Consociationalism and Corporatism in Western Europe.

Still the Politics of Accommodation?

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Consociationalism, Corporatism, and the Fate of Belgium

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Abstract

This article examines how Belgium was able to manage a prolonged process of adjustment that began in the 1970s and continued through the Maastricht convergence process and Belgium's qualification for Europe's economic and monetary union. The argument is that Belgian governments have managed the economy through an institutional legacy of the country's consociational and corporatist past. Given the victory of the Liberals in the 1999 parliamentary elections, the combination of consociational and corporatist arrangements may not prove to be a lasting formula for government economic policy-making. The argument is made in five sections. The first surveys Belgium's consociational and corporatist history through the 1970s. The second analyses the political party-trade union-welfare state triangle. The third examines how the Christian Democrats managed the economy during the 1980s and 1990s. The fourth considers those parts of Belgium that refuse to be managed. The fifth concludes.

1 Introduction

On 1 January 1999, Belgium joined Europe's economic and monetary union (EMU). This was an enormous accomplishment. Not only had the government succeeded in paying back debt worth approximately 10 per cent of a year's total domestic economic output, it had consistently taken 5 per cent more of the country's annual production in receipts than it had paid out in goods and services. Moreover, the government met its fiscal targets while settling into a new federal constitutional structure, holding the centrifugal forces of linguistic conflict at bay, and suffering a massive loss of public confidence in political elites and governmental institutions.

The purpose of this essay is to examine the secret of Belgium's economic success. My argument is that past Belgian governments have managed the economy through the institutional legacy of the country's consociational and corporatist past – the symbiotic relationship between two of the country's

political '*familles spirituelles*' (the Catholics and the Socialists), the national trade union federations, and the financial structures of the welfare state.

2 Consociational and corporatist Belgium

Belgium in the 1940s displayed many of the typical characteristics of consociationalism and corporatism (Lijphart 1968, 1969; Schmitter 1974). Belgian society was divided across the three *familles spirituelles*: Catholics, Socialists and Liberals. These three groups existed as *zuilen* or 'pillars' in the classic sense of Lijphart's (1982) *Politics of Accommodation*: they were vertically integrated and self-contained subnational cultures that led separate lives while sharing the same geographic space (Huyse 1970). Within each pillar, institutions bound followers to elites, transmitting values downwards while circulating and socializing would-be elites upwards. Political parties formed the backbone of consociational interaction while trade unions and employers associations constituted the 'social partnership' at the heart of corporatist intermediation.

The system was asymmetrical. The Socialists and Catholics had far more use for trade unions than the Liberals, and were as concerned with the balance of power across labour organizations as they were with relations between labour and capital. Moreover, Socialists and Catholics were far more numerous than

Table 1 The regional structure of the Belgian political economy (1947-1949)

	Belgium	Brussels	Flanders	Wallonia
	Production (percentage of total regional output)			
Agriculture	10.5	1.5	15.5	9.3
Manufacturing	54.4	46.6	51.6	62.3
Services	35.1	52.1	32.9	28.4
	Political Alignment (percentage of total vote in 1949 elections)			
Catholics	43.6	31.0	54.4	31.2
Liberals	15.3	24.9	13.3	14.9
Socialists	29.8	29.4	24.3	38.3
	*Memorandum**			
GDP/capita	100	132	88	103
Population	100	15.1	50.0	34.9

Note: GDP per capita is Index: Belgium=100; population is in millions.

Sources: Chaput and de Falleur (1961a); Delruelle et al. (1970).

the Liberals, while the Liberals had greater financial resources – at least on a per capita basis. Finally, economic, linguistic and geographic cleavages cut across the pillars unevenly. The Catholic stronghold lay in the more agricultural and Flemish-speaking north of the country, the Socialist in the industrial and French-speaking south, and the Liberal stronghold resided in the bi-lingual, service-sector dominated capital Brussels.

Despite this asymmetry, the Belgians were able to reconstruct the government after the occupation of the Second World War and to forge new arenas for social partnership. The government institutions had a strongly consensual character – with a clear separation of powers at the national level, a proportional electoral system, and a written constitution – and until 1950 the ruling cabinets invariably drew upon two or more of the three pillars. Similarly, the social partnership involved equal representation from business and labour, included only those functional interest groups that were interested in cooperation (that is, excluded the Communists), and managed issues ranging from collective bargaining to the structure of the welfare state.

