

**Working Papers in International Studies  
Centre for International Studies  
Dublin City University**

**The Logic of Post-Communist Capitalist  
Collective Inaction**

**Iain McMenamin  
School of Law and Government  
Dublin City University**

Working paper 7 of 2003

 The logo for Dublin City University (DCU) features a stylized yellow swoosh above the letters 'DCU' in a bold, blue, sans-serif font.	<p><b>Centre for International Studies School of Law and Government Dublin City University Ireland</b></p> <p><b>Tel. +353 1 7008084 Fax + 353 1 7008036 Email <a href="mailto:cis@dcu.ie">cis@dcu.ie</a> Web: <a href="http://www.dcu.ie/~cis">www.dcu.ie/~cis</a></b></p>
---	---

**Abstract**

The relationship between politics and business is obviously a key feature of policy-making in capitalist democracies, and business associations are an important element of that relationship. A consensus has now emerged that organised business is remarkably weak in East-Central Europe. This article proposes a theoretical synthesis with which to explain that weakness. It shows how the strength of trade unions, varieties of capitalism and interest diversity are specifications of Olson's logic of collective action, specifications without which the logic itself is too general to explain concrete outcomes. Detailed evidence in favour of the theory is provided from the Polish case. It is argued that the analysis should also apply to other post-communist countries.

## **1. POST-COMMUNIST BUSINESS ASSOCIATIONS**

The role of business interests is a vital element of politics in any capitalist democracy. The nature of the interface between politics and business is particularly interesting in post-communist societies. The communist regime was defined by the, largely successful, abolition of an independent business sphere which was swallowed up by the political system. The post-communist transformation is most unique in its attempt to create a new independent business sphere and a new relationship between that sphere and the political system. Business associations are usually crucial actors in the interaction of the economic and political systems. However, it is now becoming clear that, in East-Central Europe, they are important more in their absence than in their presence (Draus 2000). Obviously patterns vary across the region but relative weakness seems to be a general pattern. The latest research suggests that this applies even to the Czech Republic which had been initially trumpeted as an example of post-communist corporatism (Myant, Slocock and Smith 2000).

The weakness of organised business has several fascinating implications for East-Central European political economy. There is a well-demonstrated association between corporatism and consensus democracy. East-Central Europe will now join Italy and Portugal as clear consensus democracies with relatively pluralist interest group politics. Soskice has recently made a powerful argument that the level of business co-ordination is the key factor in determining the type of political economy and, even the sources of comparative advantage, in a given country. This suggests that East-Central Europe may now be joining the ranks of the liberal market economies, hitherto a minority in the European Union. The weakness of organised business means that business has to find other ways into the political system. The most frequent alternative seems to be the exploitation of personal connections, which has an obvious affinity with the corruption that has now become such a problem in East-Central Europe.

Although there may be a clear consensus that the level of political mobilisation is important and an emerging consensus that its level of mobilisation is low, there is no such consensus on a theoretical framework with which to explain post-communist

collective inaction. This article aims to present a convincing explanation based on economic factors alone. It does so by presenting a theoretical synthesis based on Olson's famous logic of collective action. Three other approaches, which stress economic factors, are shown to be more specific variants of the logic of collective action: the role of labour unions, varieties of capitalism, and interest diversity. The theory is backed up by evidence from Poland, which takes issue with common interpretations of both Polish political economy in particular, and post-communist business-government relations in general. The logic of collective action and its more specific variants all present huge obstacles to capitalist collective action in Poland.

Section 2 discusses the most powerful theories applicable to post-communist capitalist collective action. Section 3 introduces the weak and fragmented structure of business association in Poland. Section 4 applies the theoretical framework to Poland. A variety of primary and secondary and qualitative and quantitative sources are used. Any methodological issues are noted as they arise. Section 5 assesses the extent to which the Polish analysis may be generalisable to other cases in the region and Section 6 concludes.

## **2. FOUR THEORIES – ONE LOGIC**

### **2.1 Olson's Logic of Collective Action**

The basis of Olson's argument is the distinction between public and private goods. The key feature of a public good is that if one member of a group "consumes it, it cannot feasibly be withheld from others in that group" (Olson 1971: 14). A private good is simply the converse: if one person consumes it there is nothing to stop it being withheld from other members of a group. Someone can enjoy a public good whether they have contributed to its supply or not. It is not rational for an individual to contribute to the provision of a public good unless she thinks that her portion of the increase in the supply of the good due to her efforts will be greater than the cost of her contribution to its supply. The likelihood that an individual will calculate that their contribution will make a sufficiently large difference to the supply of a public good is basically a function of group size. This is the first key independent variable identified by the logic of collective action.

Olson distinguished three types of groups. A latent group is a group for which “if one member does or does not [participate in collective action] no other one member will be significantly affected and therefore none has any reason to react”. As such, latent groups are very unlikely to form the basis of collective action and the formation of a business association. Intermediate groups do not “have so many members that no one member will notice whether any other member is or is not helping to provide the collective good”. This makes it much more likely that collective action will happen. Finally, there are “privileged groups” in which a single member has sufficient incentive to set up a business association. (Olson 1971: 50)

Since the vast majority of politically relevant groups are latent groups this theory predicts there will be very few interest associations. However, Olson is well aware that a large number of latent groups have in fact managed to mobilise interest associations. He explains this by reference to private goods which enable those “who [do not] contribute to the attainment of the group’s interest [to] be treated differently from those who do” (Olson 1971: 57). Olson sees private goods as exclusively economic rather than political and as such they are the basis of the “by-product” theory. Members do not join a group because they support its political aims. According to Olson’s account they might even violently disagree with them! Members join because of the private economic goods. Thus, the political activities of interest groups are a by-product of their delivery of private economic goods. The balance of public and private goods provided by an association is the second key independent variable proposed by the logic of collective action.

