan and Keuchel, 1981, p. 207). The labour movement also faced the problem of adopting strategies used to organise blue-collar workers in the depression years to organising white-collar workers in more prosperous times. But, within a year of Kennedy's inauguration the trend had been reversed. In 1962, union membership rose again, this time by 283,000. By 1965 the loss of membership in 1960-61 had been made good by America's unions. In all, within eight years of 1960 American trade union membership stood at 20,721,000 (Appendix C).

During this period the nation's union leaders successfully forged a higher degree of centralized control over the economic resources generated by their organizations (Kochan et al., 1994, p. 53). With bargaining capacity relatively concentrated in both the labour movement, and the national political system, the stage was set for a relationship of productive cooperation between the President and top union leaders. In national politics, Dark (1999, p. 48) points out, decision-making was confined to a relatively small number of individuals within Congress, the executive branch, and the major interest groups.

The 1960 election victory of John F. Kennedy, who had received strong AFL-CIO support, presaged renewed growth (after decline) and influence for the labour movement. The Democratic Party's election platform, grandly entitled "The Rights of Man," had declared 'the goals of the labor movement are the goals for all Americans, and their enemies are the enemies of progress.'⁵⁹ When President Kennedy took office

⁵⁹ Time International, 19 September 1960, Vol. 76 No. 12, p. 19.

he threw all the weight of his executive power into resolving disputes over automation. Presidential intervention, via the Taft-Hartley injunction, forced labour-management agreement on job protection, supplementary unemployment benefits, and work rules in the steel, automobile, airline, and maritime industries.

There was a change in ministerial attitude and governmental policy towards the trade unions. The new Democratic administration in 1961 offered the unions an opportunity to reverse the declines that had characterised the Eisenhower years. Arthur Goldberg, the architect of the AFL-CIO merger, was appointed Secretary of Labor.⁶⁰ On coming to office Goldberg admitted that the unemployment situation in the economy was grave, and it would receive priority from the administration and his office.⁶¹ Soon after his inauguration Kennedy named a tripartite labour-management policy committee, chaired by Goldberg, to provide advice on wage and price policy. Included among the management members were the heads of some of the largest companies in the country. Yet, there was more sympathy in Washington for the union cause and less pro-employer bias.

President Kennedy's intervention in disputes was an indication of the increasing trend toward greater government influence in labour-management relations. It seemed that government-instigated compulsory arbitration and mediation, promoted by Secretary of Labor Goldberg, was gradually replacing collective bargaining as the means of reaching acceptable contractual agreements between labour and management. Generally, government intervention proved favourable to labour in the short run, seeing to it that wage and fringe benefit demands were met. In the long run, however, the close association with government could only weaken labour's power and independence.

⁶⁰ *ibid.*, 19 December, 1960. Vol. 76, No. 25, p. 12/

⁶¹ *ibid.*, 6 January, 1961, Vol. 77 No. 2, p. 46.

In 1959 there is no record of President Eisenhower meeting with representatives of the AFL-CIO. The following year, his final year in office, President Eisenhower did meet with the AFL-CIO leadership, but only twice.⁶² All in all, President Eisenhower's dealings with the AFL-CIO had been intermittent at best. President Kennedy met with the AFL-CIO's top officials three times in 1961 (Appendix A). The following year Kennedy met with the AFL-CIO leadership on seven separate occasions. However, in 1963, the year of his assassination, President Kennedy held eight meetings with the AFL-CIO.⁶³ A week after Kennedy's assassination President Johnson met with the leader of the AFL-CIO, George Meany, to assure him that he was anxious to go along with a list of things that the unions were demanding (Robinson, 1981, p. 234). The years thereafter were to see more such meetings between President Johnson and the AFL-CIO on issues ranging from the economy to racial integration.

Democratic Party's rules governing the Congress and Presidential nominating processes reinforced the power of political brokers with whom it interacted regularly, with little need to accommodate a more diverse and fluid range of interests (Dark, 1999, p. 48). Interest group leaders, such as union Presidents and lobbyists, could negotiate deals with the President and congressional leaders and know with some reliability when – or if – the goods would be delivered. This system of insider bargaining could be sustained in an environment in which the number of influential interest groups was small, the issue agenda was predictable and controlled by elite actors, and there was little likelihood of a quick and sustained mobilization on the part of excluded or unrepresented groups.

⁶² The American Presidency Project, 2003. 'Public Papers of the Presidents.' Accessed from http://www.presidency.ucsb.edu/site/docs/index_pppus.php.

⁶³ *ibid.*

Government pronouncements and actions on the economy pointed to the economic difficulties of the time. The Democrat's 1960 platform pointed to the need for a balanced budget and expanded welfare services.⁶⁴ However, President Kennedy's first State of the Union Address was full of gloomy forebodings on the state of the economy. 'Not since the days before Pearl Harbor,' pointed out *Time*, 'has a President of the US delivered himself of such gloomy forebodings on the state of the Union.'⁶⁵ He admitted that the economy was in serious trouble. Unemployment was increasing, he said, and the recession worsening, the rate of economic growth lagging, bankruptcies booming, and profits fading.⁶⁶ Unemployment reached 8.1 per cent by February 1960 (Schlesinger, 1965, p. 627). Policy would have to change if the situation was to improve. A significant change in economic policy was signaled with the appointment of Walter Wolfgang Heller, as chairman of the influential PCEA. For Heller, the federal government, rather than private enterprise, should be charged with reviving the economy.⁶⁷ In fact, all of the policy makers that Kennedy appointed to develop his strategy for economic growth came from the ranks of the new economists, who sought to manage the economy on Keynesian principles (O'Sullivan and Keuchel, 1981, p. 219). This administration was to shift the focus of economic policy from moderation of the business cycle towards the realization of the full employment potential of the economy (Spulber, 1995, p. 38). Nevertheless, incomes policy reemerged in the US with the enunciation of wage and price guideposts (Schiller, 1975, p. 186).

The Kennedy administration was to pursue a strategy of more proactive Keynesian policies, the so-called 'New Economics' (Martin, 1991, p. 45). This placed an emphasis on maximizing economic growth rather than smoothing out fluctuations.

⁶⁴ *Time International*, 25 July 1960, Vol. 76 No. 4, p. 17.

⁶⁵ *ibid.*, 10 February 1961, Vol. 77 No. 6, p. 11.

⁶⁶ *ibid.*, 10 February 1961, Vol. 77 No. 6, p. 11.

⁶⁷ *ibid.*, 2 January 1961, Vol. 77, No. 1, p. 8.

French (1997, p. 31) argued that its objective was to accelerate growth. As an antirecession measure Kennedy sought temporary tax cuts from Congress.⁶⁸ Although the purpose of these tax cuts was to induce higher growth after the lackluster record of the late 1950s, its proponents were nevertheless quite anxious about the danger of stimulating a rise in inflation. Kennedy's approach specified targets for growth and unemployment, and placed far greater faith in the government's capacity to identify and implement policies to fine-tune the economy. Kennedy also urged Congress to boost the minimum social security benefits, lift minimum wages, extend unemployment compensation, and pass a depressed-areas bill. The OECD (1961, pp. 33-34) pointed out that 'the major objectives of the present Administration's domestic economic policy are to remove the existing slack in the economy and accelerate longer-term growth.' The government's increased budget outlays spanned a wide range of fields including housing and community development, aid to depressed areas, and measures to improve labour mobility (OECD, 1961, p. 34-35). By the following year the OECD (1962, p. 19) observed that government expenditure had made an important contribution to the advancing of total demand.

During his presidency Kennedy took government in a new direction, away from the easygoing Eisenhower style. His administration was headed by strong, dedicated personalities. Its energy and commitment revitalized the country, but still domestically Kennedy's record was unexceptional. His policies were often blocked in Congress by the barriers to reform erected by Republicans and Southern Democrats. Yet, President Kennedy made economic growth his domestic priority. To stimulate the economy, he combined increased social expenditure with inducements to private enterprise to invest

⁶⁸ *ibid.*, 3 February, 1961, Vol. 77, No. 6, p. 8.

in capital growth. Kennedy also persuaded Congress to finance a crash effort to place a man on the moon that eventually cost the United State more than \$25 billion.

Within two years of his election, Kennedy had brought about a number of measures designed to benefit the labouring man. He expanded public works projects to check unemployment; he promoted urban renewal to attract industry to depressed areas; he oversaw the enactment of the Manpower Development and Training Act, which provided new skills for the unemployed; and he revamped Social Security and minimum-wage laws. In large part, state governments, following the Federal Government's lead, enacted legislation favourable to the workingman, effecting minimum wage standards, workmen's compensation, unemployment benefits, and anti-discriminatory practices in hiring. This was a triumph for organized labour. The AFL-CIO continued to put pressure on Congress to expand social security coverage, introduce a progressively higher minimum wage, and health-care protection for all Americans (Dark, 1999, p. 57).

Perhaps more so than any other organized interest, labour's leadership thoroughly embraced the civil rights cause. The AFL-CIO came out in support of racial equality. However, the legislation before Congress did not contain a section on equal employment rights. Under pressure from the AFL-CIO such a section was added, and after months of delay, eventually President Johnson signed the Bill into law on 4 July 1964. AFL-CIO was largely instrumental in the passage of the Civil Rights Act. Later in the decade, union leaders devoted a considerable amount of time and resources towards the passage of legislation designed to reduce poverty in American society. This marked another sharp departure from the pre-1960 labour movement, which was primarily concerned with trade union issues alone. As a consequence, organized labour

had been transformed from a narrow trade union movement to one with a societal orientation.

Table 6.2: The Empirical-Theoretical Fit 1960

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the President		X		
O2: Change in the trade union representation on government committees				N/A
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government				X
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour		X		
O8: Change in the government's economic policies		X		
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike		X		
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?				X
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?				N/A
O3: Do the national media regard the economic state of the country as in crisis?			X	
O4: Do national economic and political commentators regard the economic state of the country as in crisis?		X		
O5: Does the central bank regards the economic state of the country as in crisis?				
O6: Do domestic and international organisations regard the economic state of the country as in crisis?			X	
O7: Do elected representatives regard the economic state of the country as in crisis?			X	
O8: Are government pronouncement on the state of the economy are consistent with a crisis-management approach?		X		

In Table 6.2 only 22 per cent of the observable implications of the first hypothesis pointed to a high empirical-theoretical fit, while none of the observable implications of the second hypothesis indicated a high fit. As the findings for both hypotheses fall below the minimum 60 per cent threshold for high empirical-theoretical fit, the table shows that there was no critical juncture in the AFL-CIO's influence over public policy in 1960.

In summation, 1960-61 was to witness a swift, and enduring change in the AFL-CIO's influence over public policy. However, this change was not significant, and it occurred at a time of macroeconomic difficulties as opposed to macroeconomic crisis. During the 1950s America's economic prowess had been unrivalled internationally, however, towards the end of the Eisenhower presidency the economy began to stagnate. The national media, commentators, international organizations, and elected representatives all viewed the economy as in downturn at the time. Nevertheless, the level of influence organized labour possessed over the government improved in that with the election of a Democratic President in 1960, the Democrats had control over both the Executive and Congressional branches. With its policies aimed at righting the economy, a union friendly administration had been returned to the White House. As bargaining capacity was relatively concentrated in both the labour movement and the political system there developed productive cooperation between the President and the unions. The AFL-CIO's access to the President increased in 1961, and the government's policies towards the trade unions, along with the level of union policies incorporated into the government's policies, changed to the AFL-CIO's advantage. In the long run organized labour's declines of the late 1950s were reversed as Washington's pro-employer bias ended and the government's policies came to reflect union values. However, the absence of a macroeconomic crisis (generative cleavage),

and a significant change in the trade unions' influence over public policy, meant that what change there was in the trade unions' influence over public policy did not constitute a critical juncture.

Figure 6.2: The Critical Juncture Grid, America, 1960

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES		
NO		X

Potential Critical Juncture 3: 1980 – The Reagan Years

By the time of Kennedy's assassination in November 1963 his management of the economy had already doubled growth, decreased unemployment, and held inflation to just 1.3 per cent a year. He introduced the longest uninterrupted era of economic expansion in American history (Boyer et al., 1996, p. 964-965). By the mid-1960s the threat of inflation to the Johnson administration's policies drove it to seek AFL-CIO support in ensuring that economic conditions permitted those policies continuation. This constituted government recognition of the unions' importance to the economy. In Washington organized labour and the Democrats became highly integrated (Greenstone, 1977, chap 2).

During the early 1970s, President Nixon's efforts to curb inflation and cure the recession failed. But, by implementing wage and price controls the President reduced organized labour's influence over public policy. Problems with inflation persisted during Ford's term as President. Yet, despite a chaotic economy, and a somewhat hostile political environment, the AFL-CIO, did well during the Nixon-Ford years. An opinion poll conducted by *US News and World Report* in 1976 ranked organised labour the fourth most powerful institution in America. The Republican executive's inability to deal with the economy resulted in the Democrats retaking the presidency in 1976.

By the late 1970s employment had fallen significantly in the unionized heavy industries, but grown in the non-unionized service industries. The industry and population shift from Northeast to Southwest also meant expanding employment in parts of the United States long seen as hostile to union organizers. Consequently, the AFL-CIO's relative size in the economy shrank. By 1980 the membership in unions had slipped from one in three nonagricultural workers to one in four (O'Sullivan and Keuchel, 1981, p. 250). For Rosenberg (2003, p. 266) 'declining union density was a

further sign of the weakening bargaining power of organized labor.' Traumatic changes in the world economy destroyed the post-war consensus within which labour had prospered. The problems with inflation and unemployment forced President Carter to initiate varying steps to find a solution. These measures first alienated organised labour, before a National Accord improved relations.

The Economy and Reagan's Election Victory

Long before the Democratic convention President Carter was worried about re-nomination. By 1979 'Washingtonians joked that he was the first President with poll ratings lower than the prime interest rate' (Boller, 1996, p. 355). Although praised for his foreign policy work, and a comprehensive policy of energy conservation, his general performance evoked little confidence. This was, partly due to the economic situation, and his inability to work with Congress, abrupt changes of direction, and periodic confessions of failure.

By 1980 the economy was in serious difficulty, with the media, national commentators, domestic and international organisations, and the central bank, regarding the economy as in crisis. Capel (1991, p. 3) argued that the economy was in recession at this time. This recession was marked by a depressing combination of inflation and unemployment (OECD, 1982, p. 89). O'Sullivan and Keuchel (1981, p. 222) argue that throughout the Carter presidency declining productivity growth, a reduced level of savings, inadequate capital investment, and high inflation all hampered the economy. Federal Reserve Board Chairman Paul Volcker believed that the only remedy for the spiralling inflation was a tightening of the money supply (Krugman, 1990). However, by March the effects of this policy appeared limited. That month the President invoked the Credit Control Act, asking the Federal Reserve Board to impose new controls on

consumer credit. *Time* pointed out that this resulted in an excessively large reduction in consumer borrowing, and a steep decline in economic growth.⁶⁹ As a consequence the Federal Reserve sought to lower the discount rate.⁷⁰ However, the Carter administration's massive budget deficits only served to deepen the Fed's dilemma.⁷¹ The deficit in the federal budget stood at \$74 billion in 1980 (Brogan, 1999, p. 683).

According to *The Wall Street Journal*:

A group of prominent economists sharply criticised the Federal Reserve's management of monetary policy, saying its actions cast serious doubt on whether the central bank intended to meet its commitment to slow the growth of the money supply to combat inflation.⁷²

To compound matters a June meeting of the Business Cycle Dating Committee of the National Bureau of Economic Research officially declared that the US had entered a recession.⁷³ *The Washington Post* pointed out that in the same month the Commerce Department 'reported that leading economic indicators had plunged 4.8 per cent in April – the largest decline in the 32-year-old index.⁷⁴ By August the Federal Reserve Board was reporting that the country's factories had operated at only 74.2 per cent of capacity in July, their lowest level in five years.⁷⁵

In early September Fed Chairman Vockler, appearing before the House Budget Committee, warned that he had little faith in the strength of the economy.⁷⁶ However,

⁶⁹ *ibid.*, 28 July, 1980, Vol. 116, No. 4, p. 44

⁷⁰ *ibid.*, 9 June, 1980, Vol. 115, No. 23, p. 56.

⁷¹ *Newsweek*, 22 December, 1980, p. 65.

⁷² *The Wall Street Journal*, 2 October, 1980.

⁷³ *Time International*, 16 June, 1980, Vol. 115, No. 24, p. 48.

⁷⁴ *The Washington Post*, 1 June 1980, p. A1.

⁷⁵ *ibid.*, 19 August, p. D6.

⁷⁶ *ibid.*, 11 September, p. B1.

two months later he went further, stating unambiguously that America was in a recession from which recovery would be slow.⁷⁷ Despite this Volcker was intent on maintaining high interest rates to keep a rein on the money supply in order to curb the inflationary pressures.⁷⁸ By steadfastly holding down the rate of growth of the money supply the Fed pushed interest rates to their highest levels in a century, slowed borrowing by business and individuals alike, and sent the housing and automobile industries into a decline.⁷⁹ Dark (1999, p. 120) pointed out that ‘through the joint actions of the Reserve Board and the administration, the economy had been inadvertently plunged into the kind of major recession that the White House had been trying to avoid.’

With the economy experiencing significant difficulties the rate of unemployment reached 7 per cent, a significant increase over the previous year’s 5.7 per cent. In early August the Department of Labor announced that joblessness had increased by a startling 1.9 million in the six months from February 1980.⁸⁰ At the same time American made car sales declined, factory orders fell, and construction activity slackened. In this environment overall industrial production decreased by more than 8 per cent (Dark, 1999, p. 120). ‘A virulent slump,’ was how *Time* magazine summed up the figures.⁸¹ The rate of inflation, having risen significantly after the first oil crisis, and fluctuated at relatively high levels thereafter, stood at 13.5 per cent in 1980. This was America’s highest level of inflation since the post-war high of 1946. At the same time the ratio of debt to GNP, standing at 33.1 per cent, had begun increasing again. Whereas economic growth had been stagnant at 2.4 per cent in 1979, by 1980 the American economy was

⁷⁷ *ibid.*, 20 November 1980, p. B1.

⁷⁸ *ibid.*, 23 September, p. D1.

⁷⁹ *Time International*, 16 June, 1980, Vol. 115, No. 24, p. 50.

⁸⁰ *ibid.*, 11 August, 1980, Vol. 116, No. 6, p. 34.

⁸¹ *ibid.*, 16 June, 1980, Vol. 115, No. 24, p. 48.

contracting. To add to this climate of economic woes the number of days lost to industrial disputes stood at over 20 million (Appendix D). However, apart from inflation and interest rates, none of the other economic indicators set out in Appendix D had reached decade-long lows. Nevertheless, Spulber (1995,p. 41) argues that the Economic Report of the President 1981 shows an administration ready to 'throw in the towel' on the economy.

Throughout the 1970s the United States' position as the world's industrial powerhouse had been diminishing observed *Time*.⁸² By mid June 1980, with the economy locked in a downward spiral, *Time* pointed with concern to the Labour Department's announcement that real hourly compensation had dropped by 5.6 per cent during the first quarter of the year.⁸³ 'Key segments of US industry are seriously ill' warned the *New York Times*.⁸⁴ 'Recession Hits Hard' screamed a headline in *The Washington Post*.⁸⁵ *Time* also stated that every percentage-point increase in unemployment cost the federal budget \$25 billion in a combination of lost taxes and allotted unemployment benefits.⁸⁶ By late December the *New York Times* was commenting that America was in the depths of a recession from which there appeared no early escape.⁸⁷ The steady growth in real incomes, and standards of living, that the US once took for granted has become a dim memory observed *Time*. Instead, the nation seems to have become stuck in a cycle of booms and busts, rising and falling interest rates, and accelerating inflation.⁸⁸

⁸² *ibid.*, 1 September, 1980, Vol. 116, No. 9, p. 50.

⁸³ *ibid.*, 9 June, 1980, Vol. 115, No. 23, p. 56.

⁸⁴ *The New York Times*, 23 November, 1980, p. 1.

⁸⁵ *The Washington Post*, Business and Finance, 31 August, p. L1.

⁸⁶ *Time International*, 11 August, 1980, Vol. 116, No. 6, p. 35.

⁸⁷ *The New York Times*, 25 December, 1980, p. 39.

⁸⁸ *Time International*, 19 January, 1981, Vol. 117, No. 3, p. 44.

By 1980 it was clear that Carter's efforts to manage inflation had failed. The oil price rises engendered by the Iranian revolution in January 1979 set off that decade's second oil crisis. As inflation climbed Carter's approval rating fell to only 21 per cent, its lowest level since ratings were begun in 1952 (Wayne, 1992, p. 260). The need to reduce inflation was an external condition that simultaneously constricted the liberal agenda, and induced painful friction between Democratic policymakers and their interest group allies. Inflation drove the administration towards wage and price guidelines, and the tighter fiscal and monetary policies, which unions abhorred. But labour had no plausible alternatives of its own. If it had controlled its economic resources more effectively it might have delivered successful wage restraint and averted the need for a recessionary downturn. As the experience of the Callaghan government in Britain suggests, the exigencies of the international economy at this time invariably produced tensions, and sometimes major confrontations, between social democratic governments and their core constituencies (Krieger, 1986, p. 25).

Economic commentators of all political colours expressed extremely negative opinions on the prospects for the economy. It would be 1981 at the earliest before there would be signs of recovery warned Joseph Pechman of the Brookings Institution.⁸⁹ The economy had become deeply ensnarled in what economist Walter Okun called 'the great stagflation swamp.'⁹⁰ The President's inflation record is not good admitted Walter Wolfgang Heller. In allowing the economy to deteriorate, noted Alan Greenspan, Carter was forced into a crash programme of restraint that led to decline and a huge rise in unemployment.⁹¹ By May the economy was already in recession observed Michael Sumichrast the chief economist of the National Association of Home Builders.⁹²

⁸⁹ *ibid.*, 14 July, 1980, Vol. 116, No. 2, p. 56.

⁹⁰ *ibid.*, 29 September, 1980, Vol. 116, No. 13, p. 17.

⁹¹ *ibid.*, 29 September, 1980, Vol. 116, No. 13, p. 45.

⁹² The New York Times, 20 November 1980, p. 1.

Economist Irwin Kellner of Manufacturers Hanover Thrust Co. emphasised in *Newsweek* that the recession was going to be long and unpleasant.⁹³

By the second half of 1980 the administration's responses to the recession smacked of a crisis-management approach. President Carter's \$32.2 billion Economic Renewal Programme to stimulate the economy was unveiled in early September. However, apart from the fact that in an election year this programme contained more relief for business than the voters, it was criticized as 'a weak smorgasbord of morsels instead of a bold strategy.'⁹⁴ *The New York Times* pointed out that the proposed tax reductions were an admission that incomes policy had proved inadequate to coping with the pervasive inflation rolling through the economy.⁹⁵ 'Too little, too late, too political,' complained Murray Weidenbaum of Washington University's Centre for the Study of American Business. He went on to comment that: 'It provides just the opposite of what the ailing economy needs.'⁹⁶ To compound matters the tighter Federal Reserve policy, and higher interest rates, provoked President Carter to condemn Fed Chairman Volcker. Although the White House had earlier supported Volcker's struggle with inflation, Carter had grown concerned over the impact of interest rates on his re-election bid.⁹⁷ *Time* argued that the Federal Reserve Board's shifting monetary policies – slowing the growth of the money supply to restrain inflation, then permitting it expand to prevent the recession getting out of hand, before tightening the money supply again – had contributed to the gyrations in the economy.⁹⁸

The Democratic Party's leadership yearned for an alternative candidate to Carter in the upcoming presidential election. It thought its prayers had been answered when,

⁹³ *Newsweek*, 27 October, 1980, p. 89.

⁹⁴ *The New York Times*, 2 September 1980, p. 12.

⁹⁵ *ibid.*, 5 October, 1980, p. 8.

⁹⁶ *Time International*, 8 September, 1980, Vol. 116, No. 10, p. 34.

⁹⁷ *The Washington Post*, 3 October 1980, p. A1.

⁹⁸ *Time International*, 19 January, 1981, Vol. 117, No. 3, p. 44.

on Labour Day 1979, Ted Kennedy entered the race (Stacks, 1981, p. 33). Carter's frenetic efforts to prevent union defections to Kennedy revealed a realm of union bargaining power that radical critics usually ignored (Dark, 1999, p. 138). However, when revolutionaries in Iran took American embassy staff hostage the American people rallied around Carter (Germond and Witcover, 1981, p. 56-57). The Democrats glumly renominated Jimmy Carter in 1980.

The Republicans nominated Ronald Reagan as their candidate for President. He embraced the ideology of the New Right: a cultural conservatism stressing social and moral issues. His message was simplistic: lower taxes, reduced federal spending on social services, balanced budgets, and fewer governmental regulations. He also favoured increased defense spending, and efforts to encourage the collapse of Communism. Where Barry Goldwater had failed in 1964 Reagan was convinced he could triumph in 1980.

In their party platform the Democrats pledged to introduce a \$12 billion anti-recession programme and to create at least 800,000 jobs. The party also pledged not to fight inflation by any policies that would lead to higher interest rates or substantially increased unemployment. The Democrats placed unemployment ahead of inflation as the country's chief economic problem. However, the Republicans blamed the Democrats' inflationary policies for stifling productivity and bringing about the recession. The GOP urged a bold programme of tax reductions, spending restraints, and regulatory reforms that would inject new life into the economy.⁹⁹

In the run up to the election *The New York Times* pointed out that:

⁹⁹ *ibid.*, 25 August, 1980, Vol. 116, No. 8, p. 50.