Belgium was a consociational and corporatist country. It was not, however, a stable country. Political elites often chose conflict over cooperation. This bloody-mindedness grew out of religious intolerance on the one hand, and an ideological affinity for direct action on the other hand. In 1950, Catholics won a narrow parliamentary majority and formed a government without partners. The homogenous Catholic government made two policy decisions against the interests of the opposition. These involved the reinstatement of the monarchy and the state financing of Catholic schools. In retaliation, the syndicalist left-wing of the Socialist trade unions called a general strike, issued a declaration of Walloon autonomy, and had to be put down by force.

The 'golden' period of Belgian consociationalism and corporatism had to wait until the end of the 1950s and beginning of the 1960s. The first problem to be put to rest was the state financing of religious education. Throughout the 1950s, homogenous Catholic governments forced through legislation subsidizing church schools. When the non-confessional Liberals and Socialists came into power, the legislation was repealed. This tit-for-tat alternation ended dramatically in 1958 with the signature of a 'school pact' placing religious educational institutions on equal footing with those sponsored by the state (Witte 1990: 258-264).

Resolution of the conflict over education made it possible for the Catholics to coalesce with the Liberals and so to end the polarization along religious lines. Nevertheless, the school pact was not sufficient to eliminate the syndicalist tendencies within the Socialist labour movement. Representatives of labour and industry met to sign the first-ever interprofessional (meaning cross-

sectoral) agreement in 1960. But, within six months, the syndicalist wing of the Socialist trade unions called for another general strike – again declaring Walloon autonomy and having to be put down by force (Mabille 1986: 323, 329; Meynen 1990: 286-288).

The 'great strike' in the winter of 1960-1961 marked the end of syndicalist direct action as a predominant force in the Belgian labour movement – at least for a while. Within the Socialist trade unions, the leader of the syndicalist left lost power to the more cooperative and centrist secretary general of the national federation. And, across the labour movement, the number of Catholic trade union members exceeded the number of Socialists for the first time. As long as the Catholics were willing to cooperate, Socialist direct action had little chance of success. Finally, the ruling coalition pivoted from the Liberals to the Socialists around a newly hegemonic Catholic centre. The formation of this centre-left cabinet signalled the successful functioning of both the consociational and the corporatist systems, and ushered in a period of unprecedented political and social stability (Deschouwer 1988: 36; Vandeputte 1987: 81-91).

By 1968, however, the end of the Belgian consociational and corporatist mix was already in sight. Language-based nationalism rapidly found a political voice in the Flemish-speaking north of the country, forcing the Catholics to compete for votes with the rising strength of the *Volksunie*. Meanwhile, the Socialists had to contend with the residual political strength of the syndicalist group and its more moderate allies grouped under the umbrella of the *Rassemblement Wallon*, and the Liberals with the angry divisiveness of the Brussels-based *Front Democratique des Francophones* (FDF). The juxtaposition of linguistic and ideological competition hampered the ability of elites to cooperate within – let alone across – the traditional pillars. In this way, the 1968 linguistic division of the Christian Democratic party foreshadowed the bifurcation of the entire political system.

The rise of linguistic competition was not the only problem, however. Cooperation between the social partners was unsustainable despite the fact that it coincided with a period of strong economic growth. Corporatist intermediation had brought social stability but no substantial moderation of real wage claims. Consequently, the wage share of gross domestic product (GDP) increased from 60.9 per cent in 1961 to 63.8 per cent in 1967.[1] Meanwhile, trade union negotiators, seeing fast growth and relatively low unemployment, continued to ask for more. The result was a growing wave of social unrest culminating in the 1968 Ford strike. This series of strikes demonstrated that employers could no longer tolerate the ever-increasing burden of real wage growth and that workers had tired of the discipline required to stave off social unrest (Vandeputte 1987: 116-118). The trade unions prevailed, and in so doing, signalled the end of social partnership.