The third key independent variable is the size of the enterprises. The basic cost-benefit calculation is quite different for small enterprises (Moe 1980: 255; Van Waarden 1991: 70; Grant and Marsh 1977: 36). Firstly, small enterprises have limited resources and almost always have to contribute a greater proportion of their resources in money, secondments, volunteer work, etc., than do large enterprises. However, although their contribution is proportionally larger the chances that their contribution will make a difference to the provision of public goods is much smaller.

Private goods often present a greater incentive for association membership for small enterprises than they do for large enterprises. The services provided by associations

are frequently functions that large enterprises can afford to provide in-house or purchase in the market. In contrast, small enterprises are not able to provide themselves with various ancillary functions and perceive a great benefit from having them provided by an association. This does not mean that small enterprises flood into interest associations. Firstly, service-providers that are not subsidising political activities can undercut interest associations and it is from consultancies and such like that small enterprises often purchase specialised services (McLean 2000; Padgett 2000: 120). Secondly, the competitive provision of services necessitates considerable resources which are not likely to be provided if an association is dependent on the very small contributions that small enterprises are prepared to make. This is a vicious circle in which many associations are trapped: to recruit members they need to provide private goods, to provide private goods they need an organisational infrastructure but they cannot build an infrastructure until they have recruited members to provide resources.

Size also influences whether a cost-benefit calculation is made in the first place. For large enterprises, the decision to join, and more frequently the decision to remain a member, may not cross the threshold of rationality (Olson 1982: 28; Grant and Marsh 1977: 49-50; Greenwood 2000). The low level of the contribution to the association may not be enough to justify the trouble of making cost-benefit calculation on whether it should be made or not. However, since contributions to associations will be proportionally larger for small enterprises they will apply a much more strict cost-benefit analysis to association membership.

Lastly, small enterprises are strongly associated with large groups. Where there are few enterprises in an industry those enterprises are also likely to be large. Where there are lots of enterprises in an industry the vast majority of those enterprises are likely to be small. Therefore, small enterprises are more likely to be members of latent groups and large enterprises are more likely to be members of intermediate and privileged groups.

The above account is predicated upon two unrealistic assumptions. In the language of economics, the first assumption is that an individual has “perfect information”: this means that individuals will correctly calculate the costs and benefits of their

contribution to an interest association. However, frequently they do not do so. Many businesspeople will have what Moe calls an exaggerated perception of “self-efficacy”, i.e. they overestimate the likelihood that their personal contribution will make a difference (Moe 1980). The second unrealistic assumption is that the decision to participate in interest associations is motivated solely by economic self-interest. If non-economic motivations are allowed there is an almost endless range of types of goods which can motivate participation in an interest association.

The distinction between public and private goods is a vital one and Olson’s approach is powerful, even if the assumptions of perfect information and economic self-interest are dropped. Interest associations may not be made up of members who disagree with their political aims and many latent groups may manage to mobilise. While these extreme predictions may not be borne out by the evidence, the three independent variables of the number and size of enterprises and the mix of public and private goods are vital factors in explaining the degree to which interest associations actually get organised. The size of the enterprises in the economy is a straightforward variable to assess. The other two variables are not so straightforward. The size of the group is ultimately subjective, and it will vary depending on which issues are perceived to be salient. Similarly, the balance of public and private goods provided by associations will partly depend on the quality of the association’s entrepreneurship in meeting, and even, creating a demand for services. However, both of these factors are also subject to the influence of objective features of the economic environment. Three such features, which can be applied to the post-communist context, are trade unions, varieties of capitalism and interest diversity. The next sections aim to show how these characteristics of the economy are specifications of the variables of group size and the balance of public and private goods that are part of the general logic of collective action.

## **2.2 Trade Unions**

Business associations are often seen as a reaction to the strength of trade unions. It is important to distinguish between the political and economic power of labour unions. If unions have labour market power they will be relevant to business at the level of sectors and regions and will stimulate the formation of business associations at those levels. If unions have political power they will be relevant to business at the level of a

political territory. In most countries the political territory contains many times more businesses than are to be found in a particular sector or region. If unions have political power alone, the opposing business constituency is likely to be a latent group and, therefore, likely to produce weak business associations. Indeed, the business constituency will usually comprise the whole business class. If unions have labour market power the opposing business constituencies are likely to be defined by sector and region. These will constitute intermediate, or even privileged, groups and are much more likely to result in strong business associations. Moreover, if business faces the labour market power of trade unions, associations will be able to provide important industrial relations services such as legal and mediation consultancy. In contrast, if it is only the political power of trade unions that is relevant there will be very few opportunities to provide trade-union related services. Labour market power means that business associations can offer important private goods while political power alone does not increase the potential for private goods. Unions tend to be much stronger in large enterprises than in small enterprises. In fact, they are usually completely absent from small enterprises. Therefore, the labour market power of unions faces a promising constituency for collective action amongst large enterprises. Even though small enterprises may not be faced with unions in the workplace the political power of unions may be an issue for them in terms of legislation that impacts on workplaces whether unions are present are not. Of course, this constituency of small enterprises is not a promising one for collective action.