The polls have found voters persistently and overwhelmingly dissatisfied with President Carter's handling of the economy, a fact that Mr. Reagan hopes will produce an avalanche of blue-collar votes to add to his base among the more affluent.¹⁰⁰

'Polls showed that Mr. Carter was penalized substantially for rising unemployment. If we had unemployment and inflation at 3 per cent, Carter would be easily re-elected,' observed Richard Scammon, director of the Election Research Centre.¹⁰¹

America's economic health was a central issue for both presidential candidates. In late August Reagan stated that the President had 'created a severe depression in our nation.'¹⁰² In answer to these economic failures he promised new policies and new leadership (Wayne, 1992, p. 182). Although Carter admitted that the country was in a recession he said that it was going to be the briefest since the Second World War.¹⁰³ Charles E. Walker, Deputy Secretary of the Treasury under President Nixon warned in mid-October 1980 that there would be 'no real increase in economic activity for the rest of the year,' and that any recovery in 1981 would be 'anemic' at best.¹⁰⁴ During the final stages of the election campaign Reagan pointed out that the consumer price index increased by 12.7 per cent in September. He declared that Carter's record on inflation and unemployment 'is a failure on a scale so vast, in dimensions so broad, with effects so devastating, that it is virtually without parallel in American History.'¹⁰⁵ Reagan went on to attack Carter for permitting a near doubling in the so-called misery index (Okun's

¹⁰⁰ The New York Times, 22 October, 1980, p. 24.

¹⁰¹ *ibid.*, 30 October, 1980, p. 1.

¹⁰² *ibid.*, 28 August, 1980, p. 9.

¹⁰³ *ibid.*, 29 October, 1980, p. 26.

¹⁰⁴ *ibid.*, 15 October, 1980, p. 22.

¹⁰⁵ Time International, 3 November, 1980, Vol. 116, No. 18, p. 17.

discomfort index) that Carter had badgered Gerald Ford with during the 1976 campaign.¹⁰⁶

When it was clear that Reagan would be the GOP nominee, the unions united behind Carter.¹⁰⁷ In Michigan and Ohio labour was the backbone of the Democratic effort. But unemployment and inflation were higher than when Carter beat Ford four years before (Dark, 1999, p. 123). Moreover, in response to inflation the Federal Reserve Board continued to raise interest rates, further damaging the President's re-election prospects (Schneider, 1985, p. 233). On 4 November Reagan was elected President with a plurality of 8.3 million votes, and 489 electoral votes to Carter's meagre 49 (Boller, 1996, p. 362). The AFL-CIO leadership's efforts on behalf of President Carter were buried beneath a conservative Republican avalanche that carried off nearly 44 per cent of the union vote.¹⁰⁸ In the Senate the Republicans gained 12 seats, and a majority of 53 to 47, however, in the House the Democrats remained in control by 243 to 192. Carter's crowning failure was his management of the economy. He inherited a bad situation, but left it worse.

President Reagan, his Policies and Organised Labour

The final year of the Carter administration was characterized by a weakening economy, fluctuating – but generally high – interest rates, and rising unemployment (OECD, 1982, p. 9). The OECD (1983, p. 7) pointed out that the weak output through 1980-81 produced the worst recession in post-war history. In the midst of this economic crisis the new administration took over in Washington DC in early 1981. Among the other problems that confronted President Reagan was declining productivity and output, and

¹⁰⁶ *ibid.*, 3 November, 1980, Vol. 116, No. 18, p. 45.

¹⁰⁷ New York Times, 29 October, 1980.

¹⁰⁸ The Washington Post, 16 February, 1981, p. A1.

growing pressure on profitability and personal disposable incomes (OECD, 1982, p. 17). In addition, the Bureau of Economic Analysis noted that inflation had wiped out any increases in incomes.¹⁰⁹

There was a change in the government's policies towards the trade unions, the level of trade union policies incorporated into the government's policies, and the government's economic policies. The Reagan administration asserted that its first and foremost objective was to improve the performance of the economy (Spulber, 1995, p. 45). Despite its differences with Carter, the transfer of power to Reagan was an unwelcome outcome for labour. The unions soon found themselves in the White House's crosshairs.

Sam Nagakama, chief economist of Kidder, Peabody & Co., warned that unless the incoming administration did something about the union contracts with auto, steel, and other major industries for basic increases in excess of productivity, the country could be facing its greatest economic disaster since the 1930s.¹¹⁰ In mid February 1981 the AFL-CIO's Executive Council held an emergency meeting 'in an attempt to stave off a wholesale slaughter of some of organised labor's sacred cows' in the Reagan administration's first budget.¹¹¹ The council approved a resolution opposing budget cuts as a way to control inflation.¹¹² The AFL-CIO called for credit controls aimed at lowering interest rates, the maintaining of natural gas and petrol price controls, a reindustrialization programme to invest public and private funds in necessary projects, and expanded training programmes for workers.¹¹³ The AFL-CIO also proposed slashing social security taxes, and introducing tax cuts aimed at middle and low income

¹⁰⁹ *ibid.*, 9 November, 1980, p. 33.

¹¹⁰ *The New York Times*, 23 November 1980, p. 1.

¹¹¹ *The Washington Post*, 16 February, 1981, p. A1.

¹¹² *ibid.*, 16 February, 1981, p. AB.

¹¹³ *ibid.*, 17 February, 1981, p. AB

families.¹¹⁴ However, the President's budget contained none of the AFL-CIO's proposals. In seeking to reduce the federal deficit the Reagan administration targeted for cutback \$11 billion worth of public works and job training programmes, the extended unemployment benefits programme, and trade adjustment assistance-benefits paid to workers who had lost their jobs due to foreign invasion of a domestic industrial market.¹¹⁵

AFL-CIO President Kirkland attacked the government's economic programme on Capitol Hill as the most costly roll of the dice ever proposed by policy makers. The programme favoured the rich over the poor Kirkland told the House Budget Committee.¹¹⁶ As the OECD (1982, p. 9) pointed out economic policies were redrawn along lines that differed from those of preceding governments in their political roots and their theoretical foundations.

With the change of government there was a change in the relationship in the economy between the trade unions and the government. The National Accord, reached between organized labour and the Carter administration in September 1979, was an outgrowth of the administration's efforts to obtain labour's co-operation with voluntary wage standards announced in October 1978 (Dark, 1999, p. 118). The unions touted the accord as the American version of Britain's social contract (Dark, 1999, p. 118). Discussions on the Accord often included Secretary of the Treasury William Miller and Labour Secretary Ray Marshall. A supplement to this agreement was the establishment of a 15 member tripartite Pay Advisory Board (Flanagan, 1980, p. 37). The National Accord to an extent improved relations between the AFL-CIO and the Carter

¹¹⁴ *ibid.*, 18 February, 1981, p. AB

¹¹⁵ *ibid.*, 16 February, 1981, p. A1.

¹¹⁶ *ibid.*, 5 March 1981, p. A3.

administration (Robinson, 1981, p. 385). However, Reagan terminated the National Accord, and the tripartite Pay Advisory Board scheme, soon after coming to office.

In 1979 President Jimmy Carter met with the leadership of the AFL-CIO on 12 occasions (Appendix A). These encounters encompassed issues ranging from health care, to the economy, and national energy policy.¹¹⁷ The following year President Carter met 28 times with the leadership of the AFL-CIO. In the early months of 1980 these meetings concerned industrial relations matters, however, as the presidential election drew nearer focus shifted to what support AFL-CIO could provide to Carter's campaign.¹¹⁸ Many AFL-CIO regional heads accompanied Carter on his campaigning trips through their states. Despite its differences with Carter the transfer of power to Reagan, the first chief executive to have been a former union officer, was a disaster for American labour. Robert McGlotten, the AFL-CIO's chief lobbyist in Washington, went to the White House on only two occasions throughout the entire span of the Reagan-Bush years. Consequently, 'in the 1980s the political standing of the AFL-CIO went into a tail spin' (Brody, 1993, p. 248).

Between 1968 and 1978, public employee unionisation disguised the relative decline in private sector trade unionism.¹¹⁹ Ominously, organised labour had failed to unionise substantial numbers in non-manufacturing private employment (Dubofsky and Dulles, 1999, p. 385). In 1979 the level of trade union membership in the United States stood at just over 22 million, the highest level it ever reached. This was an increase of 268,000 members, or 1.23 per cent, over 1978 (Appendix C). Overall, union membership had been gradually increasing since the early 1960s. However, at the same time trade union density had been on a steady downward trajectory. In 1980 trade

¹¹⁷ Jimmy Carter Library and Museum, 2003. 'President's Daily Diary.' Accessed from <http://gil.usg.edu:8765/jclquery.html?qc=pdd&charset=iso-8859-1&ht=0&qp=&qt=AFL-CIO>

¹¹⁸ *ibid.*

¹¹⁹ *Time International*, 15 September, 1980, Vol. 116, No. 11, p. 40.

union membership fell to 20.96 million. This decrease constituted a loss of 1,057,000 trade union members, or 4.8 per cent of overall membership. At the time this was the unions' largest membership loss in the post World War II era. In light of the economic situation, and a hostile Republican administration, this was not a surprising development. However, the following year organised labour lost 321,000 more members. By 1982 overall union membership had slumped to 19.5 million. Consequently, between 1979 and 1982 total union membership fell by over 11 per cent. However, worse was to come.

Several economic, ideological, and social trends contributed to Reagan's popular appeal. In 1981 the new administration embarked on a new economic programme (Rapping, 1988, p. 75). To the prospect of stagflation he promoted a seemingly painless panacea: tax cuts, wherein the resulting stimulus would boost federal revenues to balance the budget, consequently reducing inflationary pressure. Reagan's uncomplicated patriotism acted as a balm to the wounded national psyche. However, the triumph of New Conservatism was also based on the challenge to America's economic hegemony by West Germany and Japan, countries that relied less on defence spending as the engine of their economies. In contrast, argued Renshaw (1991, p. 140), the United States' defence expenditure was crowding out more useful economic activities. Alfred Eichner stated that in the OECD area there was a strong inverse relationship between the proportion of GNP devoted to national defence and the growth rate.¹²⁰

The 1970s had witnessed growing middle class opposition to the taxes necessary to sustain programmes such as social security. This burden became greater as the economic depression deepened, leading to a questioning of existing policies. The

¹²⁰ The New York Times, 15 October, 1980, p. 2.

OECD (1982, p. 10) pointed out that President Reagan's election, and the accompanying Congressional elections, gave as clear a mandate for conservative policies as there had been in the post-war United States. Reagan initially fashioned his economic strategy around the controversial proposals of economist Arthur Laffer. Laffer proposed that steep tax cuts would stimulate growth, leading to even larger tax receipts, and thereby reduce the federal deficit.¹²¹ The new President's programme, dubbed Reaganomics by the media, constituted the belief that American capitalism, if freed from the burden of taxes and government regulation, would surge ahead. Reagan's first budget proposed a \$750 billion tax cut, built around a 30 per cent reduction in federal income taxes over three years. In May 1981 Congress voted for a 25 per cent income tax cut over three years. Middle and working class Americans, who had organised 'tax revolts' from Massachusetts to California, applauded (Jones, 1995, p. 597). 'A trend towards reduced economic regulation was carried further by the immediate application of the remaining stages of crude oil price decontrol, and the abolition of the Council on Wage and Price Stability' (OECD, 1982, p. 24).¹²²

Economic policies were redrawn along lines that differed from those of preceding governments in their political roots and theoretical foundations (OECD, 1982, p. 9). In political terms President Reagan capitalised on anti-government sentiment, emphasised individualism, and a smaller Federal role. Tax reliefs were allied to a restructuring of federal expenditure, bringing sharp changes in the fiscal influence on the economy. His programmes called for a shift in spending in favour of defence at the expense of welfare, especially education, health, and housing (Tindall and Shi, 1996, pp. 1434-1435). Inflation was to be tackled through monetary policies, and the anticipated deflationary effects of deregulation. Inflation declined, but only at the

¹²¹ Time International, 19 January, 1981, Vol. 117, No. 3, p. 46.

¹²² *ibid.*, 19 January, 1981, Vol. 117, No. 3, p. 46.

expense of millions of workers. By December 1981, unemployment reached 10.8 per cent nationally, and levels in excess of this in Michigan, and Alabama. Henry and Oliver (1987, p. 6) argued that Reagan's legacy was to alter, rather than reduce, government expenditure. By the mid-1980s the real value of defence spending had exceeded its Vietnam War peak.

By 1981 the political strategy of the labour movement was a shambles. Union leaders became convinced that the Democratic Party's structure was the main reason for the election defeat. For them the solution was an increase in union power; it would make the Democrats more favourably disposed towards labour's interests, and see them nominate more electable candidates. The unionists' aspiration for increased power was intensified by their profound dislike of the Reagan administration. However, on the admission of its officials, the AFL-CIO could achieve little on its own. Its greatest successes were as part of the coalition that campaigned for civil rights legislation. Its worst defeats came when it stood isolated on pure 'labour' issues. The paradox was that labour had better but less effective machinery than most other interest groups. Wilson (1979, p. 89) argues that the sophistication and level of political activity displayed by interest groups is correlated negatively with their strength in society.

Confrontation, Recession, and Recovery

With Reagan's election the rich had an opportunity to strike back. They sought to undo a whole raft of social legislation spanning the Great Society, the Nixon and Carter years, and even the New Deal as well. But they had no structures to serve as replacements (Brogan, 1999, p. 685). They seemed to think they were unnecessary.

The first, and most famous, test of Reagan's intentions toward organised labour came with the Professional Air Traffic Controllers Organisation (PATCO) strike in

August 1981. This erupted when controllers rejected an 11 per cent pay increase worked out between PATCO and the Federal Aviation Authority (FAA). A strike was called, to which 13,000 employees responded (Northrup, 1984). The administration declared the strike illegal, and defined the strikers as outlaws (Dubofsky and Dulles, 1999, p.383). Reagan issued a back-to-work ultimatum. Employees not at work in 48 hours were threatened with discharge; an action authorised under the Taft-Hartley Act. Some 11,500 controllers were discharged when they refused to obey the order, and their union was decertified as their bargaining agent (Hurd and Krisky, 1986, p. 119). The affair exposed President Reagan's anti-union animus.

The PATCO strike sent a message to both the private and public sectors that it was open season on labour (Bello et al., 1994, p. 92). A group of AFL-CIO Executive Council members met the President to urge that the controllers be reinstated. He refused, although he agreed they could apply for other federal employment. However, the government was not hiring at that time (Morgan, 1984). *Time* observed that Reagan's tough reaction, a reaction more restrained than he had initially intended, was reminiscent of Roosevelt's wartime order against striking coal miners in 1943.¹²³

Under the Reagan administration the unions endured assaults from the executive branch of a magnitude not seen since before the New Deal (Dubofsky and Dulles, 1999, p. 378). The firing of the air traffic controllers, and the disbanding of their union, was part of a deliberate effort to legitimate a new level of anti-union hostility. Likewise, Reagan's appointments of pro-business conservatives to the NLRB, and to key posts within the Department of Labor, were part of a scheme to undermine the unions. Funding for unemployment insurance, which strengthened the position of workers vis-à-vis employers was cut back, and worker safety and health standards were lowered.

¹²³ *ibid.*, 17 August, 1981, Vol. 117, No. 4, p. 21.

Together, these changes constituted deterioration in the protective ramparts that labour had constructed with the help of the federal government in preceding decades.

Still, labour experienced some success in blocking the anti-union efforts of conservatives. Labour's opponents scored no victories in altering the legal framework of industrial relations. Nor did they do any better in achieving other goals, such as curtailing wages on federal contracts. An analysis of the unions' legislative record during Reagan's first term would conclude that they weathered the period without any substantial defeats (Dark, 1999, p. 142). They tended to do well in the House but lose in the Senate. The Republicans found that it was far easier to block legislation in Congress than to enact it during a period of divided government. Ironically, this feature of the political system, which had often prevented the passage of pro-union legislation, protected those statutory provisions already laid down (Masters and Delaney, 1987, p. 19).

Reaganomics into the 1980s

D'Souza (1997, p. 85) argues that Reagan came to Washington with the most ambitious programme for America since the New Deal. But Reagan's tax cuts reduced revenues without immediately bringing about the predicted business boom, while increases in military appropriations offset domestic spending cuts (Peterson and Rom, 1988). However, in the short term the administration's plans were dwarfed by the dose of monetary policy applied by the Federal Reserve. This move had been intended to wring inflation out of the economy: through a major constriction in demand, and a corresponding downturn in production. A business slump and rising unemployment persisted through 1982. The federal deficit nearly doubled to \$110.6 billion, and the national debt surpassed \$1 trillion.

Corporate America went on the warpath against organised labour, supporting decertification elections. Industry began moving to green field sites that tended to be non-union (Katz, 1985). The persistence of unemployment in the unionised sectors reduced the bargaining power of the unions. Not only did membership decline, but so also did the quality of the contracts negotiated in unionised industries. The adverse effects of Republican economic policy were compounded by budgets that reduced funding for social programmes. During this period labour's influence in Washington hit a historic low (Edsall, 1984, p. 175).

For 12 years the Republicans would domination of the executive office. Reagan, and to a lesser extent his successor George H. W. Bush, displayed an anti-union bias the like of which had not been seen since before the Great Depression. Under Reagan the unions experienced a reduction in their status in society and influence in politics. In this hostile environment organised labour dropped its commitment to broad social reform programmes, pursuing instead much narrower self-interested agendas (Moody, 1988, p. 161).

Table 6.3: The Empirical-Theoretical Fit 1980

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the President	X			
O2: Change in the trade union representation on government committees				N/A
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government		X		
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy	X			
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour	X			
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?				X
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?		X		
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?	X			
O6: Do domestic and international organisations regard the economic state of the country as in crisis?	X			
O7: Do elected representatives regard the economic state of the country as in crisis?		X		
O8: Are government pronouncement on the state of the economy are consistent with a crisis-management approach?	X			

Table 6.3 shows that while 88 per cent of the observable implications of the first hypothesis pointed to a medium or high empirical-theoretical fit, 77 per cent pointed to a high fit exclusively, indicating a significant, swift, and enduring change in the trade unions' influence over public policy. In the case of the second hypothesis, 87.5 per cent of the observable implications indicated a high or medium empirical-theoretical fit, with 62.5 per cent indicating a high fit exclusively, pointing to a macroeconomic crisis. The findings for both hypotheses surpassed the minimum 60 per cent threshold for high empirical-theoretical fit, confirming that there was a critical juncture in the AFL-CIO's influence over public policy in 1980.

In summation, in 1981 there was a significant, swift, and enduring change in the AFL-CIO's influence over public policy. With the economy in crisis at the time America elected a President who was to prove himself no friend of organized labour. This view concerning the economy was unanimously shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. Organized labour's gains from the 1960s onwards were threatened under the Reagan presidency. President Reagan's policies were the antithesis of what AFL-CIO stood for, and interaction between the anti-union administration and organised labour diminished. Consequently, the AFL-CIO's access to the President, its relationship with the government in the economy, the government's economic and industrial relations policies, the trade unions' influence over these policies, and ministerial attitudes, all changed to the trade unions' disadvantage. Ultimately, the Republican's recapturing of the White House was to result in the AFL-CIO's loss of influence over the executive, and with the Senate in Republican hands up until 1988 the unions' political allies only held sway in the House of Representatives. However, the Democrats there were able to

block much of the Republican's anti-union legislation. Nevertheless, by 1988 there were 20 per cent fewer trade unionists in America than in 1980 (Appendix C). Organised labour was to remain in the political wilderness until 1992. It was at a time of macroeconomic crisis that the unions' influence over public policy changed. According to the observable implications criteria set out in Chapter II this change in the trade unions' influence over public policy was a critical juncture.

Figure 6.3: The Critical Juncture Grid, America, 1980

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	X	
NO		

Potential Critical Juncture 4: 1992 – The Clinton Years

‘The reelection of Ronald Reagan in 1984 was a green light for further anti-unionism’ (Goldfield, 1987, p. 6). According to AFL-CIO information director, Murray Seeger, the union busters were ‘now in hog heaven.’¹²⁴ The economic recovery of 1984-1986 failed to add members to union ranks as ordinarily happened in times of business expansion. Reagan solved the short-term problems of inflation and recession, but did so with borrowed money, and without touching the deeper sources of America’s economic decline (Dubofsky and Dulles, 1999, p. 383).

Scepticism among political elites concerning the feasibility of the large welfare state constituted another barrier to organised labour’s policies. These obstacles were reinforced by the intractability of federal budget deficits that rendered any expansion of state expenditure impossible. The federal debt that stood at \$1816.9 million in 1985 had increased to \$4002.6 million by 1992 (Boyer et al., 1996, p. 1056). In this way the Reagan administration appeared to have come up with the perfect strategy: massive deficits that would prevent the future expansion of the welfare state (Rockman, 1991, p. 11). This was according to Friedman (1988, p. 24) an intergenerational crime, with the government robbing future Americans to enrich those who merely happened to be around at the time.

By the mid-1980s the growing unity of House Democrats, brought about by the increased liberalisation of Southern Democrats, suggested a stronger brand of party leadership as personified in Speaker Jim Wright. The AFL-CIO subsequently constructed a firmer alliance with House Democrats (Barry, 1989, p. 280). Labour would co-ordinate its agenda around a shared set of legislative priorities. In return labour’s favoured bills would be brought to the floor expeditiously, and with the full

¹²⁴ The New York Times, 10 February, 1985.

support of the Democratic leadership (Dark, 1999, p. 144). The AFL-CIO's relationship with the Congressional Democrats in the 1980s stood in stark contrast to the tensions that had existed during the Carter Administration.

The Economy and Clinton's Election Victory

In 1990 the United States' position in the world economy had clearly altered. It still possessed considerable strength as a major industrial producer, accounting for 23 per cent of world output, but its international standing had altered considerably since 1945. Its lead in total national income had narrowed, the balance of payments deficit had weakened it, and the rise of a rival Europe and Japan signalled a shift in economic power (French, 1997, pp. 205-206). National economic and political commentators, the media, as well as domestic and international organisations, regarded the economic state of the country as in crisis. According to Capel (1991, p. 3) the recession that began in the summer of 1990, prior to the Gulf War, had all the hallmarks of a very serious economic downturn. By December 1990 Chairman of the Federal Reserve Alan Greenspan called it a "meaningful downturn."¹²⁵ By that time the country was in a horrendous financial mess. Lyle Gramley, chief economist for the Mortgage Bankers Association of America and a former Federal Reserve Governor observed that 'we are paying the price for what we did in the past with this enormous federal deficit.'¹²⁶ The OECD (1993, p. 18) pointed out that the economy grew by only 0.8 per cent in 1990, and shrank by 1.2 per cent the following year. America seethed with economic discontent. The start of the 1990s saw Congress and President Bush agreed on a five-year deficit-reduction package (Divine et al., 1995, p. 993). The Omnibus Budget Reconciliation Act was intended to generate the largest deficit reduction in the country's

¹²⁵ Time International, 31 December, 1990, p. 50.

¹²⁶ *ibid.*, 14 October, 1991, p. 42.

history, however, it was soon clear that this was not being achieved. The OECD (1993, p. 29) pointed out that the federal deficit rose from \$221 billion in 1990 to \$290 billion in 1992, with federal debt surpassed \$4 trillion. Instead of reducing the deficit, the 1990 budget added more than \$1 trillion to the national debt (Divine et al., 1995, p. 994). Federal debt stood at almost 65 per cent of GNP in 1992, up from 32 per cent in 1981 (Appendix D). However, this was the only economic indicator in Appendix D that was at, or had surpassed, a decade-long low. By September 1992 *The Wall Street Journal* was warning that the budget deficit was out of control.¹²⁷ The Gulf War, the Savings & Loan bailout (costed at \$500 billion in 1992), the defence-industry contraction, the real estate depression, and soaring welfare and Medicare/Medicaid payments, wreaked havoc with the budget-balancing efforts.¹²⁸ ‘These events,’ argued the OECD (1991, p. 11), ‘turned sluggish growth into a recession.’

Retail sales slumped; housing starts declined, and unemployment rose. A weak recovery in 1991 faltered, and unemployment peaked at 7.8 per cent in mid-1992. Over 2 million jobs had been lost to the economy in the space of a year. With a national debt of \$4 trillion, and huge interest payments to keep up, the US had almost no room to stimulate the economy with a burst of spending.¹²⁹ *Time* also warned that \$2 trillion of corporate debt was preventing the sort of capital investment the economy needed to remain competitive in the 1990s. At the same time the borrowing binge of the 1980s left customers with little leverage for spending. Non-government debt had increased from \$1.8 trillion in 1989 to \$6 trillion in 1992.¹³⁰ As the economic slowdown reduced tax revenues, states slashed social-welfare funding. The number of Americans below the poverty line rose to over 34 million. The economic downturn of the early 1990s

¹²⁷ *The Wall Street Journal*, 18 September 1992, p. F1.

¹²⁸ *Time International*, 28 September, 1992, Vol. 140, No. 39, p. 31.

¹²⁹ *ibid.*, 28 September, 1992, Vol. 140, No. 39, p. 32.

¹³⁰ *ibid.*, 28 September, 1992, Vol. 140, No. 39, p. 32.

became the longest recession since the Great Depression.¹³¹ Galenson (1996) observed that the Reagan and Bush legacy was borne on the backs of the workers. The defeat of Bush in his bid for re-election in 1992 became essential to the unions. For the first time in years virtually all trade unions, including the Teamsters, would back the Democratic candidate.

As President Bush appeared invulnerable following the Gulf War,¹³² top Democrats opted to stay out of the presidential race. However, following a gruelling round of primaries Governor Bill Clinton of Arkansas came to the fore as the Democrats' nominee. In the primaries Clinton had increasingly benefited from labour support, which played a much larger part in his presidential bid than it did with Dukakis in 1988. At the party's convention in July, Clinton pledged an activist government addressing the economy, jobs, and health care.