Only seven years into its 'golden age', Belgium began to lose essential characteristics of consociationalism and corporatism. By the early 1970s, the incidence of strike activity increased dramatically and the average lifespan of governing coalitions declined. Although elites continued to speak the language of cooperation, their actions focused on conflict. Moreover – and unlike the 1950s – followers began to show the symptoms of independence beyond the discipline of elites. Most of the strikes were unsanctioned. Meanwhile, the vote shares of non-traditional parties and vote switching across elections increased.

This crisis in governability had startling economic and political effects. During the decade from 1972 to 1981, the economy went from 5.1 per cent growth to a 1.0 per cent contraction, unemployment increased from 2.2 per cent to 9.5 per cent, the wage share of value added climbed from 64.6 per cent to 72.3 per cent – effectively eliminating corporate profits – and the government's deficit-to-GDP ratio rocketed from 3.2 per cent to 13.1 per cent. Over the same period, the government changed thirteen times: three times to comprise grand coalitions representing all three of the traditional pillars and five times to encompass non-traditional, regional parties from Flanders, Wallonia and Brussels. None of these formations could restore the combination of cooperation and discipline that is characteristic of consociationalism and corporatism. By 1981, the economy and the polity were in a state of crisis, and the consociational and corporatist systems were collapsing.

3 The structural legacy of consociationalism and corporatism

Not all of the hallmarks of consociationalism and corporatism disappeared in Belgium. Behaviour changed, but institutions remained. Throughout the post-war period, the political parties and the social partners made near continuous progress in their elaboration of the welfare state both as a system of governance and as a pattern of functional interest intermediation. Indeed, institution building and process elaboration took place even during periods of social unrest and inter-pillar competition. For example, in 1952, soon after the start of the school conflict, the social partners agreed to the creation of a National Labour Council, comprised of representatives of labour and industry and responsible for advising the government about the direction of national social policy.

Further elaboration of the institutions for social partnership and social welfare provision accelerated during the 1960s and continued well into the 1970s. The social partners signed interprofessional agreements in 1971, 1973 and 1975, handling issues ranging from working hours to holiday pay to maternity leave to equal opportunity (CRISP 1995). These agreements were

hotly debated and yet they had a lasting impact.

The durability of such arrangements derives from the fact that consociational and corporatist structures overlap, and the incentives for participating in one system often spill over into the other (Scholten 1987: 28-30). Specifically, three crossovers between the consociational and corporatist systems have been crucial to perpetuating the institutional legacy of consociationalism and corporatism: the national trade union federations, the financing and disbursement mechanisms of the welfare state, and the arenas for functional interest bargaining.

The role of the trade union federations is most easily explained. There are two principal labour federations in Belgium: the Socialist FGTB/ABVV and the Catholic CSC/ACV. These organizations not only represent labour interests in collective bargaining, but also mobilize voters for their ideologically affiliated political parties. They also play an important role in the socialization of elites. This is particularly true of the Catholic federation: the CSC/ACV is supported by an explicitly political labour movement organization, the MOC/ACW, which is a breeding ground for labour-minded Christian Democratic politicians.

The role of the trade unions in facilitating elite consensus is ambiguous. Not only do the trade unions compete with each other for membership, they also hold different views on the appropriate relationship between labour and capital. The Socialist unions have a more syndicalist tradition and tend to favour direct action, while the Catholics tend to be more corporatist in outlook. Despite such differences, however, both groups have bought into Belgian corporatist and consociational structures during the post-war period to such an extent that they have stronger interests in preserving the system than in competing with each other. Indeed, the deep institutionalization of the trade unions represents a defining characteristic of the Belgian political economy (Huyse 1984).

The financing and disbursement of welfare state benefits provide the incentive structure for participation in functional interest organizations as well as in the three pillars of Belgian politics – the Liberals, Catholics and Socialists. Indeed, this incentive structure is central to the 'historic compromise' that undergirds the post-Second World War Belgian welfare state: the state plays a central coordinating role, however, the financing comes from payroll taxation on an insurance basis rather than from general coffers, and the disbursement is managed through private health and insurance mutuals and – for unemployment benefits – through the trade unions themselves. Moreover, the coordinating function of the state is supervised by *paritaire* or bilateral commissions comprised of equal numbers of representatives from labour and industry and chaired by a neutral party (Vanthemsche 1994: 91-103). This system provides strong incentives for political parties to remain identified with particular trade unions or health and insurance mutuals, as well as for workers and voters to participate in such organizations.