### **2.3 Varieties of capitalism**

In recent years, the literature has shifted away from the tendency to view business associations as merely a reaction to trade union power. Soskice argues that the type of economic activity in which a business is engaged is likely to affect the potential for business association. He sums up the most profound differences between types of businesses in the notion of a “production regime”. According to this account business associations do not reflect the structure of labour unions, but rather labour unions are part of an overall institutional structure, the nature of which is largely determined by the nature of the production regime. In other words, business decides on union structure, not the other way round (Soskice 1999; Hall and Soskice 2001).



Soskice distinguishes between co-ordinated and liberal market economies. In co-ordinated economies, there is a rich structure of institutional co-operation between enterprises, amongst which relatively corporatist business associations play a vital part. In this sort of system, business associations have a key role in the economic activity of the firm, in regulation, technology transfer, training, etc. By contrast, in liberal market economies there is much less inter-firm co-operation. Business associations are much less relevant to the firms' economic activity and tend to be restricted to a narrower lobbying function. This narrower lobbying role means that there is less incentive for business associations to encompass and monopolise the representation of their business constituencies.

In terms of the logic of collective action, in co-ordinated economies the most relevant group for business is likely to be a sector or sub-sector. Sectors, in turn, are likely to be intermediate groups with good collective action potential. Because of their integration in the production processes of the firms business associations in coordinated economies are likely to provide private goods which are absolutely central to their member firms' activities. In liberal economies, these small groups are less likely to be important and business is more likely to identify with a latent group like the business class as a whole. In this case, there is likely to be less potential for private goods which are so vital to the firm's profits. Furthermore, co-ordinated economies tend to have relatively large numbers of medium-sized enterprises. These enterprises are large enough to be motivated by public goods but also small enough to be motivated by private goods. In liberal economies there is more of a contrast between large enterprises which are interested primarily in public goods and small enterprises which are really only interested in private goods.

#### **2.4 Interest diversity**

Padgett makes an interesting argument about interest diversity amongst post-communist businesses. He argues that there are so many sources of division in post-communist business that this hinders collective action, resulting in small weak associations:

[C]leavages between state and private sectors, large and small firms, indigenous and foreign capital, and the liberal and 'nomenklatura bourgeoisie' are replicated in organisational activity (Padgett 2000: 10).

This suggests that there are no coherent constituencies for business associations. Groups of businesses with enough in common to justify the foundation of a business association are so small that there is no need for such formal co-ordination: a handful of enterprises can easily co-operate on an informal basis. At its most extreme, if an enterprise is separated from other enterprises by a variety of cleavages only individual action makes sense. Ultimately, the salience of these multiple cleavages means that there is also no overall business class interest or identity (Padgett 2000: 1, 53). This argument about interest diversity can also be interpreted in terms of the Olsonian focus on the size of the group. Basically, it argues that groups will tend to have one member, or that there are no groups and therefore collective action makes no sense.

#### **2.4 Theoretical synthesis**

Figure 1 (page 21) summarises the above arguments about economic influences on business association. When there are very large numbers of enterprises which share the same interest this constitutes a latent group which makes collective action problematic. The ultimate latent group for businesspeople is their overall class position. This class position is most well-defined in opposition to labour movements with influence at the level of national politics. In liberal market economies business tends to view itself as a class seeking maximum freedom from restraint by labour law and labour unions and eschewing state support for sectoral systems of business co-ordination. The business class is the level which emphasises maximum interest homogeneity across the national economy as a whole. There are very restricted possibilities for the offer of private goods at such a general level. At the class level the vast majority of businesses are small.

Intermediate groups are those where the non-cooperation of a single enterprise may be noticed and sanctioned by others, thereby making collective action much more likely. Sectoral or regional business associations are likely to constitute intermediate groups. If unions have strong labour market power they are likely to stimulate business association at the sectoral or regional levels. Similarly, co-ordinated market economies tend to emphasise the sectoral level at which associations can co-ordinate both the political and economic activities of their members. This type of economy represents a moderate focus on interest diversity. Sectoral interest is more important

than class interest. At the level of sectoral interest there is considerable potential for offering attractive private goods to members. Medium-sized enterprises are well-represented in economies with strong sectoral interests and identities.

Finally, there is the situation in which only individual action is rational: there is no relevant group with which an enterprise can contemplate collective action. This is a situation of maximum interest diversity and is the logical extreme of Padgett's argument. This section has shown that arguments about unions, production regimes and interest diversity can be adequately incorporated into Olson's trio of group size, private goods, and enterprise size. Section 4 will show how this theoretical synthesis is supported by evidence from Poland. The next section briefly describes the situation of Polish business associations.

### **3. BUSINESS ASSOCIATIONS IN POLAND**

Business associations have a weak presence amongst businesspeople. One survey found that over 35 per cent of heads of firms claimed never to have heard of *any* organisation representing employers (Institute of Public Affairs 2000: 7).<sup>1</sup> It seems highly unlikely that more than ten per cent of Polish enterprises are members of a business association.<sup>2</sup> Polish employer organisations have, on average, just one employee and are heavily dependent on membership fees and the contributions of

---

<sup>1</sup> Telephone interviews with owners/president/vice-presidents of firms. 60% were private enterprises; 33% from Warsaw; 33% from towns of over 100,000 inhabitants; 33% from towns of between 20,000 – 100,000 inhabitants. The sample represents the 8 main categories of the European Classification of Economic Activity. No response rate given.