Time remarked that in June 1992 the American people were frightened about 'disappearing jobs, schools that don't teach, unaffordable health care, and the spiraling numbers of homeless.'¹³³ By late August polls found that only 22 per cent of the public regarded President Bush as performing a good job in relation to the economy.¹³⁴ To compound matters, by early September 1992 the dollar had plunged to its lowest level since World War II.¹³⁵ 'The country's 12 year vacation is over,' declared *Time*, 'its time to go back to work and pay the bills.'¹³⁶ Overwhelmingly, the registered voters questioned by *Newsweek* disapproved of Bush's handling of the economy. Yet, less than half of them thought that Clinton could do a better job. However, almost 60 per

¹³¹ *ibid.*, 28 September, 1992, Vol. 140, No. 39, p. 31.

¹³² Gallup poll, 28 February – 3 March, 1991.

¹³³ *Time International*, 15 June, 1992, Vol. 139, No. 24, p. 39.

¹³⁴ *ibid.*, 31 August, 1992, Vol. 140, No. 9, p. 29.

¹³⁵ *ibid.*, 7 September, 1992, Vol. 140, No. 36, p. 48.

¹³⁶ *ibid.*, 26 October, 1992, Vol. 140, No. 43, p. 40.

cent of people felt that they were less well off in 1992 than they had been four years before.¹³⁷ A worrisome prospect for any incumbent President facing into an election.

In August *Time* pointed out that the Reagan and Bush administrations were largely responsible for the enormous amount of red ink on the federal budget.¹³⁸ 'The American economy was comatose,' observed *Time* late the following month. *The New York Times* argued that from the start of his term President Bush had mismanaged the economy, knowing secretly that it was in for tough times ahead, but refusing to admit that taxes would have to be raised.¹³⁹ However, when taxes were raised this drew some vicious criticism from the public and the media. 'Read My Lips: I Lied' proclaimed the headline on the *New York Post*.¹⁴⁰ 'Anxious about the economic future?' asked *Newsweek* in late October 1992. 'If you aren't you should be,' it went on to warn.¹⁴¹

The deficit crippled Bush's presidency. It stifled any thoughts he may have had for new federal initiatives, and it prevented him from proposing conventional pump-priming measures, such as tax cuts or public works spending, to stimulate the economy.¹⁴² However, the consequences of the deficit were not confined to the American economy.

International observers including the OECD have for a long time urged the United States to deal with its huge federal budget deficit, not only because it is unsustainable, but also because it is a major drag on US and global savings and a contributor to high interest rates world-wide (OECD, 1993, p. 9).

¹³⁷ *Newsweek*, 21 September 1992, p. 40.

¹³⁸ *Time International*, 31 August, 1992, Vol. 140, No. 9, p. 26.

¹³⁹ *The New York Times*, 21 October, 1992, p. 2.

¹⁴⁰ *New York Post*, 24 June, 1990, p. 1.

¹⁴¹ *Newsweek*, 26 October 1992, p. 44.

¹⁴² *ibid.*, 7 September 1992, p. 32.

If anything, the opinions of economic commentators were even more negative than those of the media. 'This is a sick economy that won't respond to traditional remedies,' said Norman Robertson, chief economist at Pittsburgh's Mellon Bank.¹⁴³ Alan Binder, Professor of economics at Princeton observed that no matter what policies the President implemented under the prevailing economic conditions the measures would increase GNP by 1 per cent at best.¹⁴⁴ 'The single most important lesson of elementary economics that America must learn,' said World Bank chief executive Laurence H. Summers, 'is this: deficit finance is not an alternate to cutting spending or raising taxes – it is a way of postponing the need for these painful steps.'¹⁴⁵ 'This is not a normal recession,' warned economist Paul Krugman, 'in a normal recession monetary policy is cleaner and faster, but we have had the Federal Reserve trying for a long time and things are not happening.'¹⁴⁶ To compound matters, Michael Boskin, Bush's chief economic advisor, repeatedly clashed with White House Chief of Staff John Sununu, as the latter tried to keep the former away from the President. Boskin was eager to inform Bush as to the terrible state of the economy, and that things were far less rosy than the President kept proclaiming in public.¹⁴⁷

By mid September 1992 the Federal Reserve Board continued to reduce interest rates in the hopes of stimulating borrowing and investment, and reviving the economy.¹⁴⁸ *Time* observed that the Fed, under not-so-subtle pressure from the White House, had been pushing interest rates down for more than a year in hopes of

¹⁴³ *Time International*, 28 September, 1992, Vol. 140, No. 39, p. 31.

¹⁴⁴ *Newsweek*, 26 October, 1992, p. 46.

¹⁴⁵ *The Wall Street Journal*, 27 September, p. A1.

¹⁴⁶ *The Washington Post*, 17 October, 1992, p. C1.

¹⁴⁷ *Time International*, 26 October, 1992, Vol. 140, No. 43, p. 34.

¹⁴⁸ *The New York Times*, 20 September, 1992, p1.

stimulating the economy in order to help the President's re-election campaign.¹⁴⁹ However, the Federal Reserve stated that the economy in 1992 was about \$210 billion smaller than it would have been if the federal budgets were in balance, and spending had not been siphoned off into current investments.¹⁵⁰ In early October 1992 Lawrence E. Lindsey, a Federal Reserve governor, admitted that the country faced serious problems with its debt burden.¹⁵¹ M. A. Akhtar and Ethan Harris, economists with the Federal Reserve Bank of New York, pointed out that the legacy of the deficits of the 1980s cost America about 7 per cent of its capital stock, and between 2.5 to 3.5 per cent of its potential output in the 1990s.¹⁵² *The Economist* observed that the Federal Reserve's hands were tied by an administration that, in refusing to tackle the budget deficit, 'has dumped upon it [the Fed] all responsibility for economic policy.'¹⁵³

The pronouncements on the state of the economy were consistent with the suggestion of a crisis. For *Time* the fact that the top Clinton campaign strategist James Carville hung a sign on the wall of their campaign headquarters to explain what the election was about: 'The Economy Stupid!' sums up the Clinton campaign's view on the economic state of the nation.'¹⁵⁴ On this front Clinton was to attack relentlessly, focusing on the recession, and what solutions he would bring. However, the pronouncements on the economy coming from the White House by the end of October 1992 were confusing at best. President Bush sent out mixed messages, saying that the economy was in a not so bad state, only then to contradict himself by saying that his economic team was working hard to right the situation. President Bush then seemed to agree with Clinton's argument that his administration had hopelessly botched the

¹⁴⁹ *Time International*, 7 September, 1992, Vol. 140, No. 36, p. 49.

¹⁵⁰ *The Wall Street Journal*, 27 September, p. A1.

¹⁵¹ *The New York Times*, 2 October, 1992, p. 6.

¹⁵² *The Wall Street Journal*, 27 September, p. A1.

¹⁵³ *The Economist*, 5 September 1992, p. 52.

¹⁵⁴ *Time International*, 2 November, 1992, Vol. 140, No. 44, p. 38.

recession.¹⁵⁵ If re-elected, he has promised to pack his 'senior economic advisers onto the first Learjet leaving town.'¹⁵⁶ However, this statement, made only weeks prior to the election, conveyed nothing but a sense of desperation from the White House.¹⁵⁷ Ultimately, the President's denial that the country was in a recession convinced citizens that Bush was out of touch with reality (D'Souza, 1997, p. 258). 'If we were Brazil, or some lesser-developed country, the IMF would have sent a mission to visit with this committee and would have read the riot act to you,' said Robert Reischauer, director of the Congressional Budget Office, in testimony to the House Budget Committee.¹⁵⁸

President Bush's popularity plummeted as the economy worsened. One gauge of voter disaffection was the candidacy of billionaire businessman H. Ross Perot. His campaign focused on the burgeoning federal deficit, and the horrendous national debt. Meanwhile, union activists were prominent in many States, campaigning not only for Clinton-Gore, but also for local Democratic standard-bearers (Upham, 1993, p. G-110). On 3 November 43 per cent of voters chose Bill Clinton as their new President, Bush trailed with 38 per cent, and Perot amassed 19 per cent of the popular vote (Boller, 1996, p. 390). Of Clinton's 44 million votes a quarter came from union households (Freedman, 2000). Most incumbents in Congress won re-election. In the House the Democrats lost nine seats, but maintained their majority over the Republicans by 258 to 176. In the Senate the Democrats made a modest gain of one seat, giving them 57 senators. There were hopes that the gridlock resulting from Republican Presidents confronting Democratic Congresses might at last be broken.

¹⁵⁵ *ibid.*, 26 October, 1992, Vol. 140, No. 43, p. 28.

¹⁵⁶ The New York Times, 22 October, 1992, p. 2.

¹⁵⁷ Time International, 26 October, 1992, Vol. 140, No. 43, p. 34.

¹⁵⁸ The Wall Street Journal, 27 September, p. A1.

President Clinton and Organised Labour

January 1993 saw the inauguration of a new President determined to try to lift the economy's performance over the medium term. Although Bill Clinton had fashioned himself as a new Democrat, he was first of all a Democrat. The Clinton administration acted to promote the interests of unions as organisations, and to advance legislation the unions supported. At the 1993 AFL-CIO convention President Clinton stated that he became President because he wanted a new partnership with the American labour movement (Glaenson, 1996, p. 74). However, there remained limits on what the administration could provide the unions, but these were not new. Nevertheless, the AFL-CIO, for the first time in 12 years, found itself with a friend in the White House. The importance of the union/Democratic relationship was confirmed by the access to top administration officials that union leaders enjoyed (Dark, 1999, p. 163). Labour leaders who had been to the White House rarely during the Reagan-Bush era became frequent invitees. Virtually all union leaders claimed to be deeply satisfied with the quality of their access to policymakers (Dark, 1999, p. 163). Robert McGlotten, the AFL-CIO's chief lobbyist, attended at the White House 40 times in the first nine months after Clinton came to office (Appendix A). AFL-CIO President Kirkland had regular meeting with Clinton adviser George Stephanopolous, and they were sometimes joined by Secretary of the Treasury Robert Rubin (Lewis, 1996, p. 70). 'The Presidents of large national unions got their calls returned for the first time in twelve years, and found themselves socially and politically back as 'players' in Washington' (Dark, 1999, p. 163). The record of the Clinton administration in this regard was closer to the cordiality of the Johnson administration than the tension of the Carter administration.

The most important Clinton appointment from the union viewpoint was that of Robert Reich, a lecturer at Harvard, as Secretary of Labor. 'His early pronouncements

anticipated a far more favourable climate for the unions than had existed under the Republican presidencies' (Upham, 1993, p. 103). Reich opened his department's lines of communication to the unions, and foresaw a new era of labour management co-operation. Union leaders found Reich a reliable defender of labour's position. He was also readily accessible to them. On numerous issues Reich was credited with promoting the unions' viewpoint within the White House. He also appointed unionists to positions of influence within the Department of Labor.

There was a significant change in the government's economic policies. Raosenberg (2003, p. 279) argues that rather than leading to strong economic growth benefiting the whole population, the policies of the Reagan and Bush administrations contributed to rising inequality amidst economic stagnation. Clinton (1992, p. 46) stated that what was needed was a new economic programme which put people first, and put America back to work. Clinton was a moderate who sought to shed the Democratic Party's reputation for ultra-liberalism, and wasteful spending on social programmes. Clinton also sought to court the middle class, and blue-collar voters who had once composed the party's backbone. He also made long strides towards reclaiming the South for the Democratic Party. However, the recession shaped much of the Clinton agenda. The new administration's economic strategy was built on the view that government could do much to improve on market outcomes (OECD, 1993, p. 14). The OECD (1993, p. 113) pointed out that the new administration recognised the need for action in order to confront the problem of the deficit. Rejecting the 'trickle down' approach of the Reagan-Bush years, Clinton proposed government action to revitalise the economy. This was to be done through investment in infrastructure and education (French, 1997, p. 52). In his State of the Union address of 17 February 1993, President Clinton gave the outlines of a package that would have cut the deficit substantially. His

1993 economic programme proposed spending cuts and tax increases aimed at a net deficit reduction of \$325 billion over four years. One of the main components of this package was a so-called stimulus package that comprised \$169 billion of additional budgetary outlays in the short term. In August Congress passed a five-year economic plan that incorporated Clinton's spending cuts and tax increases, while gutting his stimulus package. This deficit-reduction plan went a long way to alleviating fiscal imbalances (OECD, 1993, p. 113).

While the administration was clearly committed to getting its own house in order by bringing down the budget deficit, so as to ease the drain on national savings, it had also shown a willingness to pursue actively such objectives as countering the trend rise in income inequality, securing faster job creation, and supporting higher rates of investment in all its forms, both tangible and intangible, physical and human, public and private. The OECD (1993, p. 115) pointed out that the new administration sought substantial reforms in a wide variety of areas on account of their intended impact on the nation's productivity and competitiveness. The new administration saw greater scope for government in correcting market failures than did the preceding administration. 'The zeal for deregulation has clearly waned since the mid-1980s, and the government seems willing to turn to new regulation to achieve its social objectives in an environment of budgetary stringency' (OECD, 1993, p. 117).

Clinton's economic programme included the North American Free Trade Agreement (NAFTA). Negotiated by the Bush administration, this pact admitted Mexico to the free-trade zone earlier created by the United States and Canada. After frenzied White House deal making, the House of Representatives passed NAFTA by a comfortable 234-200 margin in November 1993. NAFTA was approved over the objections of the AFL-CIO, the majority of Democrats in House of Representative, 165

of whom voted against it, and 27 of the 55 Democratic Senators (Tindall and Shi, 1996, p. 1548). Consequently, even in years when the Democrats controlled both Congress and the White House, labour could not accomplish certain of its objectives (Boyer et al., 1996, p. 1068). As predicted, trade with Mexico subsequently increased. Bello et al., (1994, p. 94) argued that NAFTA was corporate America's effort to guarantee a source of cheap-labour reserves.

Economic globalisation enabled American companies to outsource their production to plants in other countries with lower labour costs. This led to corporate moves towards downsizing, which worked wonders with stock prices, and to declines in the labour movement in the United States. Blue-collar labour lost ground to "sweatshops" elsewhere in the world. Part-time labour became popular as employers could avoid paying for expensive benefits (Tilly, 1991, p. 14). The decline of jobs in the industrial sector, and their growth in the service sector, also continued. Manufacturing employed only 17 per cent of all non-agricultural workers by the mid-1990s. The hollowing out of manufacturing impacted on the white-collar work force. With smaller blue-collar contingents to manage, and managers, engineers, and designers available at lower cost in Third world countries, US corporations 'downsized' their middle and upper management ranks (Mishel and Bernstein, 1993).

As industrial employment declined, so did union membership. In 1945 some 35 per cent of US workers belonged to unions; in 1992 the figure stood at 15.8 per cent. By 1991 the level of trade union membership in America stood at 16,568,433, a decrease of 171,379, or 1.02 per cent, on 1990 (Appendix C). By the end of the 1992, a year that saw the election of the first Democratic President since Jimmy Carter in 1976, trade union membership decreased by another 178,433, or 1.07 per cent. However, in 1993 the decline in union membership, which had gone on throughout the 1980s, was at

last halted. That year saw an increase of 208,000 in trade union membership to reach a total of 16,598,000. The following year saw trade union membership increase again. This was partly due to the friendlier political environment engendered by Bill Clinton. Nevertheless, the remainder of the 1990s, a time of economic prosperity, saw the trade unions' membership fluctuating above, or near to, the 16 million mark. By 2000 overall trade union membership stood at 16,258,000 (Appendix C). From this it can be seen that trade union membership appeared to stagnate slowly following Clinton's election in 1992. The increases in union membership in 1993 and 1994 did not endure.

The results of Clinton's first year in office were impressive from the Democratic Party's viewpoint. Economic improvements eased pressure on the Clinton administration to devise a revised economic stimulus programme. The rebound picked up steam in 1994 as retail sales, key indicators of consumer confidence, rose. The Big Three automakers and the steel industry recovered strongly. Thanks to the addition of 3.5 million jobs in 1994, unemployment fell to 5.4 per cent, its lowest level in more than four years. Inflation remained under control, owing in part to a succession of interest-rate increases imposed by the Federal Reserve Board to cool the surging economy. A weakening of the OPEC oil cartel also helped to hold inflation in check. In constant dollars crude oil cost the same in 1993 as in 1973, before the cycle of price spurts began. The federal deficit dropped by \$220 billion in 1994. Structural economic problems remained, but the short-term picture brightened in the mid-1990s.

A measure of the closeness between the administration and organised labour can be gauged from the fact that part of the President's, ultimately unsuccessful, Health Care reform campaign burden was shouldered by the AFL-CIO at a cost of over \$4 million dollars. In March 1994 Clinton appointed a pro-union advocate, William Gould, as chair of the NLRB. The evolution of the NLRB under Gould's leadership

clearly demonstrated that the Clinton administration was interested in shifting public policy in a more pro-union direction. However, he could not insulate Gould against a crescendo of criticism from management spokespeople, Congressional Republicans, and federal judges, who together thwarted Gould's efforts to secure a worker's right to unionise.

As the mid-term elections loomed, frustrations with the administration, and with Washington politics generally, intensified. To his critics, Clinton's failed health-care plan represented the dead end of a discredited New Deal/Great Society style of top down reform. At the same time, a movement to downsize government, reform the welfare system, slash taxes and spending, and shift power to the states, gained momentum among the middle class.

The Republicans' 'Contract with America' nationalised the mid-term election of 1994. The mid-term elections were normally dominated by local issues. The resulting Republican landslide saw them gain control of both Houses of Congress for the first time since 1952, and increased the number of Republican governors to 31. Overall, it was a thorough repudiation of the Democratic Party. Washington underwent a great shift to the right. However, Clinton shrewdly moved to the political centre, and by 1996 his political fortunes were on the rise again.

Throughout the 1990s co-operation between the AFL-CIO and the Clinton White House ran very deep at times. Harold Ickes, former White House deputy chief of staff, gave Senate testimony to this effect in October 1997. Ickes told of a meeting in November 1995 between President Clinton, AFL-CIO President John Sweeney, AFL-CIO Secretary-Treasurer Richard Trumka, and Secretary of Labor Robert Reich (Dark, 1999, p. 185). The subject of their meeting was twofold. To discuss plans for the

Democrats retaking the House of Representatives, and stimulating the long-term revitalisation of the labour movement (Drew, 1997, p. 69).

By 1996 the unions had returned to their historic place atop the Republicans' hit list (Meyerson, 1998, p. 1). 'The Republicans were appalled at the labour movement's intensified [political] involvement and its strategic co-ordination with Democratic operatives' (Dark, 1999, p. 185). In four states initiative were placed on the ballot seeking to restrict unions' abilities to devote resources to politics. In 30 other states, such measures were being introduced into legislatures. No such co-ordinated attack on union power had been seen since 1958. The AFL-CIO engaged in a \$20 million radio and television effort aimed at unseating Republicans in Congress. Another \$15 million supported the field organisations of 131 paid campaign co-ordinators (Meyerson, 1998, p. 19). Unions also made \$49 million in PAC donations (McKeever et al., 1999, p. 263). The main political goal of the AFL-CIO remained supporting the Democrats in their quest to control Congress and the executive branch. For their part, the congressional Democrats were becoming more dependent on organised labour, as the business support once guaranteed them by incumbency flowed to the new majority in Congress. As the congressional Democrats and organised labour were now sharing the experience of minority status, and a common enemy, their alliance grew closer. By 1996 the new cycle of co-operation was evidenced in the co-ordinated push from a minimum wage increase.

Overall, the picture for the unions was mixed. The fruits of the Clinton victory in 1992 fell short of union expectations. Workplace fairness legislation, and a national health scheme, failed to be enacted. Organised labour did not forget Clinton's creation of a congressional coalition to overcome their resistance to NAFTA. Hopes for labour law reform were dashed when the Republicans gained control of Congress in 1994.

Despite the wealth of union PACs, it was not easy for labour to improve its image, its membership, and its influence in the Democratic Party. The Party remained somewhat tentative about union associations, as its leaders were fearful of jeopardising middle-class support, and corporate acceptance, especially given that unions represented only 14 per cent of all workers. However, in contrast to the Reagan-Bush era labour had a friend in the White House (Galenson, 1996).

Table 6.4: The Empirical-Theoretical Fit 1992

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the President	X			
O2: Change in the trade union representation on government committees				N/A
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government				X
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour		X		
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity	X			
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?				X
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?	X			
O3: Do the national media regard the economic state of the country as in crisis?	X			
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?		X		
O6: Do domestic and international organisations regard the economic state of the country as in crisis?		X		
O7: Do elected representatives regard the economic state of the country as in crisis?	X			
O8: Are government pronouncement on the state of the economy are consistent with a crisis-management approach?	X			

In Table 6.4 it can clearly be seen that although 66 per cent of the first hypothesis's observable implications pointed to a medium or high empirical-theoretical fit, only 55 per cent pointed to a high fit exclusively. In the case of the second hypothesis, 62.5 per cent of the observable implications indicated a high empirical-theoretical fit, pointing to a macroeconomic crisis. As the minimum 60 per cent threshold for high empirical-theoretical fit was not reached by the observables of the first hypothesis there was no critical juncture in the AFL-CIO's influence over public policy in 1992.

In summation, 1992 was to see a swift, and enduring increase in the AFL-CIO's influence over public policy, this at a time of macroeconomic crisis. However, this increase in influence lacked significance. The Bush years proved to be a depressing time for the American economy, and the trade unions. America was locked in its longest recession since the Great Depression. The federal deficit had skyrocketed, the economy contracted, while unemployment stood at its highest level in almost a decade. That the economy was in a recession was a view shared by the national media, political and economic commentators, the central bank, domestic and international organisations monitoring economic performance, and finally elected representatives. However, the extent to which this depression was considered a crisis varied between each of these commentators and observers. It was in response to the state of the economy that the American people elected a Democratic President to the White House for the first time since 1976. Suddenly, after more than a decade of alienation organised labour had an ally in the Executive, and union leaders had access to top administration officials (Dark, 1999, p. 186). A new approach was adopted towards both the economy and the trade unions by the Clinton administration. As a consequence, the AFL-CIO's access to the President, government economic and industrial relations policies, the trade unions'

influence on government policies, and ministerial attitudes, all changed in the trade unions' favour, with policies coming to reflect those advocated by the unions themselves. However, all did not go the unions' way, despite the new administration promoting the unions' interests and advancing legislation favourable to them. The unions' influence over public policy underwent change at a time of macroeconomic crisis. However, this change in the trade unions' influence over public policy was not dramatic enough to constitute a critical juncture.

Figure 6.4: The Critical Juncture Grid, America, 1992

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES		X
NO		

Conclusion

This chapter has analyzed four instances of change in the AFL-CIO's influence over public policy. In Chapter III each of these cases had been *prima facie* identified as constituting possible critical junctures. These possible critical junctures had been identified after an extensive examination of change in the AFL-CIO's influence over public policy in America in the 55 years between 1945 and 2000. In this case only the proposed critical junctures in 1980 was in fact found to constitute an actual critical juncture according to the criteria set out in Chapter II. In that year the AFL-CIO's influence over public policy underwent change of a significant, swift, and enduring nature, this specifically at a time when the economy was in crisis. As a consequence of this the empirical-theoretical fit, as set out in Tables 6.3, was high.

However, a number of other implications can be ascertained from this chapter. The proposed critical junctures in 1946, 1960 and 1992, all turned out not to be critical junctures in the trade unions' influence over public policy.

Although there were swift and enduring changes in the AFL and CIO's influence over public policy in 1946, this change was not that significant, and it took place at a time of macroeconomic difficulties rather than macroeconomic crisis. As change of a significant nature, and a macroeconomic crisis, are central to the concept of a critical juncture, their absence in this case meant that the change that occurred was not a critical juncture. This means that neither of the two hypotheses was upheld by the data from 1946. In this case the empirical-theoretical fit, as set out in Table 6.1, was very low for both hypotheses. Despite this, there was a definite reduction in the AFL and CIO's influence over public policy. This was at a time of economic difficulties that contributed to the Republicans' retaking the Senate.

In 1960 there was again swift and enduring change in the AFL-CIO's influence over public policy. But this change was not that significant. At that time too the American economy was in difficulty, but it was not in crisis. Neither economic commentators, nor economic data, pointed towards a macroeconomic crisis. As a consequence, Table 6.2 points to a very low empirical-theoretical fit for both hypotheses in that year. Nevertheless, the election of a Democratic President, at a time of economic difficulties, saw an increase in the AFL-CIO's influence over public policy with the appointment of pro-labour figures to key posts in the administration.

Although the economy was in crisis in 1992, and the trade unions' influence underwent change of a swift and enduring nature, this change was not that significant. As can be seen from Table 6.4, just less than 60 per cent of the first hypothesis's observable implications pointed to significant, swift, and enduring change in the AFL-CIO's influence over public policy. As significant change is central to the whole idea of a critical juncture, its absence in this case means that the change that occurred was not a critical juncture. Despite this, President Clinton, was far more accommodating with organized labour than his Republican predecessors had been, and the AFL-CIO influence over public policy was greater in the 1990s than it had been in the preceding decade.

The issues of critical junctures with short legacies does not come up in the case of America. The argument here is that the unions' influence over public policy did not undergo dramatic change from 1945 through until the end of 1980. It is only with the election of Ronald Reagan in that year, and his inauguration in January of 1981, that there occurred the first critical juncture in the AFL-CIO's influence over American public policy in the second half of the twentieth century. This critical juncture's legacy lasted until 1992, at which point the change in the AFL-CIO's influence over public

policy was borderline critical juncture. Consequently, the 1980 critical juncture's legacy endured for at least as long as three presidential terms of office.