Finally, the functional interest bargaining arenas have played an important developmental role. This is particularly evident in collective bargaining, which operates at three different levels. Negotiations in the National Labour Council provide the broad guidelines to be applied across sectors (interprofessional agreements). These guidelines are both informed and interpreted by sectoral committees, who then pass them along to *paritaire* committees at the firm level for the negotiation of specific terms. At each level, the representation of labour interests is monopolistic: participation is exclusive to 'recognized' trade unions and collective bargaining agreements can be made binding for non-participants. Agreements reached at the national level can be extended across the economy and even into sectors for which there is no official negotiating arena. Recognized monopolistic representation strengthens the two principal trade union confederations against both internal dissidents and external rivals. However, such monopoly status comes at a price. The trade unions are responsible for enforcing the implementation of collective bargaining agreements through their membership.

As they have evolved, the numerous *paritaire*, professional, and interprofessional committees – culminating in the National Labour Council – have had the effect of making the trade unions indispensable to their political counterparts. The Belgian parliament has delegated too many decisions to functional interest arenas for the political parties to be able to afford to alienate the trade unions easily. Moreover, the logic of this argument works both ways. The trade unions are heavily dependent upon the political parties and upon the process of corporatist intermediation. Without official recognition and monopoly status, the position of labour representatives would decline. This is true in the context of wage bargaining, but also with reference to the works councils and health-and-safety committees required in firms larger than a legislated minimum threshold. Finally, the interdependence of political and functional representatives is widely acknowledged in the electorate, which has come to regard social elections (elections to functional interest bodies) almost as highly as they do political elections. In the public mind, corporatism and consociationalism are inseparably linked.

The symbiotic relationship between political parties and trade unions greatly constrains the possibilities for institutional reform. Any attempt to reform the prevailing system of labour relations is a two-stage process: the political parties must first assert parliamentary responsibility for welfare state reform before they can begin political negotiations over how the welfare state should be reformed. Such an action threatens the trade unions symmetrically and so pushes them together in opposition to reform. Hence, when a Socialist-Liberal coalition replaced the homogenous Catholic government in 1954, and attempted to replace the social partners with more direct state intervention in

the area of social welfare, the Socialist Minister for Social Affairs confronted the united opposition of both the principal trade unions and the employers associations (Vanthemsche 1994: 102-103).

The Liberal group has the most freedom in this system. It has fewer ties to the system of functional interest representation than either the Socialists or Catholics. And it has strong reasons to want to heighten the atmosphere of political competition. During much of the country's early history, the Liberal Party functioned more as a collection of notables than as a mass political movement. The absence of a functional organization to provide the basis for mass mobilization began to take its toll after the Second World War. From 1950 to 1958, the Liberal share of the vote stagnated at around 12 per cent of the electorate, while the Socialists regularly garnered around 35 per cent and the Catholics fluctuated between a low of 41 per cent and a high of 47 per cent.

The Liberal response to this organizational weakness has been to lure voters away from other parties. For example, the formation of the Liberal-Catholic coalition in 1958 marked a tactical repudiation of anti-clericalism by the Liberals. Armed with a more tolerant view of confessional beliefs, Liberal politicians were better able to compete with the Catholics for voters (Lorwin 1966). By 1965, the Liberal vote share had already increased to more than 20 per cent, while the Socialists and Catholics each dropped around 7 percentage points. Even in the heyday of Belgian consociationalism, the fortunes of the Liberals depended on political competition.

4 Pulling hard on unseen reins

The special status of the Liberals helps to explain why the economic and political adjustments made in the early 1980s took place on the centre-right. The Liberals were important; not as powerful agents of reform, but rather because they would not object to the reforms that had to be implemented. At the same time, they could provide rhetorical cover for government action.