<sup>2</sup> The Institute of Public Affairs survey described above found that 8% of enterprises with 20 employees or less were members of business associations. Since approximately 95% of Polish enterprises are about this size or smaller ten per cent seems to be a safe upper limit.

volunteers to survive (Nalecz 2000).<sup>3</sup> These weak organisations are divided amongst themselves. At least five groups are plausible rivals for the title of chief representative of Polish business (Jasiecki 1999: 7; Kozek 1999: 86). Peak associations organise a small minority of the relevant primary associations (Konfederacja Pracodawców Polskich 1999; Sąd Wojewódzki 1999a, 1999b; Krajowa Izba Gospodarcza 1999; Sąd Gospodarczy 1999). Just as the associations have a weak and divided presence amongst businesspeople they are rarely central actors in politics (Keat 2000: 212). Only 3.1 per cent of deputies in the Second *Sejm* (1993-97) felt that employer organisations had a great influence on their work (Wesołowski and Post 1998: 188). The principal peak associations, and many sectoral associations, are frequently consulted by the government on new bills, but they have no right to be consulted and often do not hear about a bill until it is published. There is a tripartite commission, which, in theory, gives great power to collective business. However, its only concrete power is the setting of wages in the “budget sector”. There is only one real employer in this sector – the state – and this means that employer associations are marginalized.<sup>4</sup> Even representatives of the top business associations find it difficult to think of a recent policy success.<sup>5</sup> The next section uses the theoretical framework introduced earlier to explain the weak mobilisation of Polish business.

---

<sup>3</sup> Analysis of SOF census of the Polish Central Statistical Office in 1998. The questionnaire was sent to all 109 employers organisations with bank accounts. 67 replied, 22 refused, 6 were inactive and nothing is known about 14. It was assumed that the 22 refusals were similar to the 67 respondents on the basis of similar research on Polish non-profit organisations.

<sup>4</sup> Interview: Dagmir Długosz, 2 July 2002. This was one 21 interviews with business leaders and politicians carried out by the author between 1999 and 2002. The business leaders came from the five most influential business associations and represented a the full range of backgrounds under the communist regime (opposition, old regime, émigré, private business, and intelligentsia) and a wide range of sectors (state, private, privatised, large, small, sundown, sunrise, mining, manufacturing, services). Six politicians, with a special interest in business, from various parties, as well as a trade-unionist and three professional lobbyists were also interviewed.

<sup>5</sup> Interview: Marek Kłoczko, 30 June 2000

## 4. EXPLAINING CAPITALIST INACTION IN POLAND

### 4.1 The size of Polish enterprises

As in all capitalist economies, the vast majority of Poland's enterprises are small. However, the proportion is even greater than average in Poland, partly because there are relatively few medium-sized enterprises. However, where Poland is really unusual is that within the category of small enterprises, ninety-five per cent are both legally and literally sole traders (Bak, 1999; Rzeczpospolita, *Ekonomia*, 12 July 2002). This suggests that capitalist collective action in Poland will be problematic to say the least. However, the extreme weakness of collective Polish business is further explained by the definition of the size of the relevant group and the opportunities for the provision of vital public and private goods. Both of these variables are clearly explained by an examination of the role of trade unions, varieties of capitalism and interest diversity.

### 4.2 Trade unions in Poland

The representation of Polish trade unions is weak in the labour market. Union membership has been in free fall since the collapse of communism, as Table 1 shows.

*Table 1: Trade Union Membership in Poland*

Federation	1990-91	1993	1995
Solidarity	2.2m	1.5m	1.3m
OPZZ	6m	4.8m	2.5m

*Source:* Kubicek 1999: 86. Self-reported data, collected by author, ILO or state committees.

In 1995 the overall union density was estimated to be about 35 per cent. Membership has continued to fall fast. By 1997 it was estimated to be 23 per cent (Padgett 2000: 78) and by 2000 20 per cent (Rzeczpospolita, *Plus Minus*, 19 August 2000). The fall in the membership of the All-Polish Agreement of Trade Unions (OPZZ) has been particularly precipitous in recent years (Rzeczpospolita, *Kraj*, 27 May 2002). None of these figures is likely to be exact but the overall picture is clear. The research of Gardawski has shown that membership of Polish unions is high and stable in the state sector, is being eroded in privatised firms, and is virtually non-existent in new private

and small firms (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 14-15).<sup>6</sup> The central federations, the post-communist OPZZ and Solidarity, are fiercely antagonistic at the level of national politics. Relationships at the local level tend to be more pragmatic, but co-operation is limited. Both federations have very loose structures. Unions in the workplace have very little contact with, and regard for, the national leadership and the regional and sectoral divisions of the federations (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 17, 20, 168). There are also many independent unions. The most significant of these are radical offshoots of Solidarity – Solidarity '80 and Solidarity August '80. The majority of unionised enterprises have only one union (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 234). Where this is not the case, the law tends to calcify the fragmentation of unions by insisting that unions work together. In practice, they frequently do not manage to do so and unions are marginalised. The leader of Solidarity's public services branch says:

At the plant level many trade unions are registered. When there's a real gamut of trade unions it is hard for them to come to agreement among themselves. There is just too much pluralism and this does not help the representation of workers.<sup>7</sup>

Overall, Polish unions are relatively passive. Workers and unionists have great respect for managers and rarely seem to think they can or should take part in the running of the firm (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 172; Ost and Weinstein 1999). Unions play little or no role in decision-making in firms. Their role is greatest in safety and hygiene, layoffs and bonuses. Collective bargaining agreements were in place in one third of the workplaces in Gardawski's sample (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 21). Collective bargaining