The fact that all four of the proposed critical junctures occurred in election years is a noteworthy issue. However, as the 1946, 1960, and 1992, proposed critical junctures were found not to constitute critical junctures, this only leaves us with the case of 1980 that was actually found to constitute a critical juncture. This critical juncture in the AFL-CIO's influence over public policy occurred in a year in which a presidential election took place. The evidence set out shows that the economic difficulties in that year coincided with the coming to power of a President intent on altering the government's approach towards the economy. The result saw the dramatic decrease in the unions' influence over public policy throughout the decade of the 1980s. Despite the fact that the only critical juncture took place in a year that saw a different party's candidate assuming the mantle of President, there was no critical juncture in the AFL-CIO's influence over public policy in any of the other years where there was a change of party in the White House.

Figure 6.5: The Critical Juncture Grid for America, 1945-2000

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	1980	1992
NO		1946 1960

Chapter VII

Sweden

For most of the twentieth century the Swedish political landscape possessed all the characteristics of the five-party system found in other Nordic countries (Kuhnle, 1976, p. 25). This stable five-party system lasted for the best part of 70 years. The Swedish electoral system, based upon a proportional representation approach, was responsible for the stability of Swedish national governments, but forced the dominant political party, the Social Democrats, to rule in either in a minority capacity or as part of a coalition. Consequently, the government had to seek compromises and design policies acceptable to the majority. Yet, despite the institutional stability found in Sweden for most of the twentieth century, trade union influence on public policy was to undergo changes. The chapter examines these changes to see if they constituted critical junctures.

This chapter will examine variations in the trade unions' influence over public policy in Sweden. Three specific instances will be concentrated upon: 1976, 1982, and 1991. They were selected on the basis of *prima facie* evidence which suggested that in those particular years the LO's influence over public policy changed significantly. The examination is searching for significant, swift, and enduring change in the LO's influence over public policy, this at a time of macroeconomic crisis. This can be identified by testing the potential critical junctures in the LO's influence over public policy against the hypotheses, and their observable implications, as set out in Chapter II. The chapter seeks to discover whether or not the hypotheses relating to change in the trade unions' influence over public can survive the test of empirical evidence.

Development over the 20th Century

During the twentieth century trade unions in Sweden went from small organisations engaged in bitter confrontations with employers and the political establishment, to virtually constituting part of that establishment. The Swedish trade union movement is divided into three main federations: The Swedish Trade Union Confederation, *Landsorganisationen i Sverige* (LO); The Swedish Confederation of Professional Employees, *Tjänstemannens Centralorganisation* (TCO); and, The Swedish Confederation of Professional Associations, *Sveriges Akademikers Centralorganisation* (SACO). This division is an anachronistic remnant of the class-oriented society of the early twentieth century.

The LO, the federation concentrated upon here, was founded in 1898 by the Social Democratic Workers' Party, *Socialdemokratiska Arbetarepartiet* (SAP) (Fulcher, 1988, p. 250). It is by far the oldest of the three Swedish employee federations, and served as a model for both the TCO and SACO. The LO has a close, if not institutional, relationship with the SAP (Heywood, 1997, p. 257). The combination of political affiliation, and huge membership, gave the LO a unique position in national life. 'LO and the Social Democratic Party are two huge, complex, partly overlapping bureaucracies, in effect engaged in a never-ending conversation as to what it means to be a Social Democrat' (Heclo and Madsen, 1987, p. 323).

Socialist policy initiatives typically began in LO study groups. The SAP would then propose a study in parliament, often in a commission including representatives from various sectors of the population (Hague et al., 1992, p. 212). The result was usually a unanimous report, followed by the implementation, in a modified form, of ideas that had been somewhat radical when proposed by the LO. It was the LO rather than the SAP that took the initiative in creating the welfare state (Lash, 1985, p. 231).

The LO has been perhaps above all a political force, exerting direct pressure on government (cf. eg., Martin, 1979).

When the SAP achieved a level of 40 per cent support among the electorate it was in a position where it needed only to ensure the neutrality of one of the non-socialist parties in order to take office (Castles, 1978, p. 23). For almost 70 years the SAP has occupied a pre-eminent position in Swedish politics. What became known as the Swedish Model evolved out of the co-operative spirit encapsulated within the 1938 Saltsjobaden Agreement. In this agreement the LO acknowledged management's right to manage, while the SAF recognised the principle of collective representation of workers through their unions. Free enterprise was to coexist with the expansive policies of a strong Social Democratic Government. There would be no state intervention in bargaining if the labour market parties behave responsibly.

The most important dynamic after Saltsjobaden was the solidarity wage policy from the 1950s. Known also as the Rehn-Meidner model, this combined two independent elements: egalitarian notions of a wages structure freed from the necessity of market forces, and the necessity to conduct a responsible wage policy adapted to the general policy of stabilisation. In 1952 the institutionalisation of peak-level wage bargaining was pressed upon the LO by the SAF (Fulcher, 1988, p. 251). This facilitated subsequent LO efforts to implement the kind of solidaristic wage policy Rehn and Meidner had advocated.

Potential Critical Juncture 1: 1976 – The SAP's Fall from Power

By the 1970s Sweden, although among the world's richest countries, began to strain under the burden of supporting its expansive social welfare system.¹ Although Swedish industry was healthy, the economy was no longer growing as fast as it had. The industrial sector – which was the source of Sweden's prosperity – was becoming too small. This posed a danger that the country's trade balance might deteriorate. The correlation between industrial expansion and domestic market growth became weaker.

From the mid-1960s onwards, the decline of the more backward industries had accelerated, while the growth of advanced sectors did not translated into employment growth. Full employment came to depend increasingly on the expansion of the public sector (OECD, 1992, p. 62). At the same time the rank and file of the labour movement was growing restive. The wave of wildcat strikes in 1969-1970 took the LO leadership by surprise. This was in part a reaction by high-wage workers to the solidaristic wage policy. In the previous decade solidarity wage policy was largely designed to reduce wage differences between workers with similar training and skills in different production sectors. During the 1970s this ambition changed to reducing wage differentials in all dimensions. The implicit slogan became equal pay for all work (Hibbs and Locking, 1995, p. 17).

'During the 1950s and 1960s LO leadership had represented the moderate position within the SAP' (Peterson, 1987, p. 41). However, by the 1970s these policy positions had reversed (Visser, 1996, p. 184). The LO, at the zenith of its powers, was able to utilise its extensive horizontal and vertical links with the socialists to play an active part in formulating government policies (Hancock, 1972, pp. 154-155). LO asked the government to limit the power of employers at workplaces. Consequently, the

¹ Time International, 4 October, 1976, Vol. 108, No. 14, p. 8.

role of the state, and public policy, in industrial relations became interventionist. This eroded support among employers for corporatism. The essence of the Swedish model had been the coexistence and co-operation of both sides of industry, with the state playing a neutral role.

Increased international competition, stagnating demand, and the recession following the oil crisis of 1973, led to a serious decline in the steel and shipbuilding industries (Lundberg, 1982, p. 199). Annual productivity growth, having increased at a rate of 4.1 per cent per year between 1950 and 1973, dropped to an annual rate of 1.4 per cent thereafter (Forseback, 1976, p. 29). World demand for Swedish capital goods slumped after 1973 as Japanese competition hit home.² 'In the 1970s, wages exploded in a self-destructive series of agreements that placed Swedish firms in the uncompetitive position of having the highest paid labour force in the world' (Ahlén, 1989, p. 333).

The unions, and to an extent the SAP, seemed to be moving away from an accommodation with capitalism and towards democratic socialism. The Swedish model of centralised, corporatist, collective bargaining was beginning to display evidence of strain. Not only was it becoming more difficult for the LO and SAF to agree, but factions within labour organisations were emerging (Fulcher, 1991, p. 267). There were signs of conflict between the growing army of public-sector employees and private sector counterparts. The fact that a growing number of white-collar and public sector employees favoured the TCO and SACO was eroding the privileged position of the LO-SAF axis in the system of centralised wage negotiations. LO-SAF wage negotiations consequently covered a shrinking proportion of the workforce (Calmfors and Forslund, 1990, pp. 80-81).

² The Economist, 4 April, 1981, p. 86.

The Economy, and the Election of 1976

The issues of social welfare, employment, and taxation had dominated election campaigns in the decades after the war. The latter part of the 1970s saw them supplemented by two new issues: employee investment funds and nuclear power. As the 1976 election approached, the SAP noted declining support in public opinion polls (Hadenius, 1997, p. 121). During the previous three years of parliamentary deadlock, the outcome of a close 1973 election, the government had been incapable of controlling the political scene. It had been forced into compromises, or the outcomes of votes had been decided by the drawing of lots. Most significantly, the sharp rise in oil prices during the 1973-1975 oil crisis caused many countries to adopt restrictive economic policies. *Time* argued that the economic limits of the welfare state suddenly became plain in the midst of Europe's worst post-war recession.³ The era of rapid growth was over, and Sweden's attempts to bridge over the recession produced not tangible results for the voters (Lundberg, 1982, p. 197). However, this resulted in a wage-cost explosion (Lindbeck, 1997, p. 1302). The recession and stagflation dragged on, and Swedish industry lost competitiveness and market share.

By 1976 economic indicators pointed to an economy on a downward trajectory. The Swedish unemployment rate stood at 1.6 per cent. Although a decrease on the level of unemployment in 1975, and low compared to most other countries at the time, Sweden's rate of unemployment had been averaging 2 per cent over the course of the 1970s. This was double the average rate of unemployment that had been experienced in the 1960s. Nevertheless, the OECD (1977, p. 5) referred to this as an exceptional employment situation. 'But the maintenance of high employment had been accompanied by less favourable performance in other areas, notably costs, prices and

³ *Time International*, 4 October, 1976, Vol. 108, No. 14, p. 8.

the balance of payments' (OECD, 1977, p. 42). Inflation had reached 10.3 per cent, its highest level since 1951. In the 1970s inflation had been running at over double that experienced in the previous decade. The oil crisis of 1973 added increasing impetus (3.2 per cent in 1974) to inflation's upward trajectory. Consequently, inflation became a serious issue. The OECD (1976, p. 19) points out that the balance of payments deteriorated to \$2.5 billion. In 1976 the debt to GNP ratio stood at 23.6 per cent, although lower than in any of the other countries under examination in this dissertation, Sweden's national debt had been increasing throughout the early 1970s. In fact, 1976 was to mark the beginning of an explosion in Sweden's debt to GNP ratio, which was to almost triple within a decade. At the same time, the economy's growth rate had slowed to 1.2 per cent, from 4.3 per cent in 1974, and was to shrink the following year by 2 per cent. However, only 25,000 days were lost to industrial disputes in 1976, a fraction of the 366,000 lost the previous year, and economic openness was 17 per cent higher than at the start of the decade (Appendix D). According to *Newsweek*, the Swedish economy had escaped the worst of the worldwide recession.⁴ *The Economist* pointed out that the Swedish stock market was near to an all-time high.⁵ Only one of the six economic indicators set out in Appendix D was at a decade-long low.

In 1976 the LO put forward its wage-earner funds proposal. Deriving their income from a levy on corporate profits, the proposed employee funds would allow for the gradual transfer of control to the labour unions of all enterprises with more than 50 employees. But the SAP, ambiguous as to the desirability of the funds, retreated in the face of the employer-led opposition (Whyman and Burkitt, 1993, p. 612). Meanwhile, the non-socialist parties used the employee funds in their polemics against the Social Democrats. They argued that the fund proposals demonstrated that the ruling party

⁴ *Newsweek*, 4 October, 1976, p. 57.

⁵ *The Economist*, 25 September, 1976, p. 125.

wanted socialism and state dominance in the business sector. *Newsweek* pointed out that many voters came to fear that the SAP 'would replace Sweden's mixed economy with a purely collectivist system.'⁶ During the 1970s the SAP was also criticised from the left by the more active Left Party Communists, *Vänsterpartiet Kommunisterna* (VPK), due to the unrest in the labour market that had been without precedent in the post-war era. The years from the time that Olof Palme became chairman of the SAP in 1969 were marked by confrontations. The deadlock in Parliament between 1973 and 1976 created uncertainty while the three non-socialist parties became more skilled at presenting a united front in both election campaigns and Parliament.⁷

The 1976 election campaign was more emotional than was usual. The non-socialist parties reached agreement on many issues. The leader of the Centre Party, Thorbjörn Fälldin, was the man who brought these parties together.⁸ He, along with Olof Palme, was the central figure of the election. Fälldin depicted the SAP as advocates of an unwieldy, inhuman society that accorded higher priority to growth and profitability than to other, more important values, such as the environment. *The Times* pointed out that the welfare system was not the non-socialists' target, but the growing concentration of state power and the over bureaucratisation of society.⁹ This fear of even further concentration of power underlined the non-socialists' opposition to the wage earner funds.¹⁰ Fälldin also made nuclear power a major issue, and declared that no new reactors would be loaded with fuel if he became prime minister.¹¹ At the time Sweden used more nuclear energy per capita than any other country.¹² However the

⁶ *Newsweek*, 4 October, 1976, p. 57.

⁷ *Time International*, 20 September, 1976, Vol. 108, No. 12, p. 32.

⁸ *The Guardian*, 20 September, 1976, p. 2.

⁹ *The Times*, 16 September, 1976, p. 14.

¹⁰ *Time International*, 20 September, 1976, Vol. 108, No. 12, p. 32.

¹¹ *The New York Times*, 17 September, 1976, p. 7.

¹² *Business Week*, 27 September, 1976, p. 43.

business community was more concerned about the wage earner funds. "I'm much more worried about the Meidner Fund than about nuclear energy," said Hans Werther, chairman of Electrolux.¹³ Palme's position was doubly difficult, as he had to defend Sweden's economic prosperity, which was threatened by the Centre Party's proposal to rapidly dismantle the country's nuclear power plants, and also had to explain the advantages of the proposed employee investment funds. Simultaneously, the SAP was experiencing internal discord over the nuclear power issue.

The election resulted in small shifts in the relative strength of the socialist and non-socialist blocs. However, the SAP was defeated after having ruled Sweden for 44 years.¹⁴ The SAP's share of the vote fell to 42.7 per cent, its lowest level since 1932, and its presence in the *Riksdag* was reduced from 156 to 152 seats. The combined support for the Centre Party, Liberals, and Moderate Party reached 50.8 per cent of the votes cast. They took 180 seats, five beyond an overall majority.¹⁵ 'The Swedish model has gone in for repair,' proclaimed the *Financial Times* upon the announcement of the result.¹⁶ Thorbjörn Fälldin formed a centre-right coalition government consisting of the three non-socialist parties.¹⁷ However, the desire to form this non-socialist government was so strong that Fälldin backed away from his election promise on nuclear power,¹⁸ as both the Liberals and Moderates supported the construction of more nuclear energy plants.¹⁹ This was to have severe consequences for his government's lifespan.

¹³ *ibid.*

¹⁴ The Guardian, 20 September, 1976, p. 1.

¹⁵ <http://www.const.sns.se/swedishpolitics/>.

¹⁶ Financial Times, 7 October, 1976, p. 12.

¹⁷ The Wall Street Journal, 21 September 1976, p. 21.

¹⁸ The New York Times, 24 October, 1976, p. 3.

¹⁹ Time International, 25 October, 1976, Vol. 108, No. 17, p. 9.

The Non-Socialist Governments, their Policies, and the Trade Unions

The employers, encouraged by the Social Democrat's loss of office, launched a strong ideological and political counter-offensive against the unions. SAF refused to conclude an agreement under the 1976 Co-determination Act, *Medbestammandelagen* (MLB), which in theory replaced management's right to manage with joint negotiation (Whyman and Burkitt, 1993, p. 606). In contrast to the 1930s, the balance of power gradually shifted in the employers favour, and SAF later saw the dismantling of the corporatist system of representation as a way of further reducing union influence.

By 1976 the level of trade union membership in Sweden stood at 2,828,000, an increase of 62,000 over 1975 (Appendix C). This was a continuation of the uninterrupted growth in trade union membership since the end of the Second World War (Ebbinghaus and Visser, 1999, p. 350). In 1977 trade union membership increased by a further 104,000 members, or 3.6 per cent. Ironically, this increase was larger than in the year of the proposed critical juncture. In fact, union membership was to continue growing in Sweden for the following 12 years, albeit at a gradually slowing rate. Despite the SAP's defeat, and an economy suffering the effects of stagflation, trade union expansion had continued. In fact, by the end of the 1970s trade union membership had surpassed the 3 million mark.

In 1975 the chairman of the LO, as a member of the Executive of the Social Democratic Party, met with the Prime Minister on 26 occasions within the Executive, or once every two weeks. It should be noted that the Executive is a party organ, and not a forum for meetings between the government and the LO. Outside the Executive the LO met with the Prime Minister once a month.²⁰ Consequently, the LO leadership met with the Social Democratic Prime Minister on average 38 times in the years leading up to

²⁰ Correspondence: Anders Kjellberg to the author, 2003.

1976 (Appendix A). In that year, with the change of government taking place in early October, the LO met with the SAP Prime Minister Palme 27 times.²¹ Between 1976 and 1980 the various non-socialist governments that held office continued to consult with the unions on economic policy, but to a lesser extent than previously. However, after 1980 the non-socialist government further narrowed its scope of consultation with the unions. Exact figures for these years have proven impossible to acquire. Nevertheless, it is noteworthy that a non-socialist Prime Minister has never met with the LO leadership exclusively.²² This highlights, to an extent, the changed level of access that the LO had to the Prime Minister after 1976.

From the early 1900s onwards, organised interests had been given extensive opportunities to influence the public administration in Sweden (Rothstein, 1992, p. 46). Representatives of the major interest organisations were incorporated into the system to such a great extent that they were made full members of the executive boards of government agencies. Swedish ministries are rather small, and function not as implementation agencies but as policy organisations. Therefore, commissions appointed by the government, to a large extent, undertook the preparation of proposals. It was a tradition, an informal rule, that the most influential interest organisations were invited to commissions that prepare propositions within their area of interests. The task of implementing government policy was given to semi-independent directorates of which there were about 170 that had their own boards and directors-general (Rothstein, 1988, p. 236). It was found that with the change of government in 1976 the LO's representation on government committees and commissions was essentially unaffected. No dramatic alterations in LO representation on government committees were recorded.

²¹ *ibid.*

²² *ibid.*

After its defeat in the election the SAP became more conservative. Its focus shifted to improving Swedish economic performance. Labour market legislation was given much less attention than in the past. Liberal members of the SAP argued for greater consideration of market forces, relief from government regulations, and a smaller public sector (Lundberg, 1985, p. 24). The SAP was intent on broadening its base of support by showing the voters that it could provide the solutions to the country's economic problems. It also recognised that there had been a political shift to the right, so that traditional policies like taxing of 'excess' profits had less support. However, *Newsweek* pointed out that although the fear of higher taxation, and of too much bureaucracy, might have played a role in the 1976 election, it was not a decisive role.²³

The labour unions' representatives within the Social Democratic Party were, on the whole, less moderate than they had been in earlier years. This was partially demonstrated by the trade unions' wish to embarrass the ruling non-socialist parties (Olsen, 1984). The policies advocated by the LO, wage-earner funds and the Co-determination Act, had moved it much further to the left of the SAP. This led to open disagreement between the LO and SAP, each publicly criticising the other through the medium of the newspapers (Peterson, 1987, p. 41).

There was a change in the trade unions' relationship with the SAP. Since the mid-1940s the most influential source of ideas for the Swedish left had rested with LO's research department, and its two leading theorists, Gosta Rehn and Rudolf Meidner. This department came to form a unique site for thinking about long-term strategy. However, after its electoral defeat in 1976 the SAP formed its own research unit. This was staffed by personnel who had previously worked in government ministries. These intellectuals typically came from an academic background in economics, and were

²³ *Newsweek*, 18 October, 1976, p. 72.

united by an aversion to the Meidner wage-earner plan. Their patron was Kjell-Olof Feldt, the SAP's economic spokesman while in opposition, who became finance minister in 1982.

Throughout the first half of the 1970s the LO had seen its campaign for industrial democracy succeed in the face of SAF opposition. Although the expansion of public sector and white collar unions had resulted in the erosion of the privileged position of the LO-SAF axis in the system of centralised wage negotiations, with the SAP in power the LO's requests went answered. However, it was the long-lasting implications of the oil crisis of 1973 that were to impact upon the LO. The era of rapid economic expansion was at an end, and many LO unions had suffered in the resulting stagflation. The building economic difficulties resulted in the SAP's historic defeat, its reappraisal of its position within the Swedish political spectrum, and the subsequent diminished influence of the LO over it.

No change of system occurred after the election of 1976. 'When the non-socialists came to power they said they would run the social democracy better than the Social Democrats had,' observed Sten Westerberg.²⁴ Fälldin assured Swedes that he had no intention of repealing any of their social benefits, and promised to even try and better them. Yet, he also interpreted the election as a mandate to break the concentration of power vested within the state, and to halt the experimentation with new social programmes that the socialists had found so tempting. His objective was to reduce the level of power possessed by the state's heavy-handed bureaucracy.

The new administration, eager to prove that they would not wreck the welfare state, took measures to ease the structural problems that Swedish industry faced. However, in the period 1975-1978 profit rates declined and GDP contracted (O'Connor

²⁴ Financial Times, 13 November, 1991, p. 2.

et al., 1978, p. 3). The new government nationalised certain companies while pouring selective subsidies into other firms in difficulty. The support of employment especially in iron ore, steel, and shipbuilding meant preservation of inappropriate structures of production. Unemployment was concealed by means of expanding public works, training programmes, and an enlargement of the public sector (Statistisk Årsbok, 1982-83). 'The results were predictable, the budget and external current account went deep into deficit, and inflation rose' (Delsen and van Veen, 1992, p. 94).

Dagens Nyheter argues that until the massive expansion of the public sector, Sweden had experienced decades of consistent economic growth.²⁵ The problem was that the public sector took up spare labour in times of recession, but did not shed it when the economy picked up. The result was a swollen public sector with an insatiable appetite for resources.²⁶ *Dagens Nyheter* points out that as a consequence productivity in the private sector declined.²⁷

After two years spent trying to find a solution to Sweden's nuclear power issues the Fälldin government resigned. It was replaced by a Liberal minority government, with its leader Ola Ullsten as prime minister. This government endured for just under a year. The 1979 general election saw the SAP win 154 seats. When added to those of the VPK, the combined total for the left came to 174 seats. The non-socialist parties, taking 49 per cent of the vote, won the election by a majority of just one seat.²⁸ A new tripartite non-socialist cabinet was formed, with Thorbjorn Fälldin returning as prime minister.

Although the parties of the right had together formed governments it was clear that none of them was in a position to challenge the SAP as the single largest party in

²⁵ *Dagens Nyheter*, 27 January, 1991, p. 7.

²⁶ *Dagens Nyheter*, 28 January, 1991, p. 5.

²⁷ *Dagens Nyheter*, 3 January, 1992, p. 4.

²⁸ <http://www.const.sns.se/swedishpolitics/>.

the *Riksdag*. On many issues the non-socialist parties remained divided (Peterson, 1987, p. 33). Consequently, the coalition could not agree on a set of policies to counteract the deteriorating economic situation (Olsen, 1984). Not only were they unable to make significant reductions in public expenditure, but also their rule coincided with a particularly difficult time for the economy. The irony was that the right wing administrations nationalised and subsidised weak industries, something that the SAP had resisted (OECD, 1978, p. 21). Their failure to improve the economy's performance led to disenchantment amongst the electorate. There was a second oil shock in 1979, a record current account deficit, and increased international interest rates (Mjoset, 1992, p. 346).

‘As economic growth slowed down and an economic crisis hit all western capitalist countries in the 1970s it would seem that the Swedish electorate began to have cold feet about the increasingly socialist direction of state policies’ (Gould, 1988, p. 29). Whereas, initially, the Social Democratic governments had co-operated with capital, during the 1970s they seemed intent on milking it. At this time the trade unions’ influence over economic and political life grew to the point where it was regarded by many as too much (Shenfield, 1980, p. 53). The fundamental cause of the SAP’s defeat in 1976 had been the growing popular feeling that Sweden’s government was becoming a Leviathan. Fear of the further concentration of power underlay opposition to the wage-earner funds.²⁹ However, by the end of the 1970s the SAP had lost two elections in a row, the Swedish economy was experiencing problems, and labour relations were no longer as stable as they had been.

²⁹ Time International, 4 October, 1976, Vol. 108, No. 14, p. 10.

Table 7.1: The Empirical-Theoretical Fit 1976

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees				X
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government				X
O4: Change in the trade unions' relationship with a political party	X			
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour				X
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour				X
O8: Change in the government's economic policies				X
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike				X
O10: Change in ministerial attitudes towards the role of trade unions in the polity				X
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?				X
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?				N/A
O3: Do the national media regard the economic state of the country as in crisis?				X
O4: Do national economic and political commentators regard the economic state of the country as in crisis?				X
O5: Does the central bank regard the economic state of the country as in crisis?				X
O6: Do domestic and international organisations regard the economic state of the country as in crisis?			X	
O7: Do elected representatives regard the economic state of the country as in crisis?				X
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?				X

It can be seen from Table 7.1 that only two of the observable implications from the first hypothesis, and none from the second hypothesis, indicated a high level of empirical-theoretical fit. In fact none of the first or second hypotheses' observables indicated a medium level of empirical-theoretical fit. With the findings for both hypotheses falling far below the 60 per cent threshold for high empirical-theoretical fit, the table confirms that there was no critical juncture in the LO's influence over public policy in 1976.