The starting point is diagnosis. The two most important symptoms of the economic crisis were the rapid growth of government deficits and the collapse of corporate profits. Escalating government deficits translated directly into rising real interest rates and capital shortages for industrial uses. In terms of investment, this meant that firms either could not afford to borrow or they could not find a domestic lender. Resorting to international capital markets was fraught with risk. The currency suffered periodic realignments and every depreciation of the exchange rate added to the principal outstanding. Meanwhile, the collapse of profits choked off retained income as the only remaining source of investment capital.

Investment was crucial to stemming the rising tide of unemployment. Not only would investment stimulate the economy directly, it would also create the basis for employment growth in the future. However, the key to stimulating investment was to cut back on the volume of government borrowing – and therefore on the volume of government spending – while at the same time bolstering corporate profits. The Socialists were too tied to their trade unions and affiliated health and insurance mutuals to take part in a reform effort specifically intended to cut back on the welfare state while effecting a transfer of wealth from labour to industry. The Liberals were not.

The actual package of reform measures was outlined by economists working within the Catholic labour movement and in some cases affiliated with the Catholic trade unions (De Ridder 1991a: 129-130). Specifically, they proposed that the government improve corporate profitability by combining concerted wage restraint with lower payroll taxation and a one-off adjustment in the exchange rate parity within the European Monetary System (EMS). To be successful, such a programme required tremendous coordination. A devaluation would only improve cost competitiveness if underwritten by wage moderation. Even in combination, however, the effects of the devaluation and wage moderation would not be enough to restore corporate profits and therefore investment. As a result, the government would have to assume a greater share of the burden for financing social welfare out of general coffers – violating the insurance principle at the basis of the Belgian welfare state, while still channelling the provision of benefits through ideologically affiliated health and insurance mutuals, as well as through the trade unions themselves.

The acquiescence of Catholic trade union leaders was essential. Even with enabling legislation, an aggressive trade union response to government policies would have brought the country to a standstill. The difficulty was not to get the trade union leadership to accept the necessity of reform or even to engage in the process of functional interest intermediation. The national labour federations were too encompassing to ignore the rapid growth of unemployment, and the process of functional interest bargaining was too deeply embedded in the Belgian economy for the trade unions to withdraw altogether (Vanderstraeten 1986). The challenge for the government was to enable trade union leaders to cooperate in the adjustment process while retaining control over their followers.

The solution was to shelter the Catholic trade union leadership with a combination of enabling legislation and neo-liberal rhetoric – hence the need for a coalition on the centre-right. Even then, however, Catholic labour leaders would have to explain to their constituencies why they had consented to the formation of a government with the Liberals. The only possible explanation was the lack of alternatives. After a rapid succession of failed centre-left coalitions, the Catholic political leadership and the Belgian electorate were at last ready for

a shift to a more elite-directed pattern of government from the centre-right (De Ridder 1991a: 131-146). As one contemporary commentator quipped, the trade-off was simple: "Less Democracy for a Better Economy" (Smits 1983).

The centre-right Martens V cabinet formed in December 1981, received its decree powers the following February. Almost immediately, Martens set about suspending wage-indexation and preparing to enforce a moderation of nominal wage claims in anticipation of a re-alignment within the EMS. The Socialist trade unions responded with a series of lightning strikes. The Catholic trade unions abstained.

The tacit support of the Catholic trade unions proved crucial to the success of the government's reform efforts. By May, the Socialist trade unions realized the futility of further direct action against government policy and joined with the Catholic unions in their tacit acceptance of the adjustment process and in open negotiation with government over policy alternatives (Mommen 1987: 36-39). As a result, strike frequency in the private sector declined secularly from 1982 to 1985 (Vilrokx & Van Leemput 1992: 380).

The economic impact of the adjustment policies was almost immediately apparent. In the period to 1985, the primary balance surged into surplus despite an increase in outlays for social welfare, the labour share of value-added declined, relative real unit labour costs (a measure of international competitiveness) improved, and gross fixed capital formation increased. After 1985, Belgium moved into a period of export-led growth that led to declining levels of unemployment by the end of the decade. Put simply – and despite the ever-mounting ratio of public debt to gross domestic product – the adjustment was a success.