---

<sup>6</sup> The information is based on a sample of 202 workplaces from 1998, drawn from the food, wood and paper, chemical, car, building, education, healthcare and social assistance sectors. 202 directors or another members of the management was interviewed, as were 148 union activists, and 1225 other workers, whether union members or not. The number of workers surveyed was proportionate to the size of the enterprise. Almost half of the places of work had less than 50 employees. 41.5% had between 50 and 250 employees and 8.5% had over 250 employees. Almost half of the workplaces were private or privatized. No response rate given. (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 13)

<sup>7</sup> Interview: Jerzy Wielgus, 13 December 2000

beyond the level of the individual workplace is extremely rare in Poland and formal agreements are confined to a handful of state sectors. Relationships between unions and employers are rarely conflictual in Poland. In one-third of the workplaces in Gardawski's sample strike notice had been served in the last decade and in one-fifth strikes had actually taken place. The number of working days lost to strikes in 1990 was 141,304 but had fallen to 25,894 by 1997 (Główny Urząd Statystyczny 2000). The vast majority of conflict takes place in a limited number of state sectors. Workers do not consider their unions very useful. When they have a problem, workers tend to go straight to the management rather than through their union (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 244). When given a list of statements describing the role of unions workers most frequently chose, "They try but they do not achieve much" (Gardawski, Gąciarz, Mokrzyzewski, Panków 1999: 20).

However, unions do have considerable influence at the level of national politics. In the third *Sejm* 106 out of the 460 members of the *Sejm* were directly connected to unions (Kolankiewicz 1998). Many Poles, and especially business leaders, think that Poland is a country run by unions. They have even coined the term "*Związkocracia*" (Rule of the Unions). The following discussion argues that this view is an exaggeration.

Solidarity cannot be straightforwardly treated as a union. It has always had a much wider political agenda (Jackiewicz 1996). At both the grassroots and elite levels the political and trade union Solidarities were difficult to extricate. Local party organisations were largely based on existing union facilities. The top officials of Solidarity sat in the *Sejm* and some entered government. The Solidarity Electoral Action bloc, which ruled from 1997 to 2001, was dominated by Solidarity president Marian Krzaklewski. Perhaps the most obvious example of union influence during its time in power was legislation on shortening the working week. Previous governments had passed various laws which gave some privileges to unions, such as enhanced job security for union officials (Majtas 1999: 27-28). However, the overall thrust of Solidarity government policy had nothing to do with the rights of unionists and workers. The bloc also contained other parties, like the People's Conservative Party, who wanted to restrict union influence on policy. Many of the Solidarity representatives had a much stronger commitment to the acceleration of socio-

economic reform than they had to the promotion of workers or union interests. One common explanation for the decline of Polish unions is the “umbrella” provided by Solidarity to radical reforms after the transition of 1989 and again during the third *Sejm*. The chaotic record of the government, Krzaklewski’s pathetic campaign for the Polish presidency and the electoral wipeout suffered by Solidarity Electoral Action in 2001 may mean the end of direct involvement in politics for the Solidarity union.

The relationship between the OPZZ and the post-communist Democratic Left (SLD) is more straightforward. Again, senior officials sit in the *Sejm* and enter government. They tend towards a more direct representation of union interests than Solidarity. Although the Democratic Left calls itself social-democratic and advocates many social-democratic policies it is also a party of business, especially big business. Many of the senior members of the party come from the pro-business wing of the party. Perhaps the most salient characteristic of the party and its leadership is its pragmatism. It is as much a party of power as a left-wing union-based party. In both the SLD and AWS large swathes of the parties were unhappy with their close relationship with the unions and were working to undermine it or reconstruct it on a more distant basis (Panków 1999; Panków 2000).

The constituencies of businesses with an interest in the presence of trade unions in the labour market may be quite small, territorially and/or sectorally, and thus provide good incentives for collective action. The constituency for trade union political power is the most latent of latent groups since it relates to virtually every business under the jurisdiction of the Polish State. Thus, Polish trade unions are weak where they are most likely to encourage strong business association and strong where they are least likely to encourage business association. Polish business leaders are tortured by “frustrated functionalism”. They see trade union power as deeply damaging to the business class and think that the common interest of business this represents would lead to strong business associations if only Polish businesspeople understood their interests properly:



Many Polish businessmen do not know what is good for them. They lack an education in economics and do not understand that they need to join together to resist the trade unions and promote free-market policies.<sup>8</sup>

However, looked at from the Olsonian perspective, the weakness of the business associations makes perfect sense and seems unlikely to be overcome because of trade union power in national politics. The weakness of trade unions in the labour market also means that few business associations can recruit members by offering industrial relations services. Finally, unions are to be found in the most concentrated sectors with the largest enterprises, that is, in the state sector. In fact, much of their presence is in the budget sector where there is only one giant employer, the central state itself. In the case of groups which are already intermediate or privileged the presence of trade unions may not be an especially large extra incentive to collective action.