In summation, in 1976 there was no significant, swift, nor enduring change in the LO's influence over public policy. With the economy in downturn, but certainly not in crisis, Sweden elected a non-socialist government. However, instead of bringing momentous changes in its wake, the election result left things very much as they were for both the economy and the trade unions. The view that the economy was in crisis was not shared by the national and international media, nor was it borne out by economic indicators. The non-socialists' came to power promising to reduce the size of the government. Despite this the unions' representation on government committees remained unaffected, as did their overall membership levels. Although, the unions' level of interaction with the prime minister diminished somewhat after 1976, and their relationship with the right moving SAP changed to their disadvantage, the unions' overall level of interaction with the government, and their presence in the economy, did not change all that much. No vast swaths of anti-union legislation were pushed through the *Riksdag* in 1976, nor were trade unionists unceremoniously removed from the corridors of power as was to happen in London three years later. According to the observable implications criteria set out in Chapter II what change there was in the trade unions' influence over public policy in 1976 did not constitute a critical juncture.

Figure 7.1: The Critical Juncture Grid, Sweden, 1976

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES		
NO		X

Potential Critical Juncture 2: 1982 – The SAP's Return to Power

Successive periods in the life of the Swedish model had been characterised by somewhat different relationships between capital, labour, and the state. Nevertheless, industrial relations in Sweden to this point constituted a coherent and distinctive model. During the period from the 1950s to the 1980s the Swedish bargaining system was highly stable (Rehn and Viklund, 1990, p. 310). In principle, if not always in practice, the tradable, or export sector, had produced the norm for wage increases (Flanagan et al., 1983). By contrast, during the 1980s the conflicts and changes that characterised Swedish industrial and employment relations became more extensive and fundamental. This led to persistent discussion on the possible demise of the Swedish model.

Now the employers not only opposed the wage-earner funds, but also came to reject the solidaristic wage policy as larger pay differentials were demanded. These tensions led to the 'great conflict' of 1980. The employers locked out 770,000 workers on 2 May that year,³⁰ after labour unions, who had demanded an 11 per cent wage increase, rejected a government proposal for a 2.3 per cent wage increase.³¹ The unions responded to the lockout by calling out on strike 100,000 additional workers. One quarter of Sweden's work forces was affected (Bernstein, 1983). The Swedish economy was at, or near, standstill for almost two weeks.³² In the end the LO and the SAF accepted a final contract offer from a government-appointed mediator. Wages increased by 7.3 per cent for municipal, county, and state employees, and by 6.8 per cent for private sector workers.³³ It was as a consequence of this dispute that real GDP rose by only half the projected rate for 1980 (OECD, 1981, p. 6). 'The great conflict of 1980 added to the mistrust which many large companies, especially in manufacturing, felt

³⁰ The Economist, 10 May, 1980, p. 58.

³¹ Business Week, 26 May, 1980, p. 100.

³² Time International, 19 May, 1980, Vol. 115, No. 20, p. 22.

³³ *ibid.*, 26 May, 1980, Vol. 115, No. 21, p. 17.

towards the negotiating system' (Olsson, 1991, p. 52). Further strikes involving some 100,000 private-sector employees took place in 1981.

By this time it was quite obvious that the consensual elements of the Swedish Model had broken down (Mjoset, 1992, p. 347). The conflict of 1980 demonstrated the limitations of centralisation for the employers under the prevailing power relations in the Swedish labour market.³⁴ After the dispute ended there was, not surprisingly, a shift in favour of decentralisation within the SAF (de Geer, 1992, pp. 142-142), which the employers believed would minimise the risks of large labour conflicts in future (Elvander, 1992, p. 13).

The Social Democrats and the Economy

The recession that began in the mid-1970s proved persistent. Central government's expenditures were growing at a faster pace by the end of the 1970s than they had at the beginning of that decade, while revenues stagnated due to slow economic growth. The consequential budget deficits were largely financed through borrowing from abroad. However, there was no political mandate for either radical budget cuts or revenue enhancements. The non-socialists parties in government wanted neither to raise the level of taxes nor be accused of trying to dismantle the social welfare state.³⁵ The coalition partners devised a complex mechanism for resolving disputes that arose among themselves. As a consequence, the compromise bills that the government submitted to parliament did not kindle the enthusiasm of any of the coalition parties.

By 1982 the Swedish economy was in difficulty, with the media, national commentators, domestic and international organisations, and the central bank, all pointing this out. With a sluggish national economy, stagnant revenues, and rapidly

³⁴ The Economist, 17 May, p. 12.

³⁵ Time International, 20 September, 1982, Vol. 120, No. 38, p. 32.

rising expenditure, the government's budget deficits had accelerated during the late 1970s, so that by 1982 they had reached a substantial 13 per cent of GNP (Siven, 1984, p. 17). The *Riksbank* predicted that 'the deficit on the national budget, which the non-Socialist Government had struggled to contain over the previous two years, would grow from around SKr78 billion under the 1982-83 budget to some SKr90 billion in 1983-1984.'³⁶ 'In an international context, both the level of the budget deficit, and the swing in the budget balance since the mid-1970s has been more pronounced than in most other OECD countries' (OECD, 1982, p. 16). By 1982 Sweden's ratio of debt of GNP stood at 59.3 per cent. An indication of just how substantial the budget deficits were can be ascertained from the fact that the debt to GNP ratio had stood at 50.8 per cent just 12 months before. In all, the Swedish debt to GNP ratio had grown by over 250 per cent in the space of just six years. *The Economist* observed that inflation was running at 8.6 per cent, although significantly down on 1981's inflation rate of 12.1 per cent, this figure was still very high for Sweden.³⁷ Unemployment, having hovered at between 1.5 and 2 per cent throughout the 1970s, had reach 3.1 per cent in 1982, its highest level since 1945. Although this would have been a miniscule figure anywhere else, it was a political scandal in a country accustomed to full employment.³⁸ For Swedes this was an unprecedented situation.

However, some economists believed that the [unemployment] figure would have been closer to 16 per cent if it included the jobless who are in training programmes and public work projects, workers who have been

³⁶ Financial Times, 9 December 1982, p. 32.

³⁷ The Economist, 28 August, 1982, p. 41.

³⁸ The New York Times, 20 September, p. 3.

forced into early retirement, and Swedes who have given up looking for work.³⁹

Yet, apart from unemployment, and the debt to GNP ratio, none of the other indicators set out in Appendix D were at decade-long lows.

Economic growth, which had averaged 2.5 per cent throughout the fluctuation economic conditions of the 1970s, stood at a mere 1 per cent in 1982, after in fact contracting the previous year. Although only 2,000 days were lost to industrial disputes in 1982, 209,000 had been lost in 1981, while 4,478,000 days were lost in 1980 (Appendix D). Nevertheless, in the context of the international recession of the early 1980s, the large budget deficit prevented the government from pursuing a counter-cyclical fiscal policy. Consequently, Sweden had to accept the impact of recession from abroad.

The Washington Post pointed out that at this time the Swedish economy faced serious economic challenges.⁴⁰ 'The country, like most in Europe, now suffers from low growth, falling industrial output and an unfavourable trade balance' observed the *New York Times*.⁴¹ The paper went on to argue that the Swedish economy, once the envy of Europe, had been hobbled by its foreign debt, a low rate of investment, an adverse balance of payments, and its level of unemployment.⁴² The *Financial Times* pointed out that Swedes were nervous about the future, and reluctant to see their welfare state cut back and to accept the tough remedies proposed to deal with their growing economic problems.⁴³ 'The welfare state is in a major crisis of legitimacy,' observed

³⁹ Time International, 20 September, 1982, Vol. 120, No. 38, p. 32.

⁴⁰ The Washington Post, 21 September, 1982, p. A15.

⁴¹ The New York Times, 19 September, p. 17.

⁴² *ibid.*, 20 September, p. 3.

⁴³ Financial Times, 18 September, 1982, p. 15.

Hans Vetterberg, Sweden's leading pollster and public opinion analyst. 'We can no longer afford to keep expanding it the way we were.'⁴⁴

The OECD (1982, p. 49) described the situation in the Swedish economy in the spring of 1982 as difficult. Economic performance in the two years to mid-1982 had been poor, this partly influenced by the weak international environment. Furthermore, in spite of the adjustment policies pursued by the authorities, correction of the large imbalances that had built up since the early 1970s was slow, and the economy remained in a situation of marked disequilibrium (OECD, 1984, p. 7). Apart from maintaining a relatively good level of employment the government's economic policies were not successful. The government's budgetary position weakened sharply, with the growth in public expenditures greatly outstripping that of the overall economy (OECD, 1984, p. 9). The OECD (1984, p. 12) further pointed out that foreign competition had made substantial inroads on the Swedish domestic market, as suggested by the steady rise in the imported share of manufactured goods used domestically.

In the spring of 1981 the government and the opposition Social Democrats reached agreement on ways of reducing marginal taxation. However, this agreement led to a dispute within the coalition that saw the Moderates resign from the government. Thorbjorn Fälldin formed a new minority Government of the two middle parties (Centre and Liberal), his third Cabinet in five years. Both of these parties had suffered losses in the general election of 1979, and between them held a total of only 102 of the 350 seats in the *Riksdag*.⁴⁵ This minority government hoped that its active program to combat Sweden's economic problems would generate respect for non-socialist policies. However, declining popularity figures plagued the new administration.⁴⁶ A mounting

⁴⁴ The Washington Post, 21 September, 1982, p. A15.

⁴⁵ <http://www.const.sns.se/swedishpolitics/>.

⁴⁶ The Economist, 28 August, 1982, p. 42.

central government budget deficit, a negative balance of payments, and rising unemployment figures showed that the economic crisis was a reality (Mitchell, 1993, p. 7). Swollen social welfare expenditures only added to the crisis. The welfare state was becoming dysfunctional for capital (Pontusson, 1984, p. 81). In the autumn of 1981 Sweden carried out a 10 per cent devaluation of the krona, and in the spring of 1982 the non-socialist government introduced a far-reaching austerity program. However, the opposition parties gained ground while the two governing parties noted the steady erosion of their popularity in the opinion polls (Hadenius, 1997, pp. 129-130).

The public sector's share of GNP had risen rapidly under the non-socialists, so that by 1982 public sector expenditure constituted some 67 per cent of GNP (OECD, 1990, p. 59). That level of spending explained in part how the number of jobs in the public sector could rise by 43 per cent between 1972 and 1982, coming to outnumber jobs in private industry after 1978 (Gress, 1988, p. 123). Worryingly, Peterson (1987, p. 33) points out that Sweden's share of the world economy dropped by some 40 per cent during the same ten-year period. Labours' productivity growth from about 1970 onwards was markedly less impressive than prior to then. The sluggish aggregate productivity growth in Sweden after 1970 was to some extent the result of the large size of the public sector, and labours' slow productivity growth (Lindbeck, 1997, p. 1312).

The 1982 general election was seen a crucial for the future of Swedish politics. If the Social Democrats could not regain power it would demonstrate that a definitive shift in voter perceptions had occurred. Sweden would move in the same direction as neighbouring Norway and Denmark had done earlier, with the Social Democrats suffering sharp losses of support. As the 1982 election approached, Sweden's economic problems, unemployment, and various Cabinet crises, depriving the non-socialist government of any credibility, undermined its prospects (Mjoset, 1992, p. 346). The

government was, however, able to argue that the alarmist image of non-socialist rule that the Social Democrats had painted⁴⁷ had not been correct. No dismantling of the social welfare system had occurred during the non-socialists six years in power, despite Social Democratic criticisms of their austerity measures.

The election campaign was dominated by talk of economic crisis – rising budget deficits, a \$10 billion debt to foreign banks (300 times what it had been a decade before), inflation, declining export markets, and a disturbing trend towards unemployment, especially amongst the young.⁴⁸ During the election campaign the Social Democrats attacked the viability of a new non-socialist government and their economic policy proposals. The party presented a program on how Sweden could save and work its way out of the economic crisis. However, the employee investments funds remained a weak point that could be used by the non-socialists against the SAP. *The Economist* argued that only 7 per cent of Swedes were in favour of the funds by late August 1982.⁴⁹ *The Times* pointed out that industry was desperately worried by the threat to its independence posed by the funds.⁵⁰ Unwilling to cooperate with the scheme⁵¹ Swedish corporations invested hundreds of thousands of dollars in a campaign against the plan.⁵² Their objective was ‘to persuade the public that the funds would mean the end of the mixed economy, and would be a decisive step towards a planned, socialist economy.’⁵³ Pehr Gyllenhammar of Volvo and Hans Werthén, chairman of Electrolux and Ericsson insisted that they would not negotiate over a scheme that implied the takeover of their’ companies.⁵⁴ ‘Our opposition to wage-earner funds is

⁴⁷ Time International, 20 September, 1976, Vol. 108, No. 12, p. 32.

⁴⁸ The Washington Post, 21 September, 1982, p. A15.

⁴⁹ The Economist, 28 August, 1982, p. 41.

⁵⁰ The Times, 17 September, 1982, p. 4.

⁵¹ The New York Times, 21 September, 1982, p. 3.

⁵² *ibid.*, 19 September 1982, p. 17.

⁵³ Financial Times, 18 September, 1982, p. 15.

⁵⁴ Financial Times, 18 September, 1982, p. 15.

definitive,' remarked Curt Nicolin of Asea.⁵⁵ Meanwhile, the LO was pushing for the implementation of wage-earner fund system, while the SAP remained evasive and defensive on the issue.

In the 1982 election the SAP increased its number of seats in the *Riksdag* by 12 to 166. However, this was not the major success the party had been hoping for. While the Centre Party suffered a loss of eight seats, and saw its share of the national ballot fall from 18.1 to 15.5 per cent, the Liberals had a disastrous election.⁵⁶ Their presence in the *Riksdag* tumbled from 38 to 21 seats as their percentage of the national vote collapsed from 10.6 per cent to just 5.9 per cent.⁵⁷ Of the three non-socialists parties only the Moderates, who had withdrawn from the administration in October 1981, made any gains. They upped their share of the national vote by 3.3 per cent to 23.6 per cent, and took 86 seats, 13 more than they had held after the 1979 general election. With the help of the VPK, which had maintained its tally at 20 seats, the SAP formed a new government with Olof Palme as prime minister.⁵⁸

The SAP Government, its Policies, and the Trade Unions

The Social Democrats won the 1982 election despite the wage-earner funds issue (Lewin, 1985b). The non-socialist coalition had not been a success – the Swedish economy was in its worst state since the 1930s (Martin, 2000, p. 234). This disaster was to precipitate a new approach to economic management. Many of the voters who opposed wage-earner funds were more concerned with the government's failure to keep unemployment in check.⁵⁹ The SAP won the voters' support by exploited their growing

⁵⁵ The Economist, 25 September, 1982, p. 41.

⁵⁶ The Times, 21 September, 1982, p. 5.

⁵⁷ The Economist, 25 September, 1982, p. 41.

⁵⁸ <http://www.const.sns.se/swedishpolitics/>

⁵⁹ The New York Times, 26 September, p. 3.

fears over rising unemployment.⁶⁰ Consequently, the economic crisis facing Sweden precipitated the return of the SAP.

By the early 1980s roughly one third of the labour force worked for the government. The public sector unions perceived their interests as different from those of their blue-collar counterparts (Henley and Tsakalotos, 1993, p. 161). This led to the fragmentation of political solidarity in the union movement (Teague and Grahl, 1992, p. 68). With the rise to prominence of public sector and white-collar unions, the dominance of the LO-SAF axis came to an end (Delsen and van Veen, 1992, p. 84). LO's share of total union membership dropped from 81 per cent in 1950 to 64 per cent in 1980. The LO and SAF were no longer hegemonic (Olsson, 1991, p. 41). The total level of trade union membership in Sweden stood at 3,184,300 in 1982 (Appendix C). Overall, since 1976, the rate of increase in union membership had been slowing. Yet, during the six years of non-socialist governments, rising unemployment, and economic difficulties, the trade unions' membership had increased by 356,300. The slow-down in union growth in the late 1970s was to be expected, considering the huge percentage of the population already in trade unions. There simply were not that many people left to unionise in the country. Yet, 1982-1984 saw a brief increase in the rate of union growth. By 1983, a year after the SAP's return to power, and despite the first cracks having appeared in the country's centralised pay agreements, trade union membership reached 3,235,600, an increase of 51,300, or 1.6 per cent, on 1982. After 1984 the rate of growth in union membership began to slow again. However, it is clear that 1982 did not mark a significant turning point for trade union membership figures in Sweden.

There was a change in the government's economic policies at this time. In 1982, as the Social Democrats returned to power, Prime Minister Palme admitted that

⁶⁰ Time International, 4 October, 1982, Vol. 120, No. 14, p.23.

there were no ready solutions to the country's economic problems.⁶¹ Against this background of economic gloom the government implemented its recovery programme – The Third Road. The premise behind this approach was that renewed growth required a redistribution of national income from labour to capital. This policy, a major shift in SAP economic planning, was to have dire consequence for the LO by the early 1990s. Behind this new course of action lay the influence of the SAP's own research unit. This approach amounted to an attempt by the SAP to maintain social democracy in Sweden when governments in most other western countries were rolling back what approximations to social democracy they possessed (Martin, 2000, p. 234). The main aim of the Third Road was to devise a wide-ranging and well-balanced stabilisation programme encompassing demand management measures, as well as initiatives designed to promote structural change and ensure an equitable distribution of the burden of adjustment (OECD, 1984, p. 21). The SAP was determined to pour government funds into job creating industries, and even to increase taxes for that purpose. The party planned to spend \$100 million, and hoped to attract an addition \$350 million in private investment, in order to create 30,000 new jobs.⁶²

The LO chairman's once fortnightly meetings with the leader of the SAP, within the Executive of the SAP, once more became encounters with the Prime Minister of Sweden. Outside the Executive the LO also met with the Prime Minister once every month. Consequently, in 1982 the LO would have met with the Prime Minister 15 times (Appendix A).⁶³ However, as in the period prior to 1976, the rate of meetings between the leadership of the LO and SAP returned to roughly 38 per annum in the

⁶¹ The New York Times, 20 September, 1982, p. 3.

⁶² *ibid.*, 21 September, 1982, p. 3.

⁶³ Correspondence: Anders Kjellberg to the author, 2003.

years after 1982.⁶⁴ The LO's access to the Prime Minister had undergone significant, swift, and enduring change.

With the change of government in 1982 the LO's representation on government committees and commissions remained essentially unaffected, as had happened six years previously when the SAP had lost power. No dramatic alterations in the LO's representation were recorded. However, it is noteworthy that at this time the LO had such a number of officials engaged in government committees, boards, and councils, that it published a book for internal use listing members who had what kind of assignment, and where they were assigned. Counting only the national and permanent authorities, in 1982 the LO had 1,163 representatives on 663 public boards, committees, sub-committees, and advisory councils.

The centrepiece of finance minister Kjell-Olof Feldt's strategy to boost corporate profit margins was an immediate devaluation of the krona by 16 per cent on the SAP's return to power. This devaluation was implemented in conjunction with a general price freeze and increases in sales and corporate taxes in a sweeping "crisis plan"⁶⁵ aimed at stimulating the economy and correcting the fundamental imbalances therein.⁶⁶ The main objective was to achieve export-led and investment-fed recovery (OECD, 1984, p. 21). The SAP had identified labour costs as the key to international competition. The LO accommodated the devaluation by demanding average wage increases of 2.5 per cent in the ensuing wage-bargaining round. However, the devaluation drew international opprobrium. "The danger of a chain reaction of beggar-thy-neighbour policies with potentially disastrous consequences is now greater than at any time since World War II," said Emil Van Lennep, secretary general of the OECD.⁶⁷

⁶⁴ *ibid.*

⁶⁵ *Financial Times*, 12 October, 1976, p. 1.

⁶⁶ *The Washington Post*, 8 October, 1982, p. A16.

⁶⁷ *The New York Times*, 21 November, 1982, p. 3.

Nevertheless, the devaluation, and the international economic recovery resulted in high earnings and excellent scope for exporters to expand (Ahlén, 1989, p. 333). This was the only substantial success of the SAP's incomes policy in the 1980s (Elvander, 1990, p. 16).

There was also a change in the extent to which the trade unions' policies were incorporated into the government's policies, this being highlighted by the wage-earner fund issue. Once in office the SAP tried to reach a compromise on wage-earner funds with the Centre and Liberal Parties – without any success. The non-socialists maintained that the funds threatened the market economy. 'Leading industrialists regarded the funds as a device to achieve complete bureaucratic control of industry and planning' (Gress, 1988, p. 130). Employer and business organisations perceived the funds, and the LO's influence on the SAP government, as a threat to free enterprise.⁶⁸ Assard Lindbeck, Director of the Institute for International Economic Studies in Stockholm University, regarded the wage-earner funds as "a terribly dangerous plan" and was "violently against them."⁶⁹ He went on to say that: "Sweden has always been a European caricature. It's a place where typical Western European social trends were pushed one step further. But this SAP plan," he said, "was basically collectivist in design."⁷⁰ The bill was interpreted as a means by which the SAP could ensure LO support for its policy of devaluation and public sector austerity.⁷¹ Despite this opposition, Parliament approved the implementation of the employee fund system on 21 December 1983 by a mere six votes.⁷² The final system had, however, been heavily modified from the original proposal devised in the LO in 1976 (Gould, 1993, p. 167). It

⁶⁸ Financial Times, 16 September, 1983, p. 16.

⁶⁹ The New York Times, 12 October, 1982, p. 3.

⁷⁰ *ibid.*, 13 October, 1982, p. 3.

⁷¹ *ibid.*, 25 January, 1984, p. v.

⁷² Financial Times, 22 December, 1983, p. 2.

had transformed from an overtly socialist proposal to a number of toothless shareholding funds of a rather conventional type (Meidner, 1993, p. 223). Nevertheless, the changed version of Meidner's proposal met with a hostile public reception. After the modifications not even the LO could muster a pro-fund majority (Lewin, 1985a, p. 296).

The gulf between labour's reformist ambitions in 1976 and the legislative outcome of 1983 was yawning. Not only was the social change insignificant, but, it was bought at high cost. The inability of the SAP to defend the original principles of the Meidner Plan made the wage-earner funds a political liability for the labour movement. After 1983, while the non-socialist parties launched thunderous attacks on what they argued was the surreptitious collectivisation of the wage-earner funds, the SAP struggled to get voters to forget the issue.⁷³

The fate of the wage-earner funds was a turning point in post-war Swedish politics. The success of the Rehn-Meidner model had provided the basis for an impressive record of social reforms. When the first strains on this surfaced the labour movement introduced a series of reforms to increase industrial democracy in the 1970s. The wage-earner funds were intended to give social democracy a second economic strategy capable of addressing the dilemmas left by the first. However, this socialist offensive failed. A common explanation was that wage-earner funds roused little enthusiasm, as they promised no direct or immediate benefits to the wage earners themselves.

The Palme government, in addition to going through the motions of creating wage-earner funds, also restored welfare entitlements cut by the non-socialist government (OECD, 1984, p. 23). Although the SAP could claim to have incorporated

⁷³ *ibid.*, 25 May, 1984, p. 18.

elements of the LO's programme, the dominant thrust of its policies now pointed in a very different direction. Feldt was determined to give priority to private sector growth, profits, and market forces. A series of structural reforms were introduced that could be seen as overturning or redefining the traditional priorities of the SAP. Under pressure for more individual freedom, and the internationalisation of the economy, these reforms saw the SAP move in a neo-liberal direction by the late 1980s.⁷⁴ Fiscal policy was held tight, and the slimming of the public sector would, it was argued, create crowding in effects (Mjoset, 1992, p. 349). The public sector austerity strategy, with a profit explosion and wage restraint, created severe tension between the SAP and LO.

There was a change in the relationship in the economy between the trade unions and the employers' peak organisation. At this time inflationary pressures brought about the first cracks in the country's highly centralised pay agreements. The primary cause of this inflationary pressure, the expansion of white-collar and public sectors unions, resulted from the economic downturn of the 1970s (Marshall, 1996, p. 5). The resultant fragmentation of solidarity in the trade union movement undermined wage restraint, and the dominance of the LO-SAF axis. Due to inflation the Engineering Employers' Federation, *Verkstadsforeningen* (VF), withdrew from the central LO-SAF agreements in 1983. This was the first concrete step towards decentralisation (Wallerstein, 1999, p. 672). With this development there came the gradually collapse of the central wage agreements.

⁷⁴ Financial Times, 17 September, 1991, p. 3.

Table 7.2: The Empirical-Theoretical Fit 1982

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees				X
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government			X	
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy			X	
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour			X	
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike		X		
O10: Change in ministerial attitudes towards the role of trade unions in the polity		X		
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?			X	
O2: Do opinion polls find that the public regard the economic state of the country as in crisis?				N/A
O3: Do the national media regard the economic state of the country as in crisis?			X	
O4: Do national economic and political commentators regard the economic state of the country as in crisis?			X	
O5: Does the central bank regards the economic state of the country as in crisis?			X	
O6: Do domestic and international organisations regard the economic state of the country as in crisis?			X	
O7: Do elected representatives regard the economic state of the country as in crisis?			X	
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?		X		

In Table 7.2 only 30 per cent of the observable implications of the first hypothesis indicated a high empirical-theoretical fit, while none of the observable implications of the second hypothesis indicated a high fit. In fact, only one of the second hypothesis's observables indicated even a medium empirical-theoretical fit. As the findings for both hypotheses are nowhere near the minimum 60 per cent threshold for high empirical-theoretical fit, the table shows clearly that the findings indicate there was no critical juncture in the LO's influence over public policy.

In summation, in 1982 there was a swift, and enduring change in the LO's influence over public policy. With the economy in difficulty, and divisions within the non-socialist administration preventing the implementation of coherent corrective policies, Sweden returned the Social Democrats to power.⁷⁵ Although the LO's interaction with the government had changed little in certain respects since 1976, from 1982 onwards the socialist government's neo-liberal (Third Road) economic policies, apart from the wage-earner funds (in a highly modified form), emanated from the right of the party that was now firmly in the ascendancy, with its own research unit having been established in the late 1970s. At this time the national media, commentators, international organizations, and elected representatives all viewed the economy as in difficulty, but not in crisis. For all of them inflation was a problem that had to be contained. In this case, although the LO's level of interaction with the government did not diminish, the government's policies, dictated by the economy, to an extent ceased to reflect the unions' values. Simultaneously, cracks had begun to show in the country's centralised pay agreements. The changes that came to be visited upon the Swedish model were of such magnitude that some were led to speak its effective demise (Kjellberg, 1992, p. 88). Although the LO's access to the prime minister increased in

⁷⁵ The New York Times, 19 September, 1982, p. 17.