Of course, this description of the 1980s' adjustment process is a little too neat to be wholly believable. Nevertheless, it accords with later revelations about the extent of trade union involvement in the management of the Belgian economy throughout the 1980s as well as with prime minister Martens's top-down control over government economic policy. Based on extensive interviews with all of the principals involved, Flemish journalist Hugo De Ridder (1991a) argues that virtually the whole of the adjustment process was managed through a series of meetings between the prime minister, the secretary general of the Catholic trade unions confederation, the banker in charge of the Catholic health and insurance mutual, and an economic advisor who was at one time associated with the Catholic labour movement (and who was later to be named head of the central bank). The trade unionist, the banker and the economist would decide both what was necessary and what was possible. The prime minister would determine how best to push the policies into effect while at the same time holding the governing coalition together and shielding the trade union leaders from accusations of selling out.

Of the four participants, the prime minister had the most difficult role, particularly with respect to managing the governing coalition. The contrast between the government's neo-liberal rhetoric and its more corporatist practice was unsustainable. The Liberals could not remain lightening rods for popular disaffection with the direction of economic policy making without having at least some say in how the economy was run. To do so would be to invite electoral disaster.

The warning signs came with the 1985 elections. A modest shift of votes – less than 1 per cent – from the Liberals to the Catholics resulted in a transfer of six parliamentary seats within the coalition. The pendulum swung in the other direction in the 1987 elections, as the Liberals attempted to stabilize their parliamentary decline by appealing to Catholic voters in Flanders. With a constant vote share, they succeeded in acquiring an additional two seats. However, the Liberal victory was pyrrhic in that Catholic losses (seven seats) deprived the centre-right coalition of its majority.

The Catholics governed on the centre-left (in partnership with the Socialists and a Flemish regional party, the *Volksunie*) for more than a decade after 1988. Moreover, the process of adjustment through fiscal moderation, wage restraint and payroll tax subsidies continued well into the 1990s. The cosy practice of managing macro-economic policy through a group of four, however, did not continue. Instead, the government took advantage of the gradual improvement of economic conditions to implement policy without direct trade union involvement, meanwhile establishing a legislative framework for pushing through competitive wage moderation and for anchoring the exchange rate to Europe's strongest currency, the Deutschmark. The government also overhauled the structure of Belgian public debt markets – both to break open the lucrative consortium of private financial institutions given monopolistic access to government paper, and to launch a 'public' debt issue with a structure designed to compete directly with certificates of deposit. Government competitiveness measures ensured that Belgian industry benefited from favourable relative labour costs. The hard currency policy minimized interest differentials between Belgium and the anchor economy, and therefore improved the relative cost of capital. Finally, the restructuring of public debt markets both improved the liquidity and lowered the servicing cost of the public debt – making commercial lending more attractive at the same time as it made public borrowing less expensive.

In short succession, however, three factors cast a shadow over the government's policy formula. The first was the publication, in March 1991, of De Ridder's (1991b) interview with the former leader of the Catholic trade union confederation wherein the labour leader explains how he had played an active role in the design *and implementation* of the macroeconomic adjustment policies of the 1980s. The article caused a firestorm of debate about the

appropriateness of the Belgian political model and thereby contributed to the collapse of support for traditional political parties in the November 1991 election. The representatives of the three pillars saw a collective loss of 9 percentage points, down to 70.1 per cent of the total electorate.

The second factor to concern the government was the radical restructuring of the Flemish Liberal Party as an explicitly regional, anti-consociational and anti-corporatist movement (Bouveroux 1992). The process started soon after the November 1991 elections, when Flemish Liberal leader Guy Verhofstadt attempted to form a government without the participation of the Catholics. When that failed, Verhofstadt joined forces with elements of the Flemish *Volksunie* to promote a political 'renewal' in Flanders that would replace consociationalism with pluralism, and corporatism with an efficient market economy. His movement reverberated strongly within the Flemish electorate and threatened to undermine the Catholic's stronghold.

The third factor was the downturn in Europe's economic performance, which pulled the Belgian economy down along with it. The effect was twofold. To begin with, the recession of the early 1990s forced the government to exercise its authority by dictating competitive wage moderation. Autumn 1993 saw calls for significant real reductions in the return to labour. Coming so soon after De Ridder's revelations, the attempt to enforce wage restraint sparked a vocal trade union response – particularly among the Catholics. Nevertheless, labour leaders soon recognized they had little choice but to accept government policy: the trade-off between real wages and unemployment was simply too stark (Jones 1995: 160-162).