The above argument is that trade unions are not a major stimulus to business association in Poland. The foundation of the Polish Confederation of Private Employers is a good example of the exception that proves the rule. Its origins relate quite directly to the distinction between the labour market and political power of trade unions. In most countries, unions provoked business association because business wanted to take on locally or sectorally based unions at the same level, that is to say that the labour market power of unions stimulated the formation of business associations. These locally based unions then federated, eventually forming national peak associations which dealt with wider political issues. In the case of the Private Confederation it was the other way round. The power of the trade unions is in the political system so a confederation that could be influential at that level was needed. However, a confederation cannot legally be set up unless it has the required number of associations as members. Since these were lacking, the Confederation's founders set up several associations in order to overcome this hurdle. Since it was the political and not the labour market power of unions which was the target, the peak association came first and was then followed by the primary associations. This is in contrast to most West European countries in which local and sectoral associations were set up to counter the labour market power of unions, only considerably later forming into national confederations (Windmuller and Gladstone 1980: 3). While the Private

---

<sup>8</sup> Interview: Jeremi Mordasewicz, 9 August 2000

Confederation has been fairly successful in partially supplanting the official Confederation, it has not managed to mobilise the latent group of the Polish national business class against trade union political power.

### **4.3 The Polish variety of capitalism**

Another popular economic approach to business associations plays down the role of trade unions and argues that the mode of production is the key independent variable. The vital distinction here is between coordinated and liberal economies. Coordinated economies are exemplified by highly skilled and specialised sectors which encourage business association. Liberal economies stress the flexibility necessary for industries where radical innovation and/or low wages are necessary and business associations are relatively superfluous. Poland's comparative advantage is to be found in low-skill, low value-added sectors, which are the very antithesis of the "coordinated" production regime (OECD 1998). In these sectors, there is little need for technical and training cooperation and therefore a low potential for business associations to offer private goods which are so essential that they form part of the production process itself. It has been noted by the Polish Foundation for the Development of Small and Medium Enterprises that Polish business associations are virtually never involved in "carrying out work connected with the certification of products or the conduct of research and innovation activity" (Businessman November 2000: 16).

### **4.4 Interest diversity and Polish business associations**

The final economic approach focuses on interest diversity, a variable for which there is no worthwhile general data. If there is a very high level of interest diversity amongst post-communist business classes, as Padgett supposes, then divisions between and within business associations should be based on objective factors, like the sectors of the businesses, their ownership structure, and the background of their management. Little of the competition between the Poland's five most influential business associations seems to be based on fundamental differences in their membership. The big exception here is the competition between the Confederation of Polish Employers and the Polish Confederation of Private Employers. The Private Confederation claims that this is a straightforward opposition between the state and private sectors. This is a great exaggeration since the vast majority of the Confederation of Polish Employers' members are private and all of its presidents have

been from the private sector. On the other hand, there is no doubt that the state sector has had an influence out of proportion of its share of the membership and there has been a good deal of conflict between state and private sectors within the Confederation. However, this does not mean that the private sector has been ignored or that the organisation can simply be described as a state-sector lobby. It is also important to note that by far the biggest employer in the Private Confederation, the Polish Copper Association, is largely state-owned.

As regards the other associations, while they have fairly different membership profiles, most of their competition relates to personality and valence issues. Their attacks on each other consist of accusations of incompetence, careerism and corruption. Very rarely do they describe their competitors as representatives of big business, the state sector, foreign firms, or the former nomenklatura. Similarly, there is little sign of competition within associations based on objective factors. In the Polish Chamber of Commerce, which has the largest and most diverse membership, internal politics does often relate to differences between large and small business and occasionally foreign and domestic business. However, these conflicts do not seem especially intense and are only to be expected from any interest association. Internal politics in the Chamber seems to be much more focused on the competition of various personal cliques for power and position. The Business Centre Club, Polish Business Roundtable and Private Confederation appear to suffer from very minimal internal conflict. In the case of the Club, this is partly because it is effectively a firm controlled by one man. The Roundtable and the Confederation are based on a tightly-knit core of business leaders with similar views and interests. This relative lack of conflict on the basis of objective factors suggests that Polish business associations consider themselves as fundamentally one large latent group. Their problems do not seem to be conflicts between mobilised groups with fundamentally different interests. Their fundamental problem is the mobilisation of latent groups with common interests.

## **5. GENERALISING FROM THE POLISH CASE**

This section compares Poland with its post-communist neighbours, the Czech Republic and Hungary, to see whether the relationships between the variables in the Polish case extend more generally. On the dependent variable, the collective action of

business, the Czech Republic and Hungary seem broadly similar to Poland. The best source is almost certainly Padgett's careful review of the secondary literature. He refutes the view that post-communist tripartism in any country approaches genuine corporatist exchange and describes them merely as "attempts by hard-pressed governments to legitimate the social costs of economic transformation" (Padgett 2000: 3). In spite of this, there can be little doubt that the much higher profile of business associations and tripartism in Hungary and Poland is, in some measure at least, indicative of more successful capitalist collective action in those states.