1982, the government's policies towards the trade unions, along with the level of union policies' incorporated into the government's policies, did not change to the LOs advantage. At a time of macroeconomic difficulties, but not crisis, the unions' influence over public policy changed, but not significantly. According to the observable implications in Chapter II, this change in the trade unions' influence over public policy did not constitute a critical juncture.

Figure 7.2: The Critical Juncture Grid, Sweden, 1982

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES		
NO		X

Potential Critical Juncture 3: 1991 – The SAP's Second Fall

The Swedish economic recovery of 1985 was to some extent caused by falling oil prices, and robust international economic conditions. In that year's general election the SAP, together with the VPK, retained a small majority in parliament.⁷⁶ Despite its victory the SAP recognised there had been a shift to the right in society. This had been influenced by developments in English-speaking countries – deregulation, tax cuts, a shrinking public sector, and privatisation. As a consequence, the Social Democrats sought to broaden their support base. The right wing of the party, headquartered in the Finance Ministry under Kjell-Olof Feldt, argued for greater attention to market forces, and a smaller public sector (Lundberg, 1985, p. 24). The main bastion of resistance to change was the LO.

The SAP's turn to the right meant that the LO withdrew to a narrower conception of union competence, as was happening in America, Ireland and the UK at the same time. Under the circumstances, many union leaders considered the retreat desirable, because it freed the unions from responsibility for government policy, and enabled them to concentrate on defending the interests of their members.

The government's strategy of profit-led recovery made it more difficult for the LO and the white-collar federations to exercise wage restraint, effectively playing into the hands of employers who wanted to decentralise wage bargaining (Pontusson, 1994, p. 37). The centrifugal forces of decentralisation and wage drift interacted with what appeared to be irreconcilable union rivalries. By the mid-1980s solidarity has given way to competition, pitting public sector unions against private sector unions (mostly tradable), blue collar against white collar, highly skilled against lower skilled, and well paid against low paid (Swenson, 1991, pp. 382-383). This contributed to the erosion of

⁷⁶ <http://www.const.sns.se/swedishpolitics/>

the normative consensus that had underpinned centralised wage bargaining (Pontusson, 1994, p. 37).

Increasingly, the size of the public sector came to be seen as a principal factor in the country's economic stagnation. Public sector employment, which had accounted for about one fifth of total employment in the 1960s came to constitute over 35 per cent of all employment in Sweden by the end of the 1980s (Olsson, 1990, p. 124). Public expenditure rose from 30 per cent of GDP in 1960 to over 60 per cent by the late 1980s, making it the largest public sector in the world.⁷⁷ The attempt to stabilise these figures was a feature of government policy throughout the 1980s (Gould, 1993, p. 169).

The answer to why the SAP forgot the lessons of the Rehn-Meidner model lies in the change in the balance of forces within the labour movement. The LO was in a much weaker position in relation to the SAP than in the past. Intellectual authority had passed from its researchers to the party's policy unit. The defeat of the wage-earner fund plan in its initial form meant a sharp fall in the LO's public prestige. Beyond these intellectual and political setbacks, moreover, the LO was losing control over its own industrial territory. The growth of white-collar unions, the disintegration of central agreements, and the outbreak of distributive conflicts between blue-collar unions eroded its ability to co-ordinate the wage bargaining practices of its affiliates, and to deliver voluntary wage restraint.

Under these conditions, a decline in LO influence over SAP policy choices was to be expected. After failing to mobilise support for wage-earner funds, the LO had no coherent alternative to the Third Road. The LO went along with it because one of its objectives was to maintain full employment. The Third Road, in a sense, expressed the stalemate within the Swedish labour movement in the 1980s. The LO remained able to

⁷⁷ The Guardian, 13 September, 1991, p. 5.

insist on full employment as an overriding goal of government policy, but it lost its ability to inform the SAP's approach to inflation, productivity, and competitiveness.

The Economy

Sheltered by the international boom that followed the SAP's return to power in 1982, and its devaluation of the krona, the Third Road appeared a stunning success. From 1983 to 1988 the Swedish economy grew at an annual rate of 2.7 per cent, the balance of trade deficit turned into a substantial surplus, and the rate of unemployment fell from 3.5 per cent to less than 2 per cent. By 1988, the Social Democrats had eliminated the huge budget deficit of 13 per cent of GDP they had inherited from the non-socialist government, without cutting welfare entitlements.⁷⁸ Flourishing this record before the electorate the SAP won easy re-election in 1988.⁷⁹

However, the LO and VPK's voting down of the government's call for a 2 per cent VAT surcharge to pay for higher health spending in April 1989 was an example of the failing Swedish model.⁸⁰ By the 1990s an economic crisis, its origins in the policies of the Third Road, was afflicting Sweden. The country's attempt to maintain industrial competitiveness, finance an enormous public sector, and enjoy full employment, all at the same time, resulted in spiralling inflation by 1989. The economy had begun to overheat.⁸¹ In that year prices rose by 6.6 per cent, as against 4.5 per cent in the OECD as a whole (OECD, 1992, p. 12). Failure to sustain non-inflationary growth resulted from a sluggish productivity growth. Support for the SAP started to crumble.

To cope with the economic situation the government introduced a legislative 'crisis package' in February 1990 calling for a return to centralised bargaining, and a

⁷⁸ The Washington Post, 18 September, 1988, p. A32.

⁷⁹ The Times, 20 September, 1988, p. 7.

⁸⁰ The Guardian, 13 September, 1991, p. 5.

⁸¹ The Economist, 21 September, 1991, p. 33.

draconian wage freeze and strike ban of two years duration.⁸² Constituting the most far reaching governmental intervention in the history of Swedish industrial relations, and in direct contrast with the basic philosophy underlying the Swedish model, it brought forth a wave of protests from trade unionists. The VPK withdrew its support and brought down the SAP government. The result was a major political crisis in the spring of 1990. However, after Moderate Party Chairman Carl Bildt proved unable to form a non-socialist government, and the SAP's Ingvar Carlsson was re-appointed prime minister.

The economic partnership between the employers and the trade unions underwent change. 'The shift in the political climate to one more friendly to the employers encouraged SAF to work for a profound change of system' (Kjellberg, 1998, p. 93). From the mid-1980s onwards the SAF had increasingly called into question the corporatist system (de Geer, 1992, p. 155-157). It mounted intense publicity campaigns to improve the electoral prospects of Liberal and Conservative parties. The SAF's ideas on privatisation and deregulation also influenced the SAP government. Swenson and Pontusson (2000, p. 83) point out that wage bargaining during the 1980s, procedurally and substantively different from the 1956-1983 period, had sea-sawed between peak-level and industry-level negotiations. This was orchestrated by the government; and there was no bargaining between the LO and SAF leading up to the settlement proposed by a government appointed commission. For Visser (1996, p. 180) this 'was [an] indication that the Swedish Model had reached its end.' However, an apparently decisive shift occurred in 1990 when the SAF shut down its bargaining and statistics unit, formally declaring that it would no longer negotiate over wages or general working conditions with the LO (Martin, 2000, p. 258). The driving force behind this VF inspired move to reduced the influence of home market employers over wage

⁸² *ibid.*

settlements in the exposed sectors was the impact of inflationary pressure (Swenson and Pontusson, 2000, p. 97). Consequently, the employers, freed from previous constraints, chose to abandon consensual arrangements viewed as detrimental to their needs (Marshall, 1996, p. 9). The erosion of centralised bargaining was followed by a substantial shift from inflation caused by wage compression to market-driven wage inflation (Hibbs and Locking, 1996, pp. 134-135).

The autumn of 1990 saw the beginning of an unprecedented banking crisis.⁸³ The underlying causes of this were falling prices in the real estate market, unsound lending practices, and risky speculation in the wake of financial market deregulation (OECD, 1992, p. 13). The resulting crash in values placed the whole banking system in jeopardy and threatened the country's financial infrastructure (Martin, 2000, p. 246). State-owned Nordbank, the country's second-largest bank, shocked analysts when it posted a pre-tax loss of SKr6.6 billion for 1991, the largest ever recorded by a Swedish bank.⁸⁴

By 1991 the Swedish economy was in difficulty, with the media, national commentators, domestic and international organisations, and the central bank, all pointing this out. The internationalisation of financial markets undermined the internal coherence of the Swedish economy, and restricted the ability of the government to pursue economic policies that diverged from those of other capitalist states. Policies that industrialists (and foreign currency dealers) disapproved of were increasingly difficult to implement (Marshall, 1996, p. 9). The SAP's abrupt decision to apply for membership of the EC (European Community) in 1990, announced as part of its austerity package, was a direct response to the problem of capital outflow.⁸⁵ This move,

⁸³ Financial Times, 23 October, 1991, p. v.

⁸⁴ *ibid.*, 15 October, 1991, p. 21.

⁸⁵ Christian Science Monitor, 25 October, 1991, p. 1.

addressed primarily to financial markets, was taken without prior public debate. The episode marked a low point in the LO-SAP relationship.

Abandoning the wage freeze the SAP struck a deal with the Liberals to cut public expenditure.⁸⁶ The SAP government in its January 1991 budget proposal officially announced a macroeconomic policy that emphasised price stability, as a reaction against the rapid inflation of the 1980s. It is consequently not surprising that from the beginning of the 1990s austerity policy was given a higher priority than employment (Aberg, 1994, pp. 87-88). In order to increase the credibility of the new policy stance Ingvar Carlsson, in May 1991, announced that the Swedish krona would be pegged to the ECU (OECD, 1992, p. 39). This was the first step in a campaign to control inflation as a prelude to EC membership. A policy of fixed exchange rates and budget cuts by the SAP and the subsequent non-socialist government was to transform a situation of excess demand, high inflation, and an extremely tight labour market, into the opposite. “We have moved to the right in Sweden,” observed Bjorn von Sydow from the Prime Minister’s office, ‘for the simple reason that the Social Democrats could no longer match higher spending with higher taxes.’⁸⁷

Unemployment increased under the impact of the austerity measures, almost doubling from 1.7 per cent in 1990 to 3.1 per cent in 1991.⁸⁸ “Obviously that is still a long way short of the levels you have on the continent or in England, but here in Sweden anything above 3 per cent is regarded as sky-high,” observed Rolf Alsing editor of the newspaper *Aftonbladet*.⁸⁹ The following year saw an unemployment rate of 5.3 per cent, a historic post Second World War high. There was general fiscal instability, and the current budget deficit, public sector borrowing requirement, and

⁸⁶ The Guardian, 13 September, 1991, p. 5.

⁸⁷ *ibid.*

⁸⁸ Time International, 30 September 1991, Vol. 138, No. 14, p. 21.

⁸⁹ The Guardian, 13 September, 1991, p. 5.

national debt, were all rising rapidly. Sweden's ratio of debt to GNP, which had fallen from 68.7 per cent in 1985 to 45.5 per cent by 1990, started to rise again. The debt to GNP ratio was to almost double to 80.6 per cent by 1994. Inflation was running at a rate of 9.7 per cent. The Bank of International Settlement (BIS) observed that 'although inflation had been rising since 1986 in the ten leading industrialised countries Sweden had displayed the worst performance of all.'⁹⁰ At the same time economic growth, which from 1985 onwards had been averaging only 2.3 per cent per annum, well below the OECD average of 3.5 per cent (Delsen and van Veen, 1992, p. 94), came near to a complete standstill in 1990, before going into reverse in 1991, with the economy contracting by 1.1 per cent.⁹¹ *The New York Times* stated that the economy was stagnant through 1991.⁹² *The Washington Post* argued that the people of Sweden were becoming increasingly troubled by the country's slow economic growth, and doubts about their ability to maintain the extraordinary standard of living to which they had become accustomed.⁹³ *The Guardian* pointed out that 'this was the first time the economy has contracted since 1942.'⁹⁴ *The Financial Times* pointed out that in 1991, under the combined impact of weak foreign demand, and losses in cost competitiveness, Swedish exporters lost ground in all geographic markets.⁹⁵ The country's economic openness declined from 68.9 in 1983 to 54.4 by 1991 (Appendix D). Previously, when the competitiveness of Sweden's manufacturing sector deteriorated, the krona had been devalued. However, this was now ruled out. The banking crisis, the country's deepest recession since the 1930s, and Sweden's declining competitiveness in foreign markets, created entirely new problems for the government. Although the macroeconomic

⁹⁰ *The Times*, 11 June, 1991, p. 4.

⁹¹ *The Economist*, 7 September, 1991, p. 38.

⁹² *The New York Times*, 16 September, 1991, p. 1.

⁹³ *Washington Post*, 18 September, 1991, p. A18.

⁹⁴ *The Guardian*, 13 September, 1991, p. 5.

⁹⁵ *Financial Times*, 23 October, 1991, p. v.

situation in 1982 had not been good, by 1991 Sweden's economy was in a far worse state.

Business Week pointed out that by the autumn of 1991 the Social Democrats were already staging a tactical retreat from the welfare state.⁹⁶ By this time, according to *The Economist*, Sweden's industrial output was in freefall.⁹⁷ For the *Investors Chronicle* recession, rising unemployment, and a soaring budget deficit indicate the embattled state of the economy.⁹⁸ *The Herald Sun* pointed out that while Swedish companies invested only 10 per cent of their resources abroad in the early 1980s, this figure expanded to 75 per cent by the 1990s.⁹⁹ The reason for this, according to Ulf Jakobsson, chief economist at Svenska Handsbanken, was that entrepreneurs faced so many taxes it was difficult to achieve a positive rate of return.¹⁰⁰ Some of the highest taxes in the world, prohibitive interest rates, and high inflation smothered the once-robust private sector. Consequently, according to the *Christian Science Monitor*, 'Swedish industry, with no incentive to stay, is now scrambling to set up operations abroad, where the returns are higher.'¹⁰¹ The *Financial Times* pointed out that industrial production was another dismal indicator of Sweden's economic health. In 1990, output dropped by 2.8 per cent, and it fell by a further 6 per cent in 1991.¹⁰²

By 1991 most economists were agreed that Sweden's economy was in difficulty. "Sweden is in a very severe recession. There is a crisis in every major part of the public sector – health, education, childcare, and aged care," said Anders Aslund, the country's

⁹⁶ *Business Week*, 20 September, 1991, p. 41.

⁹⁷ *The Economist*, 31 August, 1991, p. 83.

⁹⁸ *Investors Chronicle*, 11 October, 1991, p. 68.

⁹⁹ *Herald Sun*, 14 October, 1991, p. 42.

¹⁰⁰ *The Gazette*, 21 September, 1991, p. B1.

¹⁰¹ *Christian Science Monitor*, 22 October, 1991, p. 3.

¹⁰² *Financial Times*, 23 October, 1991, p. v.

leading economist.¹⁰³ Critics argue that the emphasis on training amounted to a giant statistics game. The OECD (1992, p. 29) pointed out that those in training programmes were not counted as unemployed even though they had no jobs. “Sometimes these programmes just tie people up and have the effect of keeping them away from real jobs,” observed economist Gunnar Eliasson.¹⁰⁴ However, by mid October 1991, Robert Taylor argued that the economy appeared to have reached the bottom of its recession.¹⁰⁵

The OECD (1990, p. 11) pointed out that during the late 1980s Sweden’s economy had been overheating. Economic policies were pursued in a climate of mounting inflationary pressure. However, because of the stock market crash of 1987 and the 1988 election, measures to get to grips with inflationary developments were not taken before 1989 (OECD, 1990, p. 27). Swedish export performance was also weak (OECD, 1990, p. 18). Sweden had the largest budget surplus in the OECD area in 1989, but the largest deficit by 1993 (OECD, 1994, p. 9). The OECD (1994, p. 11) observed that ‘the current recession is unique in depth when measured by trend deviations of either output or employment.’ The OECD (1992, p. 99) was concerned that Swedish economic dynamism had suffered due to a lack of competition in the public sector and in parts of the private sector. This had reduced the incentives to improve business efficiency.

The Election of 1991

Prior to the general election of 1991, opinion polls showed support for the SAP declining to less than 30 per cent, only a few points ahead of the Moderate Party. A new element in this changing political scene was that after having contested nine

¹⁰³ Christian Science Monitor, 22 October, 1991, p. 3.

¹⁰⁴ Newsweek, 2 December 1991, p. 64.

¹⁰⁵ The Financial Times, 23 October, 1991, p. v.

general elections the Christian Democrats, *Kristdemokraterna* (KDS), were at last eliciting a far better response in the polls than ever before. A new political party of the right was also showing strongly. New Democracy, *Ny Demokrati* (NYD), having emerged during the autumn of 1990, was more committed to cuts in public expenditure, and immigration controls, than any of the other parties.¹⁰⁶ The *New York Times* pointed out that after years of high inflation, anaemic economic growth, and declining public social services, the Swedish voters appeared ready to throw out Prime Minister Ingvar Carlsson.¹⁰⁷ As the 1991 election approached the four established non-socialist parties – the Moderates, Liberals, Centre and the Christian Democrats – prepared to govern the country together.

The voter shifts in the 1991 parliamentary election were greater than at any time since the establishment of democracy in 1921. Between them KDS and NYD won 51 seats in the *Riksdag*. The Moderate Party, intent on modifying the welfare state,¹⁰⁸ increased its representation from 66 to 80 deputies, while the other two long established non-socialist parties, the Liberals and the Centre Party, both lost 11 seats each.¹⁰⁹ The SAP, receiving only 38 per cent of the vote,¹¹⁰ and seeing its representation in the *Riksdag* fall by 22 seats to 138, had its poorest election performance since 1928.¹¹¹ This election was viewed as a referendum on the Swedish model and the government's Third Way policies.¹¹² Following the announcement of the result the *Financial Times* observed that 'Swedish politics have reached the end of the Social Democratic era.'¹¹³ *The Guardian* stated bluntly that the SAP was defeated because 'they have messed up

¹⁰⁶ Time International, 30 September 1991, Vol. 138, No. 14, p. 21.

¹⁰⁷ The New York Times, 15 September, 1991, p. 1.

¹⁰⁸ *ibid.*

¹⁰⁹ <http://www.const.sns.se/swedishpolitics/>

¹¹⁰ Time International, 30 September 1991, Vol. 138, No. 14, p. 21.

¹¹¹ The Gazette, 21 September, 1991, p. B1.

¹¹² Time International, 30 September 1991, Vol. 138, No. 14, p. 21.

¹¹³ Financial Times, 17 September, 1991, p. 3.

the economy.’¹¹⁴ According to the *Journal of Commerce* the ‘voters were expressing dissatisfaction with the country’s poor economic performance.’¹¹⁵ Carl Bildt summed up the result as ‘‘a massive mandate for change and the worst defeat for the left we have ever seen in this country since universal suffrage.’’¹¹⁶

However, in its overall context the three main non-socialist parties had a disappointing election. Combined, they polled only 39.5 per cent of the national vote, and took 144 seats, just six more than the SAP, but eight less than they had taken in the 1988 election.¹¹⁷ However, Bildt was able to form a four-party coalition government with the inclusion of the KDS. Yet, this government did not possess a majority in the *Riksdag*. But, neither the Liberal nor Centre Parties wanted to co-operate with the NYD (Gould, 1993, p. 173).

The Bildt Administration, its Policies, and the Trade Unions

The election outcome did not alter the structural changes outlined in the Conservative and Liberal Party’s joint programme, entitled ‘‘A New Start for Sweden.’’¹¹⁸ Prime Minister Bildt said that the *Riksdag* broadly supported the application of rigorous measures to restructure the economy.¹¹⁹ ‘‘To address the economic problems the ‘‘government is dedicated to slashing the role of the state,’’ said Peter Tron, Swedish analyst at Hoare Govett, ‘and will introduce tougher labour laws to reduce the expense of what is currently the world’s highest-paid workforce.’’¹²⁰ After taking power the Moderate Party dominated coalition proposed the abolition of wealth tax, and cut taxes

¹¹⁴ The Guardian, 13 September, 1991, p. 5.

¹¹⁵ Journal of Commerce, 24 September, 1991, p. 1A.

¹¹⁶ Financial Times, 17 September, 1991, p. 3.

¹¹⁷ <http://www.const.sns.se/swedishpolitics/>

¹¹⁸ European Report, 23 October 1991, p. 1.

¹¹⁹ Agence France Presse, 6 December, 1991.

¹²⁰ Investors Chronicle, 11 October, 1991, p. 68.

on income from capital. It also asked parliament to approve selling the state's share in 34 companies, such as the Telecommunications Administration and the State Power Board.¹²¹ Although the SAP had never engaged in wholesale nationalization, the state owned companies with some 300,000 employees and a market value of around SKr250 billion.¹²² This law's preamble stated that private ownership and free competition were the best foundation for a strong economy (Hadenius, 1997, p. 151). Carl Bildt's message was that the state should not strive after doing what a free society can better manage. By laying down clear limitations on how far the responsibility of the state should extend, he was challenging what had been received wisdom since the 1930s.¹²³ The government's objective was to reduce the overall tax burden, and public expenditure. In addition, events, and the government, slowly undermined the complex network of Social Democratic institutions. The new administration sought to reduce the generosity of various benefit systems, and began the task of abolishing the employee investment funds.¹²⁴ During the spring of 1992 parliament passed a law specifying that the fund assets would be used to promote research, and to support the development of small and medium-sized companies (Hadenius, 1997, p. 153).

On an international scale the Swedish Conservatives are very mild compared with Reagan or Thatcher, more like English Liberals. They want some privatization, and some tax cuts, but it's only on the margins that they will change the model, said Professor Stig Hadenius of Stockholm University.¹²⁵

¹²¹ European Report, 23 October 1991, p. 1.

¹²² The Economist, 16 November, 1991, p. 62.

¹²³ Financial Times, 13 November, 1991, p. 2.

¹²⁴ The New York Times, 6 October, 1991, p. 11.

¹²⁵ The Guardian, 13 September, 1991, p. 5.

By 1990 the number of trade unionists in Sweden stood at 3,387,700 (Appendix C). This figure was a decrease of 27,400 from 1989, when overall trade union membership had stood at 3,415,100. In fact, this was the first substantial fall in Swedish trade union membership since World War II. However, in 1991, despite all that had happened in the economy and politics, trade union membership actually increased by 37,200, or 1.1 per cent, on 1990. The following year saw Swedish trade unions' membership edge upwards by a further 6,500, to peak at an all time high of 3,431,400. However, the rate of annual increase in union membership had fallen to only 0.2 per cent by this stage. From 1993 onwards overall trade union membership began to stagnate in Sweden, and within five years stood at 3,293,300, a decline of 138,100 on 1992.

It is safe to assume that during the first eight months of 1991 the rate of meetings between the LO and the SAP Prime Minister took place at a comparable level to that prior to 1976 or after 1982. This being the case, the LO would have met with the Prime Minister 24 times in the period to the end of August 1991 (Appendix A).¹²⁶ However, after Carl Bildt came to power in September this changed. Although LO leaders did meet with ministers occasionally during 1992 and 1993 to discuss economic policy, such meetings were rare. The diaries of the Prime Minister's Office record only three encounters with the LO in the period from 1991 to 1994.¹²⁷ However, none of these meetings would have involved the Prime Minister and the leadership of the LO exclusively. It can clearly be seen that after 1991 the unions' access to, and consultation with, the prime minister was far less frequent and extensive than heretofore.

¹²⁶ *ibid.*

¹²⁷ Correspondance: Jenny Bjornsdotter-Alge, SAP Political Advisor, *Riksdag*, to the author, 2003.

There was a change in the trade unions' representation on government committees. Rothstein (1992, p. 43) pointed out that Swedish interest organisations participated in most political issues handled by parliament. However, what Rothstein (1988, p. 237) calls administrative corporatism became controversial after the Bildt government's accession to power. The SAF withdrew from most corporatist bodies at central as well as regional and local level in 1991 (Pestoff, 1995, p. 166). This gave the SAF 'more freedom to pursue its aims, particularly since one of its targets was the state apparatus itself' (Kjellberg, 1998, p. 93). With the departure of what Ingham (1974, p. 43) calls the driving force behind the centralisation of industrial relations, the Swedish model collapsed. 'In its place has emerged a chaotic system, sometimes echoing the past model, but often mocking it' (Ahlén, 1989, p. 330). As a result of the SAF's initiative, parliament adopted a proposal from the non-socialist government to end corporatist representation. In 1992 union representatives were expelled from most commissions, committees, and agencies. Consequently, tripartite bodies no longer exist at central, regional, or local level, apart from the Labour Court and the Pension Insurance Funds (Kjellberg, 1998, p. 93). The formal representation of employers and unions on these committees was replaced by members of parliament, and individuals from different sections of society. Although these individuals include both business people and unionists, none were nominated by their employers' associations or trade unions. As 'the growth of corporatist representation occurred in parallel with the expansion of the welfare state' (Hagglund and Degerblad, 1994, p. 235), 'it was logical that as the fissures in the Swedish model became more apparent corporatism should go into decline' (Kjellberg, 1998, p. 93).

There was a change in the government's policies towards organised labour. The non-socialist government implement policies that restricted the legal protection of

unions during unofficial strikes (OECD, 1992, p. 52). With a view to strengthening the awareness of the existence of wage-employment links, and the solidarity between the employed and unemployed, the government announced that it would increase employees' contributions to unemployment insurance, and make such insurance compulsory (OECD, 1992, p. 52). The change in orientation reflected concerns that past policies, especially the massive expansion of the public sector, had involved high costs in terms of losses in efficiency and economic dynamism. Past policies were thought to have undermined Sweden's future growth prospects even if they had helped during most of the 1970s and 1980s to hold unemployment down to low levels by international standards.