The other effect of the recession was to undermine the progress that had been made in reducing the public debt – raising the possibility that the debt would begin to grow out of control. In this way, slow growth and rising unemployment forced welfare state reform back to the top of the political agenda (De Grauwe 1994; Leysen 1993). This time, however, the government had little to offer labour leaders as a face-saving gesture in compensation for wage restraint. Indeed, the contrary was true: suggestions that decentralized management of social benefits could be made more efficient (and therefore less costly) by increasing state control confronted labour leaders with yet another stick. Relations between the trade unions and their political parties grew tense.

Going into the 1995 election, the centre-left coalition relied increasingly on direct intervention in the labour market in order to sustain corporate competitiveness and therefore profitability and investment. By extension, Catholic and Socialist politicians – many of whom had come up through the labour movement – demanded ever more discipline from their allies in the trade unions. Meanwhile overt political discourse centered on the need for welfare state reform and political 'renewal' just as behind the scenes discussions focused on maintaining good relations between politicians and social partners.

The task of preparing Belgium for the EMU allowed the Catholic prime minister Jean-Luc Dehaene to square the circle. As an important symbol of 'Europe', EMU was a popular objective necessitating welfare state reforms. At the same time, preparing for EMU was a collective endeavour that emphasized the importance of solidarity while hinting at the necessity for further enabling legislation (Jones 1998a).

In the event, Dehaene's centre-left coalition held Verhofstadt's Flemish Liberals to only modest gains in the 1995 elections. The Catholics remained the largest party in Flanders. And despite lip-service by the Flemish Catholic party chairman in favour of political renewal (Van Hecke 1994), the pattern of government remained much the same. The centre-left coalition relied on sweeping enabling legislation to reform marginal aspects of the welfare state as well as to continue with wage moderation. Tension between the coalition and the trade unions continued, and yet labour leaders remained acquiescent. Corporate profits, investment and growth revived. Unemployment and government debt levels nudged downwards. The efforts were – and continue to be – demanding. The full economic rewards remain in the future. Belgium's qualification for EMU is an intermediate result.

5 Inexorable forces for change?

The Belgian record for economic adjustment is impressive even if incomplete. Nevertheless, it is only part of the story. The other part deals with the structural changes that have taken place within and between the country's linguistic communities and geographic regions (Jones 1998b). Table 2 provides data for the economics and politics of the three principal regions – Brussels, Flanders and Wallonia – in the mid-1990s. Some patterns are familiar from the late 1940s. Brussels is still the wealthiest region in the country and Flanders the most populous. The Catholics dominate in the Flemish north, the Liberals in the Brussels centre, and the Socialists in the Walloon south.

Other patterns, however, are very different. De-industrialization has taken place throughout the country but at different rates and with the effect that now Flanders, and not Wallonia, is the more industrial region. The share of agricultural output has declined as well, but this time it is Wallonia that has assumed a marginally greater dependence on farming – essentially as a statistical artefact of the collapse of the region's manufacturing base. Such sectoral developments have had an important impact on the distribution of GDP per capita. In relative terms, Brussels has increased its leading position

Table 2 The regional structure of the Belgian political economy (1993 -1995)

	Belgium	Brussels	Flanders	Wallonia
	Production (percentage of total regional output)			
Agriculture	1.7	0.0	1.9	2.2
Manufacturing	29.2	19.2	32.6	27.6
Services	69.1	80.8	65.5	70.2
	Political Alignment (percentage of total vote in 1995 elections)			
Catholics	24.9	18.5	27.6	22.5
Liberals	23.4	33.5	20.9	23.9
Socialists	24.4	18.2	20.7	33.7
	*Memorandum**			
GDP/capita	100	161	101	80
Population	100	9.4	57.9	32.7

Note: GDP per capita and population are Index: Belgium=100.

Sources: Eurostat (1996).

while Flanders and Wallonia have traded places. Different developmental trajectories also coincide with the decline in popular support for the traditional political parties and, although not illustrated in the table, the rise of support for right-wing extremists and regional 'nationalists'.