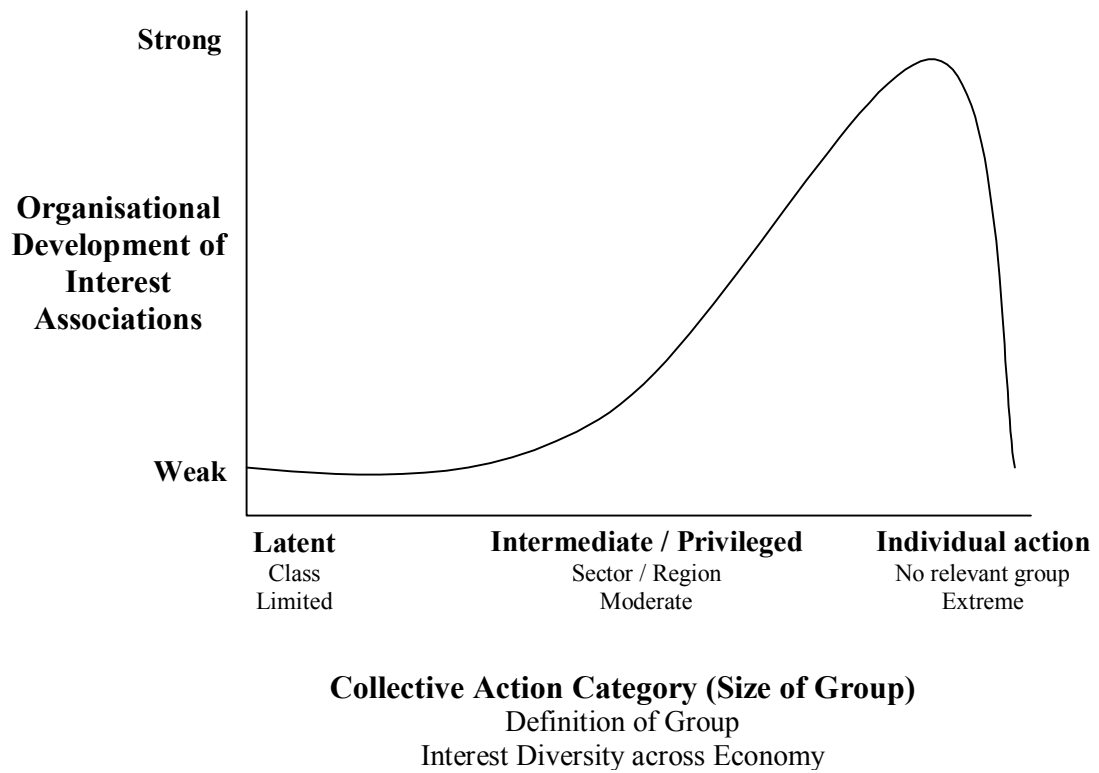
Hungary and Czech Republic share Poland's relatively high proportion of small enterprises (OECD 2000: 211-2). However, it is not clear to what extent these are mostly micro-enterprises as in Poland. In terms of union strength, Poland's neighbours also show a precipitous decline in trade union membership. Again there is a lack of good up-to-date data but it does seem that Hungarian and Czech unions have a somewhat more significant presence in the labour market than their Polish counterparts (ILO 1998). The revealed comparative advantage of both countries shows that they, like Poland, are clearly not heavily reliant on the specialised manufacturing industries which are conducive to high levels of business co-ordination (OECD 1997: 63-67; International Trade Centre 2003). The final variable is very hard to assess without a detailed qualitative knowledge of the cases in question. Padgett, again relying on a close reading of the literature, perceives a highly fragmented set of interests, the opposite of what this article found in Poland. While there are important differences between Poland and its neighbours, the similarities seem sufficient for the analysis of this article to be applicable to other post-communist cases.

## **6. CONCLUSIONS**

The lack of capitalist collective action in Poland can be powerfully explained by Olson's trio of group size, enterprise size, and the balance of public and private goods. However, the logic of collective action is too general to be a satisfying explanation. The strength of trade unions, the variety of capitalism and interest diversity serve as convincing specifications of the logic in the particular context of post-communist collective action. They provide clear information about group size and the availability of private goods which are not, and cannot, be provided by

Olson's abstract theory. Poland's business associations seem weaker than those in neighbouring countries and the variables selected for this analysis tell a particularly emphatic story in that country. Nonetheless, it seems that both this theoretical synthesis and its empirical conclusion are applicable to other post-communist capitalist democracies. The fact that these economic variables seem to be sufficient in themselves to explain capitalist collective inaction is hugely significant. It seems highly unlikely that these countries, or indeed any country, is likely to quickly and fundamentally to experience a large rise in the labour-market strength of trade unions, a fundamental shift in comparative advantage, or a wholesale change in the perception of common and divergent interests in the business class. This means that any serious analyses of East-Central European politics must be prepared to accommodate and theorise a policy-making arena in which organised business is largely absent. More practically, this is also something that the European Union itself may have to come to accept.