In the year leading up to the 1991 general election, change took place in economic policy. Tensions building in the latter part of the 1980s came to a head in October 1990 when large currency outflows prompted the *Riksbank* to increase interest rates sharply to defend the krona.¹²⁸ To restore confidence, and combat inflation, fiscal policy was tightened (OECD, 1992, p. 11). This marked an important change in macroeconomic policy for a government that had previously attached top priority to the maintenance of continuous high employment levels. As the economy's future prospects depended on maintaining a tight fiscal and monetary policy this meant giving the highest priority to keeping inflation at the average European level, even at the cost of a higher level of registered open unemployment, something that would not have been acceptable in the past.¹²⁹ The government's resolve was emphasised in the budget statement of January 1991, which made low inflation the prime aim of economic policy (OECD, 1992, p. 39).

¹²⁸ Agence France Presse, 6 December, 1991.

¹²⁹ Financial Times, 23 October, 1991, p. v.

The coalition government that took office in late 1991 sought to implement fundamental change in the structure of the economy. Consequently, policy became more stringent under Carl Bildt. A central element of the new economic programme was to reduce taxes in order to encourage efficiency. To prevent tax reductions from destabilising the economy, they were to be matched by reduced spending (OECD, 1992, p. 44). In general, the forces of competition were given a greater role in allocating resources in the economy (OECD, 1992, p. 40). The Economist observed that ‘the government’s economic policy was tough, and made no concession for the fact that the country was in a recession.’¹³⁰ The centre-right government wanted to change Sweden from a social democracy to a more free market economy, and in this objective it achieved more in its first six weeks in office than the previous non-socialist administrations had between 1976 and 1982 argued Sten Westerberg chief economist at the Enskilda Fondkommission investment firm.¹³¹

Paradoxically, at this same time SAF associations were entering into the most corporatist wage negotiations in Swedish history, leading to the tripartite Rehnberg agreement.¹³² However, ‘in practice, the Rehnberg agreement could be seen as encouraging a form of ‘super-decentralization’ since by avoiding local negotiations, local pay determination would be a matter for individual employer prerogative’ (Kjellberg, 1998, p. 90). In contrast to the 1970s, the employers seized the initiative for change in the 1990s. In contrast to the 1930s when the parties reached the Saltsjobaden Agreement in order to forestall state intervention, SAF now appeared to prefer state regulation (Swenson and Pontusson, 2000, p. 83).

¹³⁰ The Economist, 16 November, 1991, p. 62.

¹³¹ Financial Times, 13 November, 1991, p. 2.

¹³² Investors Chronicle, 14 February, 1992, p. 3.

From the time that the centre-right minority government came to office in 1991, it had presided over a steadily worsening economy. Consequently, it was forced to introduce unpopular austerity measures. However, devaluation was regarded as unacceptable due to its inflationary consequences. Nevertheless, the krona came under attack during the European monetary crisis of 1992 (Hadenius, 1997, p. 152). To avoid devaluation, and restore business confidence, the government reached a deal with the SAP on an economic austerity package. In return for this the SAP received guarantees that secured the organisational strength of the unions. However, during the European currency crisis in the autumn of 1992 the krona came under severe pressure on the international money markets (OECD, 1994, p. 9). On 19 November 1992 the *Riksbank* announced it could no longer defend the fixed exchange rate (Pettersson, 1994, p. 7). The cost to the *Riksbank* had been \$28 billion.¹³³ The krona was allowed float, and promptly sank in value.¹³⁴ The Bildt regime tried to pin the blame for its difficulties on the stewardship of the SAP. Yet, despite the apparent plausibility of the argument, it did not convince the voters.

In the 1994 election the SAP won 161 seats and formed a minority administration.¹³⁵ It co-operated with the VPK initially, and then with the Centre Party. The arrangement temporarily obliterated the dividing line between non-socialist and socialists. The SAP was obliged to continue with the fiscal austerity introduced by the conservative administration, abandoning its goal of full employment. This was to divide the SAP and LO. During 1996 the SAP accorded top priority to improving central government finances, leading to cutbacks in social welfare and thereby added to the already widespread joblessness. Although the two branches of the labour movement

¹³³ The Irish Times, 23 November, 1992, p. 16.

¹³⁴ Facts on File World News Digest, 26 November, 1992, p. 898A1.

¹³⁵ <http://www.const.sns.se/swedishpolitics/>.

had worked together closely for nearly a century, the 1996 LO congress turned into a demonstration against the SAP's policies. According to LO, the government was balancing its budget on the backs of union members (Hadenius, 1997, p. 168-169).

Table 7.3: The Empirical-Theoretical Fit 1991

The Observable Implications of Hypothesis 1	High	Medium	Low	None
O1: Change in the trade unions' access to the prime minister	X			
O2: Change in the trade union representation on government committees	X			
O3: Change in the relationship in the economy between the trade unions, the employers' peak organisation, and/or the government	X			
O4: Change in the trade unions' relationship with a political party				X
O5: Change in the level of trade union membership in the economy				X
O6: Change in the government's policies towards organised labour	X			
O7: Change in the level of trade union policies that were incorporated into the government's policies towards organised labour				X
O8: Change in the government's economic policies	X			
O9: Change in the trade unions' influence over public policy as identified by national economic, political, and industrial relations commentators alike	X			
O10: Change in ministerial attitudes towards the role of trade unions in the polity				N/A
The Observable Implications of Hypothesis 2	High	Medium	Low	None
O1: Are the country's main economic indicators at decade-long lows?			X	
O2: Do opinion polls find that the public regards the economic state of the country as in crisis?				N/A
O3: Do the national media regard the economic state of the country as in crisis?		X		
O4: Do national economic and political commentators regard the economic state of the country as in crisis?	X			
O5: Does the central bank regards the economic state of the country as in crisis?				N/A
O6: Do domestic and international organisations regard the economic state of the country as in crisis?	X			
O7: Do elected representatives regard the economic state of the country as in crisis?	X			
O8: Are government pronouncements on the state of the economy consistent with a crisis-management approach?			X	

Table 7.3 shows that 66 per cent of the first hypothesis's observable implications pointed to a high empirical-theoretical fit. However, in the case of the second hypothesis, only 50 per cent of its identifiable observable implications indicated a high level of empirical-theoretical fit. As the minimum threshold of 60 per cent for high empirical-theoretical fit was not reached by the observables of the second hypothesis there was no critical juncture in the LO's influence over public policy in 1991.

In summation, 1991 saw a significant, swift and enduring change in the LO's influence over public policy. The national media, commentators, international organizations, and elected representatives, all viewed the economy as in serious difficulty, if not in crisis, at the time. The level of unemployment was high (for Sweden), inflation was very high, government debt was rising, and the economy was contracting. The SAP government's solution to these problems, an unprecedented governmental intervention into industrial relations, led to friction with the LO. The economic problems precipitated the unequivocal ending of national pay bargaining as it had existed since the 1950s, the defeat of the SAP and the election of a non-socialist government, and a new approach to economic management. The non-socialist administration, focused on righting the economy through austerity measures, attacked the welfare state. The Bildt administration, in addition to setting about dismantling the welfare state, ejected the trade unions from the corridors of power. The LO's interaction with the prime minister diminished, its representation on government committees ceased, union growth slowed and then reversed, and the government's industrial relations and economic policies changed to the LO's disadvantage. However, the SAP administration that followed in 1994 continued the austerity policies of the Bildt government. At a time of macroeconomic difficulties, but not crisis, the LO's influence over public policy underwent change of a significant, swift, and enduring

nature. According to the observable implications criteria set out in Chapter II the change in the trade unions' influence over public policy was not a critical juncture.

Figure 7.3: The Critical Juncture Grid, Sweden, 1991

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES		
NO	X	

Conclusion

This chapter has examined three instances of change in the LO's influence over public policy. The prima facie evidence for each of these cases constituting possible critical junctures was put forward in Chapter III. These possible critical junctures were identified following an examination of change in the LO's influence over public policy in Sweden in the years between 1945 and 2000. In this instance none of the proposed critical junctures were found to constitute actual critical junctures.

In the case of 1976 there was no significant, swift, nor enduring change in the LO's influence over public policy. As all three criteria are central to the concept of a critical juncture, their absence in 1976 simply meant that no change of any real import in the trade unions' influence over public policy occurred in Sweden in that year. At the time the economy was in down turn, but not anywhere near to being in a crisis of any kind. As a consequence of this, the empirical-theoretical fit, as set out in Table 7.1, was almost zero for both of the hypotheses in 1976.

Six years later, in 1982, there a change in the LO's influence over public policy that was both swift and enduring. But this change in influence was not that significant. At that time the country's economy was in difficulty, but it was not in crisis. As economic crisis (generative cleavage), and the concept of significant change, are central to our notion of a critical juncture, their absence in this case means that whatever change in fact occurred was not a critical juncture. As can be clearly seen from Table 7.2 there was a very low empirical-theoretical fit for both of the hypotheses in 1982. The SAP's return to power meant that the LO's level of interaction with the government did not diminish. However, with this government's priorities being dictated by the economy, and with the SAP's setting up of its own research department in the late

1970s, public policies could no longer closely reflected those of the LO. At this time the country's centralised pay agreements also began to disintegrate.

Only the change in the LO's influence over public policy in 1991 was in fact found to come close to constituting an actual critical juncture according to the criteria as set out in Chapter II. In that year the LO's influence over public policy underwent change of a significant, swift, and enduring nature, this at a time when the economic state of the country was bordering upon crisis. As can be seen from table 7.3 the empirical-theoretical fit was high for the first hypothesis in that year, and borderline high for the second hypothesis. This is not to say that there was not a critical juncture in Sweden in 1991. It is just the case that the specific observable implications employed here do not point to it. With a different set of observables, and access to more Swedish specific information that the barrier of language has to an extent prevented, the results in the case of 1991 might be different.

As was the case in the previous chapter that focused upon the United States of America, the issue of critical junctures with a short duration did not come up when dealing with Sweden. The central feature here was that the unions' influence over public policy did not undergo any dramatic changes from 1945 right through until 1991.

All three of the proposed critical junctures examined here occurred in years in which general elections were held. However, none of the proposed critical junctures were found to be actual critical junctures. But despite this, it is the case, from the evidence set out here, that the economic problems in 1982 and 1991 induced the political parties that came to power in those years to alter their policies towards the trade unions. This was to result in the LO's significant, swift, and enduring loss of influence over public policy in 1991. However, it is noteworthy that there were no other proposed critical junctures, nor other substantial changes in the LO's influence

over public policy, in any of the other years that witnessed general elections between 1945 and 2000, including 1976 which saw the SAP lose power to the non-socialists for the first time since 1932.

Figure 7.4: The Critical Juncture Grid for Sweden, 1945-2000

Generative Cleavage (Macroeconomic Crisis)		Change (Significant, Swift, and Enduring)	
		YES	NO
YES			
NO		1991	1976 1982

Conclusion

The quest to improve our understanding of change both within and across countries over time is the background against which this thesis is set. The critical junctures approach provides a means of looking at the process of change. Without discarding the central precepts of the approach as it has developed to this point the thesis sets out to improve upon our understanding of the concept. The argument here is that the approach, as it had developed up until now, has lacked a certain rigour. Improving upon the approach involved remoulding the concept in a way that endowed it with specifics. Clearly defined standards were developed that enabled the identification of levels of change, in order to see if specific incidents constituted critical junctures, or not, as the case may have been. With the systemisation of the standards it was easy to see what was, and what was not, a critical juncture, reducing uncertainty surrounding the whole concept. The approach developed here is applicable to any research project that focuses upon the issue of change. The concept is operationalized and made falsifiable all at the same time. This had improved its usefulness as an instrument in identifying change.

The remoulded approach simply stated that a critical juncture occurs when there is a generative cleavage, and a period of change that is significant, swift, and enduring in nature. The concepts of significance, swiftness, and duration have been endowed with clearly defined values, making the framework readily applicable to individual countries, but also across countries, and over time. The remoulded critical junctures approach was tested against variations in the trade unions' influence over public policy. This was to see if the approach could identify the nature of the changes uncovered.

A most similar and most different basis was employed in the state selection process. This ensured that like was compared with like, and that the context of analysis

were, to a degree at least, analytically equivalent. This was necessary considering that countries with different political, economic, and trade union structures were under examination. The trade union peak organisations in Ireland, Britain, the United States of America, and Sweden, in the period between 1945 and 2000, constituted the focus of the case studies.

The methodology was drawn up to be as broad and encompassing as possible. A distinctive feature here was the employment of the analytic narrative methodology. This was used to blend the hypotheses and observable implications criteria and narration into the study change in the trade unions' influence over public policy. In this case descriptive inference was used to understand if changes in the trade unions' influence over public policy could be critical junctures. The specific tools used to go from observed phenomena to unobserved phenomena were the pair of hypotheses and their eighteen observable implications.

Firstly, a preliminary and wide-ranging analysis was conducted on the four countries chosen for examination. This analysis covered the 55 years from 1945 through to 2000. This examination sought signs of significant, swift, and enduring change in the trade unions' influence over public policy. The identification of the potential critical junctures in the trade union peak organisations' influence over public policy in each of the countries was based upon circumstantial evidence. The purpose here was to identify the potential critical junctures that would go forward for further examination in the main body of the dissertation. In all, four proposed critical junctures per country were identified in Ireland, the United Kingdom, and the United States of America, while three proposed critical junctures were discovered in Sweden. They were then tested against the hypotheses, and their observable implications, in order to

discover if those hypotheses relating to change in the trade union peak organisations' influence over public policy could identify actual critical junctures.

Chapter IV through VII concentrated in detail upon the proposed critical junctures in each of the countries in turn. Of the 15 instances where the trade unions' influence over public policy was *prima facie* identified as having changed to the extent of constituting possible critical junctures, only seven cases were found to constitute actual critical junctures according to the criteria laid out in Chapter II. In each of these cases the trade union peak organisations' influence over public policy was found to have undergone change of a significant, swift, and enduring nature, at times when the economies in the various states were in crisis. In each of these cases the empirical-theoretical fit had to be very high for both hypotheses, as a minimum of 60 per cent of their observable implications had to indicated a high empirical-theoretical fit for there to have been a critical juncture. Consequently, this satisfied the hypotheses, and their observable implications criteria, as set out in Chapter II.

A number of other implications can be drawn from the chapters. Of the 15 proposed critical junctures just over half were found not to constitute actual critical junctures at all. The reasons for this varied across the countries to an extent. In 1970, in Ireland, the change in the ICTU's influence over public policy was not significant. In Britain, that same year, the change in the TUC's influence over public policy was not enduring. In the United States of America in 1960 the change in the AFL-CIO's influence over public policy was not significant. And in Sweden, in 1976, what change occurred in the LO's influence over public policy was neither significant, swift, nor enduring. However, common to seven of the eight "non-critical junctures" was the fact that the economy was found not to be in crisis at those times. There was no generative cleavage to begin with. Nevertheless, there was change to some extent in the trade

union peak organisations' influence over public policy in each of those years, this coinciding with economic difficulties. In most of these cases the empirical-theoretical fit, as set out in the various Tables, and illustrated in figure 8.1, would have been low for both of the hypotheses.

An exception to this was the case of American in 1992. In that instance the economy was discovered to be in crisis, while the change in the AFL-CIO's influence over public policy, although swift, and enduring, was found not to be that significant. Although a new approach was adopted towards both the economy and organised labour by the Democratic administration when it came to power in 1992 not everything went in the unions' favour. This case shows that it is possible to have one half of the remoulded version of the critical junctures approach (generative cleavage) satisfied without the other. Sweden in 1991 illustrated the same point, to an extent. In that case the change in the LO's influence over public policy was significant, swift, and enduring, but the economy was found not to be in crisis at the time.

Figure 8.1: The Critical Juncture Grid for Ireland, Britain, America, and Sweden, 1945-2000

Generative Cleavage (Macroeconomic Crisis)	Change (Significant, Swift, and Enduring)	
	YES	NO
YES	Ireland 1959 Ireland 1981 Ireland 1987 Britain 1945 Britain 1974 Britain 1979 America 1980	America 1992
NO	Sweden 1991	Ireland 1970 Britain 1970 America 1946 America 1960 Sweden 1976 Sweden 1982

This thesis identified critical junctures with legacies that lasted a minimum of just five years as in the case of Britain in the period 1974-1979, while in the case of America, the AFL-CIO's influence over public policy did not undergo any dramatic changes in the 35 years from the start of our examination in 1945 right through to 1980. The shorter the duration of a critical juncture the greater is the likelihood that the economy of the country was in turmoil. This can also be seen in the case of Ireland, in the economic crisis ridden 1980s, when its shortest critical juncture lasted for only six years from 1981 to 1987. The fact that no critical juncture occurred in Sweden after 1945 (although there was significant, swift, and enduring change in the trade unions' influence over public policy in 1991), and took decades to occur in United States of America (1980), as opposed to Ireland and Britain, and that the legacies of the critical junctures were of longer duration in Sweden and America, than in both Ireland and Britain, suggest at a greater economic stability in the former countries.

Of the 15 proposed critical junctures, and the seven that were actually found to constitute critical junctures, six occurred in years in which general elections were held. The economic difficulties in those years coincided with the political parties that came to power, or were in power, drastically altering their policies towards the trade unions. Of the eight proposed critical junctures that turned out not to be critical junctures, six were in general elections years. In all, of the 15 proposed critical junctures initially set out, only three were in years without general elections, Ireland in 1959, and 1970, and the United States of America in 1946. Of these, only 1959 constituted a critical juncture. However, there were no other proposed critical junctures in the trade union peak organisations' influence over public policy in any of the other years that witnessed general elections between 1945 and 2000 in the countries examined.

This leaves us with the conclusion that just under half of the proposed critical junctures in the trade union peak organisations' influence over public policy, in the countries examined, were identified as constituting actual critical junctures. In the case of just over half of the proposed critical junctures, the trade unions' influence over public policy was identified as having changed in a less dramatic fashion than would constitute a critical juncture. However, these findings are not irrefutable, and it is possible that by employing a different number of observables with different independent variables, and different hypotheses, and by utilising a different proxy for the generative cleavage, and an altered threshold level, one could derive different results. How dramatically different those result might be is a matter for further research.

This thesis, in seeking to improve upon our understanding of the concept of critical junctures, has built on the framework laid out by Collier and Collier (1991). This remoulded framework sets out clearly defined standards that enabled the identification of levels of change, in order to see if specific incidents constituted critical junctures or not. The systemisation of the standards reduced uncertainty surrounding the whole concept. The remoulded approach possesses a clarity and rigour. The approach developed here can be applied to any project concerning itself with the issue of change. In this regard the remoulded approach is replicable, transferable, and falsifiable. The thesis takes the view that the critical junctures approach, as set out here, provides a better means of looking at the process of change than did the earlier versions of the approach.

Appendix A

Meetings with Prime Ministers and Presidents

IRELAND

Number of Meetings with the Taoiseach

Years of Proposed Critical Junctures	Year Before Proposed Critical Juncture	Year of Proposed Critical Juncture	Year After Proposed Critical Juncture
1959	1	3	3
1970	0	3	2
1981	5	7	2
1987	0	4	4

Sources: Irish Congress of Trade Unions: *Annual Reports*. Dublin: ICTU.

BRITAIN

Number of Meetings with the Prime Minister

Years of Proposed Critical Junctures	Year Before Proposed Critical Juncture	Year of Proposed Critical Juncture	Year After Proposed Critical Juncture
1945	1	1	7
1970	25	8L ; 3C*	3
1974	11	4C ; 25L	27
1979	17	17L ; 2C	2

Source: Trades Union Congress: *Annual Reports*. London: TUC.

Source for 1979: Mitchell, N., 1987. 'Changing Pressure Group Politics: The Case of the TUC, 1976-1984,' *British Journal of Political Science*, Vol. 17, pp. 509-517.

L = Labour

C = Conservative

UNITED STATES OF AMERICA

Number of Meetings with the President

Years of Proposed Critical Junctures	Year Before Proposed Critical Juncture	Year of Proposed Critical Juncture	Year After Proposed Critical Juncture
1946*	18	19	11
1960**	2	3	7
1980***	12	28	0
1992****	3	40	40

Source:

*Truman Presidential Museum and Library, 2003. 'The Presidents Day.' Accessed from <http://www.trumanlibrary.org/calendar/>

**The American Presidency Project, 2003. 'Public Papers of the Presidents.' Accessed from http://www.presidency.ucsb.edu/site/docs/index_pppus.php.

***Jimmy Carter Library and Museum, 2003. 'President's Daily Diary.' Accessed from <http://gil.usg.edu:8765/jclquery.html?qc=pdd&charset=iso-8859-1&ht=0&qp=&qt=AFL-CIO>

****Dark, Taylor E., 1999. *The Unions and the Democrats: An Enduring Alliance*. London: Ithaca.

SWEDEN

Number of Meetings with the Prime Minister

Years of Proposed Critical Junctures	Year Before Proposed Critical Juncture	Year of Proposed Critical Juncture	Year After Proposed Critical Juncture
1976	38	12	12
1982	12	15	38
1991	38	24	3*

Source: Correspondence of Anders Kjellberg to the author, 2003.

* Correspondance: Jenny Bjornsdotter-Alge, SAP Political Advisor, *Riksdag*, to the author, 2003.

Appendix B

ICTU Representation on Industrial Relations and Economic and Social Committees

1. ICTU Representation on Industrial Relations and Economic and Social Committees in the Period of Proposed Critical Juncture 1: 1959

	1957/1958	1960/1961
Industrial Relations	Factories Advisory Council Safety Committees National Joint Committee on the Human Sciences Human Problems in Industry Hours of Work Transport Committee	Employer Labour Conferenece Factories Advisory Council Safety Committees National Joint Committee on the Human Sciences Human Problems in Industry Hours of Work Transport Committee Apprenticeships Committee Harbour Boards
Economic and Social	Price Advisory Committee Commission on Income Tax Company Law Reform Committee	NIEC Price Advisory Committee Commission on Income Tax Company Law Reform Committee Price Advisory Committee Irish National Productivity Committee Economic Committee Committee on Industrial Organisation

Source: Irish Congress of Trade Unions: *Annual Reports*. Dublin: ICTU.

2. ICTU Representation on Industrial Relations and Economic and Social Committees in the Period of Proposed Critical Juncture 2: 1970

	1968/1969	1971/1972
Industrial Relations	Redundancy Payments Act Appeals Board Committee of Enquiry into Industrial Relations in ESB Labour Party Joint Committee Factories Advisory Council Redundancy Payments Act Board	<i>Employer-Labour Conference</i> Employer-Labour Conference Working Committee Employer-Labour Conference Steering Committee Codes of Fair Employment and Dismissal Procedures Industrial Training Authority Labour Party Joint Committee Factories Advisory Council Redundancy Appeals Tribunal
Economic and Social	INPC INSO NIEC Manpower Advisory Committee Decimal Currency Board National Development Association Price Advisory Body Panel	INPC NISO IIRS Manpower Advisory Committee IDA Grants Committee National Development Association National Prices Commission Foras Forbartha

Source: Irish Congress of Trade Unions: *Annual Reports*. Dublin: ICTU.

3. ICTU Representation on Industrial Relations and Economic and Social Committees in the Period of Proposed Critical Juncture 3: 1981

	1979/1980	1982/1983
Industrial Relations	Employer-Labour Conference Labour Court Employer-Labour Conference Steering Committee Employment Appeals Tribunal Employment Equality Agency	Employer-Labour Conference Labour Court Employment Appeals Tribunal Employment Equality Agency
Economic and Social	National Economic and Social Council Irish Productivity Center National Prices Commission Manpower Consultative Committee National Savings Committee Working Party on Taxation National Understanding Steering Committee Tripartite Standing Committee on Employment	National Economic and Social Council Irish Productivity Centre National Prices Commission Manpower Consultative Committee National Savings Committee Government-ICTU Working Party on Taxation Youth Employment Agency Sectoral Development Committee Sectoral Consultative Committees Regional Manpower Committees Commission on Taxation

Source: Irish Congress of Trade Unions: *Annual Reports*. Dublin: ICTU.

4. ICTU Representation on Industrial Relations and Economic and Social Committees in the Period of Proposed Critical Juncture 4: 1987

	1985/1986	1988/1989
Industrial Relations	Employer-Labour Conference Labour Court Employment Equality Agency Employment Appeals Tribunal Advisory Committee on Worker Participation	Employer-Labour Conference Labour Court Employment Equality Agency Employment Appeals Tribunal
Economic and Social	National Economic and Social Council Irish Productivity Centre Sectoral Development Committee Sectoral Consultative Committees Social Guarantee Advisory Board Monitoring Committee for Social Employment Scheme National Savings Committee Youth Employment Agency National Prices Commission Manpower Consultative Committee National Enterprise Agency Government-ICTU Working Party on Taxation	National Economic and Social Council Irish Productivity Centre Sectoral Development Committee Sectoral Consultative Committees Social Guarantee Advisory Board Monitoring Committee for Social Employment Scheme National Savings Committee Programme for National Recovery-Central Review Committee

Source: Irish Congress of Trade Unions: *Annual Reports*. Dublin: ICTU.