*Figure 1* Explanations for the strength of business associations



## REFERENCES

- Bąk, M. (ed) (1999) *Raport o stanie sektor małych i średnich przedsiębiorstw w Polsce w latach 1997-98*, Warsaw: Polska fundacja promocji i rozwoju małych i średnich przedsiębiorstw  
*Businessman*, November 2000
- Draus, F., *Les organisations patronales dans les pays de l'Europe centrale et orientale*, Brussels: European Trade Union Institute
- Gardawski, J., Gąciarz, B., Mokrzyzewski, A., Panków, W. (1999) *Rozpad Bastionu? Związki Zawodowe w gospodarce prywatyzowanej*. Warsaw: Instytut Spraw Publicznych
- Główny Urząd Statystyczny (2000) *Rocznik Statystyczny Rzeczypospolitej Polskiej 1999*, Warsaw: Główny Urząd Statystyczny
- Grant, W. and Marsh, D. (1977) *The Confederation of British Industry*, London: Hodder and Stoughton
- Greenwood, J. (2000) 'Incentives and Disincentives for Collective Behaviour by Business in the EU: Business Collective Action and the Responses of Associations'. Paper prepared for the Conference on the Effectiveness of EU Business Associations, Brussels, 18-22 September.
- Hall P. A. and Soskice, D. (2001), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press
- Institute of Public Affairs (2000) *Raport z badania opinii na temat potrzeb istnienia i roli organizacji zrzeszających pracodawców*. Unpublished. Warsaw: Institute of Public Affairs
- International Labour Organisation (1998) *World Labour Report 1997-1998*, Geneva: ILO
- International Trade Centre (2003), <http://www.intracen.org/countries/htm99/cze.htm>, 15 October 2003
- Jackiewicz, I. (1996). 'Solidarity in a Double Role: Political Representative and Pressure Group' in A. Ágh and G. Ilonszki, *Parliaments and Organized Interests: The Second Steps*, Budapest: Hungarian Centre for Democracy Studies.
- Jasiecki, K. (1997) 'Organizacje Pracodawców i Przedsiębiorców w Polsce' in J. Wasilewski (ed), *Zbiorowy Aktorzy Polskiej Polityki*, Warsaw: Institute of Political Studies, Polish Academy of Sciences
- Keat, P. (2000) 'Penalizing the reformers: Polish steel and European integration', *Communist and Post-Communist Studies*, 33 (2), 201-221
- Kołankiewicz, George (1998) 'Social Package to Social Consequences: Restructuring of Coal Mining in Poland'. Paper prepared for the London School of Economics Post-Communist Politics Research Seminar.
- Konfederacja Pracodawców Polskich (1999) *Wykaz Członków KPP*, Warsaw: Konfederacja Pracodawców Polskich
- Kozek, W. (1999) *Spoleczne Organizacje Biznesu w Polsce a Stosunki Pracy*, Warsaw: Centrum Partnerstwa Społecznego
- Krajowa Izba Gospodarcza (1999) *Wykaz Członków KIG*, Warsaw: Krajowa Izba Gospodarcza.
- Kubicek, P. (1999), 'Organized Labor in Postcommunist States: Will the Western Sun Set on It, Too?', *Comparative Politics*, 32 (1): 83-102

- Majtas, T. (1999) *Prawo Pracy: Zarys Wykładu*, Poznań: Wyższa Szkoła Zarządzania i Bankowości w Poznaniu
- McLean, I. (2000) 'The Divided Legacy of Mancur Olson', *British Journal of Political Science*, 30 (4): 651-668
- Moe, T. (1980) *The Organization of Interests: Incentives and the Internal Dynamics of Political Interest Groups*, Chicago: University of Chicago Press
- Myant, M., Slocock B. and Smith, S. (2000). 'Tripartism in the Czech and Slovak Republics', *Europe-Asia Studies*, 52 (4): 723-739
- Nalecz, S. (2000) 'Analysis of SOF census data on employer organisations' Unpublished. Warsaw: Institute of Political Studies, Polish Academy of Sciences
- Olson, M. (1971) *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press
- Olson, M. (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*. New Haven: Yale University Press
- Organisation for Economic Co-operation and Development (1997) *OECD Economic Surveys: Hungary*, Paris: OECD
- Organisation for Economic Co-operation and Development (1998) *OECD Economic Surveys: Poland*, Paris: OECD
- Organisation for Economic Co-operation and Development (2000) *The OECD small and medium enterprise outlook*, Paris: OECD
- Ost, D. and Weinstein, M. (1999) 'Unionists Against Unions: Toward Hierarchical Management in Post-Communist Poland', *East European Politics and Societies*, 13 (1): 1-33
- Padgett, S. (2000) *Organizing Democracy in Eastern Germany: Interest groups in post-communist society*. Cambridge: Cambridge University Press
- Panków, I. (1999) 'Związki zawodowe a polityka' in J. Wasilewski (ed), *Elita polityczna 1998*, Warsaw: Institute of Political Studies, Polish Academy of Sciences.
- Panków, I. (2000). 'Trade Unions and Politics' in J. Frentzel-Zagórska and J. Wasilewski (eds.), *The Second Generation of Democratic Elites in Central and Eastern Europe*, Warsaw: Institute of Political Studies, Polish Academy of Sciences.
- Rzeczpospolita*, Plus Minus, 19 August 2000
- Rzeczpospolita*, Kraj, 27 May 2002
- Sąd Gospodarczy (1999) *Rejestr Izb Gospodarczych*, Unpublished, Warsaw: Sąd Gospodarczy Sądu Rejonowego dla miasta stołecznego Warszawy, 7 September
- Sąd Wojewódzki w Warszawie (1999a) *Rejestr Związków Pracodawców "A"*, Unpublished (Warsaw: Sąd Wojewódzki w Warszawie, VII Wydział Cywilny i Rejestrowy, 10 August
- Sąd Wojewódzki w Warszawie (1999b), *Rejestr Związków Pracodawców "B"*, Unpublished. Warsaw: Sąd Wojewódzki w Warszawie, VII Wydział Cywilny i Rejestrowy, 10 August
- Soskice, D. (1999) 'Divergent Production Regimes: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s', in H. Kitschelt, P. Lange, G. Marks, J. D. Stephens (eds), *Continuity and Change in Contemporary Capitalism*, Cambridge: Cambridge University Press.



- Van Waarden, F. (1991) 'Two Logics of Collective Action? Business Associations as Distinct from Trade Unions: The Problems of Associations of Organisations' in D. Sadowski and O Jacobi (eds), *Employers' Associations in Europe: Policy and Organisation*, Baden-Baden: Verlagsgesellschaft
- Wesołowski, W. and Post, B. (1998) *Polityka i Sejm: formowanie się elity politycznej*, Warsaw: Wydawnictwo Sejmowe
- Windmuller, J. P. and Gladstone, A. (1984) *Employer Associations and Industrial Relations*. Oxford: Clarendon.