Appendix C

Levels of Trade Unions' Membership

Level of Trade Unions' Membership in Ireland, 1955 – 1995

	Membership	Annual Rate of Change %	Employment Density %	Workforce Density %
1955	316,400	+1.7	45.6	42.7
1956	316,500	0.0	46.2	43.1
1957	308,200	-2.5	46.5	42.3
1958	306,800	-0.4	46.9	42.4
1959 Critical Juncture	313,700	+2.2	47.9	43.7
1960	325,500	3.8	50.2	45.8
1961	335,600	+3.1	52.4	48.2
1962	348,500	+3.8	53.5	49.4
1963	351,000	+0.7	53.0	48.9
1964	362,300	+3.2	53.8	49.9
1965	371,900	+2.6	54.4	50.7
1966	372,500	+0.2	53.7	49.9
1967	377,700	+1.4	54.2	50.2
1968	389,800	+3.2	55.1	50.8
1969	409,200	+5.0	57.0	52.9
1970 Critical Juncture	424,100	+3.6	59.1	54.2
1971	427,100	+0.7	59.2	54.5
1972	433,900	+1.6	59.5	54.4
1973	442,000	+1.9	59.2	54.5
1974	458,500	+3.7	59.8	55.4
1975	466,700	+1.8	61.5	55.4
1976	471,100	+0.9	62.6	54.9
1977	489,900	+4.0	63.3	55.7
1978	512,900	+4.7	64.0	57.0
1979	534,200	+4.2	63.9	57.8
1980	545,200	+2.1	63.5	57.4
1981 Critical Juncture	542,200	-0.4	62.9	54.9
1982	536,900	-0.9	62.4	53.2
1983	530,400	-1.1	63.5	52.1
1984	518,200	-2.2	63.3	50.7
1985	501,500	-3.1	62.5	48.8
1986	482,700	-3.7	59.0	46.1
1987 Critical Juncture	468,600	-2.8	57.5	44.8
1988	470,500	+0.40	57.7	45.4
1989	476,800	+1.3	58.8	47.1
1990	490,600	+2.9	58.5	48.2
1991	500,000	+1.9	58.6	47.1
1992	501,000	+0.2	57.3	46.2
1993	499,200	-0.2	55.8	44.8
1994	506,200	+1.4	54.3	44.2
1995	517,900	+2.3	52.3	44.4

Source: DUES Data Series on Trade Unions in Ireland (Department of Industrial Relations, University College, Dublin and University of Mannheim Centre for European Social Research, Germany).

Bean, R., 1989. *International Labour Statistics: A Handbook, Guide, and Recent Trends*. London: Routledge.

Ebbinghaus, Bernard, and Jelle Visser, 1999. *Development of Trade Unions in Western Europe, 1945-1995*. Basingstoke: Macmillan.

Level of Trade Unions' Membership in Britain, 1944 – 1987

	Membership	Annual Rate of Change %	Employment Density %	Workforce Density %
1944	7,890,737	-1.06		
1945 Critical Juncture	7,875,000	-0.2		38.6
1946	8,803,000	+11.8		43.0
1947	9,145,000	3.9		44.5
1948	9,363,000	2.4		45.2
1949	9,318,000	-0.4		44.8
1950	9,289,000	-0.2	44.8	44.1
1951	9,530,000	2.6	45.4	45.0
1952	9,588,000	0.6	45.8	45.1
1953	9,527,000	-0.5	45.3	44.6
1966	10,259,000	-0.5	44.1	43.6
1967	10,194,000	-0.5	44.7	43.7
1968	10,200,000	+0.1	45.0	44.0
1969	10,479,100	+2.7	46.3	45.3
1970 Critical Juncture	11,187,000	+6.8	49.8	48.6
1971	11,135,000	-0.4	50.3	48.8
1972	11,359,000	+2.0	51.3	49.6
1973	11,455,200	+0.8	50.5	49.3
1974 Critical Juncture	11,764,000	+2.7	51.6	50.4
1975	12,184,000	+3.6	53.6	51.7
1976	12,386,000	+1.7	54.9	52.0
1977	12,846,000	+3.7	56.8	53.5
1978	13,112,000	+2.1	57.5	54.3
1979 Critical Juncture	13,289,000	+1.4	57.3	54.4
1980	12,947,000	-2.5	56.3	52.8
1981	12,106,000	-6.4	55.3	49.8
1982	11,593,000	-4.1	54.1	47.9
1983	11,236,000	-3.0	53.3	46.7
1984	10,994,000	-2.1	52.0	45.5
1985	10,821,000	-1.5	50.4	43.9
1986	10,539,000	-2.5	48.8	42.5
1987	10,462,900	-0.6	48.2	42.5

Source: Bain, George Sayers, and Robert Price, 1980. *Profiles of Union Growth: A Comparative Statistical Portrait of Eight Countries*. Oxford: Basil Blackwell.

Bain, George Sayers, 1983. *Industrial Relations in Britain*. Oxford: Basil Blackwell.

Marsh, Arthur, 1984. *Trade Union Handbook*. Aldershot: Gower.

Ebbinghaus, Bernard, and Jelle Visser, 1999. *Development of Trade Unions in Western Europe, 1945-1995*. Basingstoke: Macmillan.

Level Trade Unions' Membership in America, 1942 – 2000

	Membership	Annual Rate of Change %	Employment Density %	Workforce Density %
1942	10,380,000	+1.7		23.5
1943	13,213,000	+27		30.3
1944	14,146,000	+7.06		33.2
1945	14,322,000	+1.2		34.3
1946 Critical Juncture	14,395,000	+0.5		32.1
1947	14,787,000	+2.7		31.4
1948	14,319,000	-3.1		29.7
1949	14,282,000	-0.25		29.3
1950	14,267,000	-0.10		28.4
1951	15,946,000	+11.76		31.5
1952	15,892,000	-0.33		31.1
1953	16,948,000	+6.6		32.6
1954	17,022,000	+0.43		32.4
1956	17,490,000	+4.09		31.6
1957	17,369,000	-0.69		31.0
1958	17,029,000	-1.95		29.9
1959	17,117,000	+0.51		29.7
1960 Critical Juncture	17,049,000	-0.4		28.9
1961	16,303,000	-4.3		27.2
1962	16,586,000	+1.73		27.4
1963	16,524,000	-0.37		26.6
1964	16,841,000	+1.9		26.6
1965	17,299,000	+2.71		26.7
1966	17,940,000	+3.7		27.0
1967	18,367,000	+2.38		26.6
1968	20,721,000	+12.81		29.3
1976	22,153,000	-0.24		24.7
1977	21,632,000	+2.35		23.5
1978	21,757,000	+0.57		22.7
1979	22,025,000	+1.23		22.3
1980 Critical Juncture	20,968,000	-4.8		20.8
1981	20,647,000	-1.5		20.2
1982	19,571,000	-5.2		19.0
1983	18,643,000	-4.7		18.0
1984	18,306,000	-1.8		17.3
1985	16,996,101	-7.1		18.0
1986	16,975,180	-0.12		17.5
1987	16,913,064	-0.36		17.0

1988	17,001,665	+0.52		16.8
1989	16,960,452	-0.24		16.4
1990	16,739,812	-1.3		16.1
1991	16,568,433	-1.02		16.1
1992 Critical Juncture	16,390,000	-1.07		15.8
1993	16,598,000	+1.26		15.8
1994	16,748,000	+0.90		15.5
1995	16,360,000	-2.3		14.9
1996	16,269,000	-0.55		14.5
1997	16,110,000	-0.97		14.1
1998	16,211,000	+0.62		13.9
1999	16,477,000	+1.64		13.9
2000	16,258,000	-1.33		13.5

Source: Bain, George Sayers, and Robert Price, 1980. *Profiles of Union Growth. A Comparative Statistical Portrait of Eight Countries*. Oxford: Basil Blackwell.

Bean, R., 1989. *International Labour Statistics: A Handbook, Guide, and Recent Trends*. London: Routledge.

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Level of Trade Unions' Membership in Sweden, 1972 – 1999

	Membership	Annual Rate of Change %	Employment Density %	Workforce Density %
1972	2,492,400	+2.6		69.2
1973	2,551,100	+2.4		70.5
1974	2,653,900	+4.0		71.9
1975	2,766,000	+4.2		73.2
1976 Critical Juncture	2,828,000	+2.2		74.1
1977	2,932,000	+3.6		76.3
1978	2,996,800	+2.2		77.3
1979	3,048,800	+1.7		77.6
1980	3,114,300	+2.1		78.2
1981	3,144,000	+1.0		78.6
1982 Critical Juncture	3,184,300	+1.3		79.3
1983	3,235,600	+1.6		80.0
1984	3,298,300	+1.9		81.1
1985	3,349,800	+1.6		81.5
1986	3,393,100	+1.3		82.6
1987	3,413,400	+0.6		84.8
1988	3,416,100	+0.1		83.8
1989	3,415,100	0.0		82.9
1990	3,387,700	-0.7		82.4
1991 Critical Juncture	3,424,900	+1.1		83.5
1992	3,431,400	+0.2		85.5
1993	3,411,900	-0.5		87.7
1994	3,392,700	-0.5		88.6

1995	3,390,200	0.0		87.5
1996	3,355,200	-0.9		86.6
1997	3,317,000	-1.0		86.4
1998	3,293,300	-0.6		

Source: Bain, George Sayers, and Robert Price, 1980. *Profiles of Union Growth: A Comparative Statistical Portrait of Eight Countries*. Oxford: Basil Blackwell.

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Appendix D

Main Economic Indicators

Ireland's Main Economic Indicators, 1945 – 2000

Year	Unemployment	Inflation	Government Debt to GNP ratio	Growth Rates in Real Gross Domestic Product	Industrial Disputes days lost (thou)	Economic Openness
1945	10.6	-1.2			244	
1946	10.6	-1.19			150	
1947	9.3	10.2	33.8		449	
1948	9.4	-1.09		4.75	258	
1949	9.0	1.2		4.1	273	
1950	7.5	0.0		1.9	217	70.93345
1951	7.3	11.25	49.9	1.9	545	82.55222
1952	9.1	10.1		2.26	529	69.63176
1953	9.6	2.04		2.5	82	66.85665
1954	8.1	2.0		0.9	67	65.45109
1955	6.8	1.9		1.9	236	67.17816
1956	7.7	4.4		-1.45	48	60.98576
1957	9.2	2.57		0.98	92	62.7357
1958	8.6	2.6		-2.2	126	62.86433
1959	8.0	-0.85	55.5	4.1	124	62.73207
1960	6.7	0.86	57.5	5.0	80	64.68637
1961	5.0	2.8	57.8	3.2	377	69.80739
1962	4.8	4.3	58.3	3.1	104	66.89395
1963	5.0	2.5	58.93	4.7	234	69.97402
1964	4.7	6.7	55.2	3.8	545	70.08703
1965	4.6	5.0	58.7	1.9	556	74.32474
1966	4.7	3.0	59.7	0.7	784	75.72556
1967	5.0	4.8	58.3	4.8	183	74.11819
1968	5.0	5.0	59.2	8.1	406	79.36693
1969	5.0	7.4	55.9	4.7	936	79.29319
1970	5.8	8.2	54.5	3.3	1008	77.47553
1971	5.5	9.0	53.8	4.3	274	75.15673
1972	6.2	8.6	50.0	6.4	207	70.39311
1973	5.7	11.4	47.97	4.4	207	78.31638
1974	5.4	17.0	55.39	4.2	552	94.37706
1975	7.3	20.9	58.05	2.0	296	86.44022
1976	9.0	18.0	62.5	2.1	777	94.96721
1977	8.8	13.6	61.4	6.9	442	102.0045
1978	8.1	7.6	63.5	6.7	613	103.7894
1979	7.1	13.2	70.65	2.4	1465	109.601
1980	7.3	18.2	71.91	1.9	412	106.4831
1981	9.9	20.4	77.45	1.1	434	105.0999
1982	11.4	17.1	86.53	-0.7	434	97.81183
1983	13.6	10.5	97.60	-1.6	319	101.7349
1984	15.4	8.6	106.28	2.3	386	112.7388
1985	16.7	5.4	108.60	0.8	418	112.172
1986	17.1	3.8	123.26	-1.1	309	101.1026
1987	17.7	3.1	124.07	4.6	264	104.8707

1988	16.4	2.1	117.35	4.4	143	109.5299
1989	15.1	4.1	106.84	7.0	26	117.0717
1990	13.0	3.3	99.98	8.4	208	109.3312
1991	14.7	3.2	94.5	2.6	17	110.7998
1992	15.3	3.1	95.37	4.6	11	114.0337
1993	15.8	1.4	95.40	3.7	61	121.382
1994	14.7	2.4	90.98	7.3	25	131.6719
1995	12.2	2.5	83.38	10.7	130	141.2347
1996	11.9	1.7	74.01	7.4	114	143.4561
1997	10.3	1.5	65.73	9.8	74	146.9532
1998	5.8	3.75	53.19	8.61	37	161.8042
1999	4.7	1.5	42.46	10.85	215	163.5674
2000	3.7		34.36	11.46	97	175.5566

Sources: Leddin, Anthony J., and Brendan M. Walsh, 1998. *The Macroeconomy of Ireland*. (4th ed.) Dublin: Gill & Macmillan.

Mitchell, B. R., 1993. *International Historical Statistics. Europe 1750-1988*. (3rd ed.) Hong Kong: Stockton Press.

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Britain's Main Economic Indicators, 1935 – 2000

Year	Unemployment	Inflation	Government Debt to GNP ratio	Growth Rates in Real Gross Domestic Product	Industrial Disputes days lost (thou)	Economic Openness
1935	11.0	1.16	168	3.7	1,955	
1936	9.4	3.4	162	3.04	1,829	
1937	7.8	4.4	150	4.33	3,413	
1938	9.3	1.06	147	3.12	1,334	
1939	5.8	1.05	141	4.11	1,356	
1940	3.3	16.6	121	16.3	940	
1941	1.2	8.03	131	6.26	1,079	
1942	0.5	0.80	149	1.13	1,527	
1943	0.5	-0.81	168	1.92	1,810	
1944	0.4	1.65	194	-4.96	3,710	
1945	0.5	0.8	232	-7.0	2,835	
1946	1.9	0.0	252	-0.89	2,158	
1947	1.4	0.0	245	-2.58	2,433	
1948	1.3	8.06	217	2.8	1,944	
1949	1.2	2.49	201	3.2	1,807	
1950	1.6	0.83	197	3.8	1,389	43.81316
1951	1.3	8.76	178	1.9	1,694	51.93016
1952	2.2	7.11	164	1.5	1,792	46.87596
1953	1.8	3.15	154	4.4	2,184	42.53413
1954	1.5	1.43	149	3.8	2,457	41.60354
1955	1.2	3.98	141	3.3	3,781	42.54314
1956	1.3	6.11	134	2.7	2,083	41.72839
1957	1.6	3.65	126	1.9	8,412	41.49407

1958	2.2	3.89	121	-0.34	3,462	38.39157
1959	2.3	1.34	117	3.4	5,270	38.22627
1960	1.7	1.27	110	4.5	3,024	41.30951
1961	1.6	3.25	106	3.5	3,046	39.79346
1962	2.1	3.63	103	1.0	5,798	38.7525
1963	2.6	2.12	101	3.9	1,755	38.7822
1964	1.7	3.61	93	5.2	2,277	38.80818
1965	1.5	4.95	87	2.3	2,925	37.67207
1966	1.5	4.40	84	2.0	2,398	37.54288
1967	2.4	2.88	81	2.6	2,787	38.0489
1968	2.4	4.13	81	4.1	4,690	42.21695
1969	2.3	5.32	74	1.5	6,846	42.50344
1970	2.5	7.06	67	2.2	10,980	43.82084
1971	3.4	8.94	60	2.7	13,551	43.5476
1972	3.7	7.84	58	2.2	23,909	42.3862
1973	2.2	6.84	52	7.5	7,197	48.48464
1974	2.1	13.89	50	-1.0	14,750	59.62696
1975	3.2	24.06	46	-0.7	6,012	52.59175
1976	4.8	14.13	47	3.6	3,284	57.26631
1977	5.2	13.03	48	1.3	10,142	58.77758
1978	5.1	10.75	49	3.7	9,405	55.20993
1979	4.6	13.44	46	1.6	29,474	55.21527
1980	5.6	17.81	43	-2.0	11,964	52.04547
1981	9.0	10.81	46	-2.0	4,266	50.38433
1982	10.4	7.33	44	1.8	5,312	50.64292
1983	11.2	5.13	43	3.7	3,754	51.9722
1984	11.1	4.52	45	2.4	27,135	56.81158
1985	11.5	5.54	46	3.8	6,402	56.49634
1986	11.6	3.40	44	4.2	1,920	52.06778
1987	10.4	4.86	46	4.4	3,546	51.9535
1988	8.3	6.39	44	5.2	3,702	49.57684
1989	6.1	6.83	39	2.1	4,128	51.40334
1990	5.5	6.05	35	0.6	1,903	50.62695
1991	7.9	6.36	35	-1.5	761	47.42838
1992	9.4	4.37	36	0.1	528	48.41582
1993	10.2	1.6	40	2.3	649	51.96185
1994	9.4	2.4	46	4.4	278	53.68399
1995	8.5	3.5	50	2.8	415	57.08764
1996	8.0	2.4	52	2.6	1,303	59.07874
1997	6.9	3.1	52	3.5	235	57.09245
1998	6.2	3.4	49	2.6	282	54.28551
1999	5.9	1.5	46	2.1	242	54.29056
2000	5.4	3.0	42	3.1	499	57.90991

Sources: OECD, 1995. *Labour Force Statistics*. OECD: Paris.

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America's Main Economic Indicators, 1935 – 2000

Year	Unemployment	Inflation	Government Debt to GNP ratio	Growth Rates in Real Gross Domestic Product	Industrial Disputes days lost (thou)	Economic Openness
1935	20.1	2.2	39	9.9	15,500	
1936	16.9	1.5	43	13.8	13,900	
1937	14.3	3.5	41	5.18	28,425	
1938	19.0	-2.1	44	-5.10	9,148	
1939	17.2	-1.0	42	8.55	17,812	
1940	14.6	1.0	43	8.50	6,701	
1941	9.9	5.0	40	16.0	23,048	
1942	4.7	10.4	46	13.0	4,183	
1943	1.9	6.0	71	13.1	13,501	
1944	1.2	1.6	96	7.17	8,721	
1945	1.9	2.24	117.5	1.0	38,025	
1946	3.9	18.13	121.7	-19.0	116,000	
1947	3.9	8.8	109.6	-2.8	34,600	
1948	3.8	2.7	98.3	4.8	34,100	
1949	5.9	-1.8	93.0	-0.5786	50,500	
1950	5.3	5.8	93.9	8.7	38,800	8.181615
1951	3.3	5.9	79.5	7.6	22,900	9.423225
1952	3.0	-.9	74.3	3.9	59,100	8.89649
1953	2.9	-.59	71.2	4.5	28,300	8.374369
1954	5.5	-0.3	71.6	-0.67	22,600	8.466593
1955	4.4	0.3	69.4	7.09	28,200	8.66339
1956	4.1	2.8	63.8	1.9	33,100	9.409499
1957	4.3	3.0	60.4	1.9	16,500	9.792786
1958	6.8	1.7	60.7	-0.9	23,900	8.843573
1959	5.5	1.5	58.4	7.2	69,000	8.735885
1960	5.5	1.3	56.0	2.4	19,100	9.445088
1961	6.7	0.6	55.0	2.3	16,300	9.258961
1962	5.5	1.2	53.3	5.5	18,600	9.267821
1963	5.7	1.6	51.7	4.0	16,100	9.298134
1964	5.2	1.19	49.3	5.3	22,900	9.618976
1965	4.5	1.7	46.9	6.1	23,300	9.590608
1966	3.6	2.9	43.6	5.8	25,400	9.944596
1967	3.7	2.8	41.8	2.8	42,100	10.10676
1968	3.4	4.2	42.5	4.0	49,018	10.44892
1969	3.4	5.4	38.5	2.8	42,869	10.4746
1970	4.8	5.9	37.6	-0.3	66,414	11.2628
1971	5.8	4.3	37.7	3.1	47,589	11.23777
1972	5.5	3.3	36.9	5.4	27,066	11.83244
1973	4.8	6.2	35.6	5.5	27,948	13.56898
1974	5.5	11.0	33.6	-0.7	47,991	17.08434
1975	8.3	9.1	34.7	-0.7	31,237	16.14538
1976	7.5	5.8	36.2	4.9	23,962	16.63435
1977	6.9	6.5	35.8	5.2	21,258	16.97072

1978	5.9	7.7	35.0	4.7	23,774	17.52088
1979	5.7	11.3	33.1	2.4	20,409	18.93889
1980	7.0	13.5	33.3	-0.3	20,844	20.69277
1981	7.5	10.4	32.5	2.3	16,908	20.01288
1982	9.7	3.8	35.2	-2.1	9,061	18.16323
1983	9.6	3.7	39.9	4.0	17,461	17.29869
1984	7.5	4.0	40.7	7.0	8,499	18.17739
1985	7.2	3.79	43.9	3.6	7,079	17.25269
1986	6.9	1.1	48.2	3.1	11,861	17.51173
1987	6.2	4.3	50.4	2.9	4,469	18.59198
1988	5.5	4.4	51.9	3.8	4,381	19.75899
1989	5.3	4.6	53.0	3.4	16,529	20.19781
1990	5.6	6.2	55.9	1.2	5,925	20.61974
1991	6.8	2.98	60.7	-0.9	4,584	20.64378
1992	7.5	2.9	64.4	2.7	3,989	20.7988
1993	6.9	2.8	66.3	2.3	3,981	20.92695
1994	6.1	2.59	66.9	3.5	5,021	21.98644
1995	5.6	2.53	67.2	2.3	5,771	23.46015
1996	5.4	3.3	67.3	3.4	4,889	23.71018
1997	4.9	1.6	65.6	3.9	4,497	24.49585
1998	4.7	1.2	63.2	4.4	5,116	23.87445
1999	4.4	1.4	61.4	4.2	1,996	24.2283
2000	4.0	1.9	59.4	5.2	20,149	26.19722

Sources: OECD, 1995. Labour Force Statistics. OECD: Paris.

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Sweden's Main Economic Indicators, 1945 – 2000

Year	Unemployment	Inflation	Government Debt to GNP ratio	Growth Rates in Real Gross Domestic Product	Industrial Disputes days lost (thou)	Economic Openness
1945	4.5	-0.4		7.1	11,321	
1946	3.2	0.4		4.9	27	
1947	2.8	2.6		3.5	125	
1948	2.8	5.0		4.5	151	
1949	2.7	1.6		5.4	21	
1950	2.2	1.2	38.8	5.1	41	
1951	1.8	15.8	32.4	2.8	531	54.01877
1952	2.3	8.0	29.5	1.6	79	45.99083
1953	2.8	1.2	31.1	3.5	582	41.96784
1954	2.6	0.6	31.9	5.7	24	44.02913
1955	2.5	2.7	31.7	3.0	159	45.02526
1956	1.7	5.2	30.8	3.3	4	46.67535
1957	1.9	3.8	32.4	2.4	53	47.98466

1958	2.5	4.0	31.9	2.4	15	44.38861
1959	2.0	0.8	32.8	5.4	24	42.69992
1960	1.4	4.2	31.6	3.7	18	45.60977
1961	1.2	2.1	28.6	5.7	2	43.25785
1962	1.3	4.7	25.1	4.3	5	42.5172
1963	1.4	2.8	23.4	5.2	25	42.67662
1964	1.1	3.0	21.2	6.8	34	43.3241
1965	1.1	5.0	19.0	3.8	4	43.47562
1966	1.4	6.4	18.9	2.1	352	42.47558
1967	1.7	4.3	19.3	3.4	0.4	41.26103
1968	2.0	1.9	20.8	3.6	1	42.29757
1969	1.7	2.7	26.0	5.0	112	44.95344
1970	1.4	7.0	21.0	6.5	156	47.68532
1971	2.0	7.4	20.8	0.8	839	46.47
1972	2.0	6.0	22.2	2.2	11	45.83361
1973	2.5	6.7	22.6	3.9	12	50.90327
1974	2.0	9.9	24.2	4.3	58	63.73183
1975	1.6	9.8	24.4	2.2	366	55.24588
1976	1.6	10.3	23.6	1.2	25	55.70874
1977	1.8	11.4	26.5	-2.0	87	55.18196
1978	2.2	10.0	31.8	1.3	37	54.19376
1979	2.1	7.2	37.9	4.3	29	60.43795
1980	2.0	13.7	43.2	1.9	4,478	60.14818
1981	2.5	12.1	50.8	-0.6	209	59.64625
1982	3.1	8.6	59.3	1.1	2	64.93382
1983	3.5	9.0	64.6	1.8	37	68.92182
1984	3.1	8.0	67.1	4.0	31	68.82427
1985	2.8	7.4	68.7	1.9	504	68.49155
1986	2.7	4.2	66.6	2.3	696	62.17399
1987	1.9	4.2	60.8	3.1	15	62.70506
1988	1.6	5.8	54.7	2.3	797	62.30348
1989	1.3	6.4	48.7	2.4	410	62.80757
1990	1.7	10.5	45.5	1.4	770	59.2418
1991	2.9	9.7	47.9	-1.1	22	54.44349
1992	5.3	2.5	61.1	-1.4	28	54.42113
1993	8.2	4.7	75.6	-2.2	190	61.99749
1994	9.4	2.3	80.6	3.3	52	68.36518
1995	8.8	2.8	80.9	3.9	627	74.12771
1996	9.6	0.8	80.3	1.3	61	71.43361
1997	9.9	0.9	78.5	1.8	23	78.02905
1998	8.2	0.4	73.4	2.8	1.6	81.14629
1999	6.7	0.3	66.10	5.0	78	81.07326
2000	5.6	1.3	58.20	1.0	272	89.02305

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a) Original Material

- (i) Newspapers
- (ii) Government Publications
- (iii) Trade Union Reports
- (iv) Correspondence

b) Secondary Sources

- (i) Books
- (ii) Journals
- (iii) Papers
- (iv) The Internet
- (v) Unpublished Research Thesis

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- (i) Newspapers**

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