The juridical status of the regions has changed as well. Brussels, Flanders and Wallonia were always component parts of Belgium and yet they only gradually acquired specific political institutions. Indeed, this was a positive characteristic of the consociational and corporatist systems. Both the political parties and the trade unions cut across regional divides, albeit lopsidedly. In this way, political and functional representatives could intermediate between the regional interests internally and without making explicit territorial divides – the system was consociational because the different subnational cultures lived separate lives but *shared* geographic space.

As the regions embarked on different developmental trajectories, regional opposition groups began to argue for a *division* of geographic space. They argued that one economic policy would not serve all parts of the country equally. In the great strike of 1960, the syndicalist wing of the Socialists trade unions demanded Walloon autonomy in order to provide greater subsidies to heavy industries. The strike failed. Greater subsidies were provided nonetheless. This pattern was repeated throughout the 1970s and 1980s, with the effect that government economic policy has inadvertently reinforced the differences in regional development. One policy may not serve all parts of the country equally, but different policies inevitably reinforce differences.

Meanwhile, the national government has had to contend with the problem of language competition between French and Flemish speakers. For a while, it was hoped that a linguistic division of the country could be made across, rather than along, regional divides. The effect would be to create mirrored consociational systems. The political parties divided along linguistic lines, but resolved to enter into coalitions symmetrically. Similarly, the constitutional reforms of 1971 made provision for linguistic communities, but did not limit these to specific geographic areas.

The fiction that language and territory were fundamentally unrelated soon became unsustainable. Although French speakers are spread throughout the country, Flemish speakers are concentrated in a more-or-less defined area. The constitutional reforms of 1980 recognized this fact in creating regional institutions while at the same time admitting that, in Flanders, the region and the linguistic community would coincide. Far from lessening tensions, such reforms exacerbated them by creating the opportunity for French speakers to call for a revision of geographic boundaries in accordance with linguistic majorities. The effect of such protest was to harden the linkages between language and territory, culminating in the 1993 constitution and the creation of a federal Belgium.

The economies of the different regions evolved along their independent trajectories throughout this process of 'federalization'. The linguistically mirrored consociational systems also evolved independently. The differences between the political systems have increased as a result of changes in the economic aspirations of the electorate and in relation to the growing importance of sub-national political institutions. Finally, the competition over linguistic boundaries has placed the two halves of Belgian consociationalism in opposition to each other. The Liberals show this opposition most clearly. Verhofstadt's reform of the Flemish Liberals placed more emphasis on the 'Flemish' than on the 'Liberal', while the 1995 elections witnessed an electoral alliance in Brussels between the francophone Liberals and the FDF.

Nevertheless, the crossovers between the consociational and corporatist systems continue to hold the country together. The Catholic and the Socialist unions continue to organize in both language communities and in all three regions. The system for functional interest intermediation necessitates that these unions form a peak organization for representation at the national level. Links between the trade unions and the political parties reinforces the need for federal politicians to retain at least some regard for the 'national' interest. Control over the management of social welfare binds the unions into the political process and strengthens the links between leaders and followers.

The problem is that the widening differences in economic structures across regions are making it difficult for national trade union confederations to define

a national labour interest. At the same time, such differences emphasize the importance of functional interest intermediation within, rather than across, regional boundaries. Both factors have an impact on federal politicians as well – with the question being whether the electoral mobilization afforded by the trade unions is greater than the appeal of specifically regional platforms and promises.

The Liberals have gambled their electoral fortunes on the strength of regional appeals. Moreover, they have built into their strategy an attack on the role of functional interest representatives in the management of the welfare state and on the inter-regional transfer of resources implicit in national social-welfare institutions. In the 1999 elections, that strategy finally paid off. Not only did the Liberals unseat the Christian Democrat-Socialist coalition, they also (narrowly) managed to oust the Christian Democrats as the most powerful party in Flanders. Thus, despite the successes of the Belgian economic adjustment formula, the country's fate appears to be guided by broader forces for change.

6 Beyond the consociational-corporatist mix

The government's ability to control the Belgian economy through its consociational and corporatist legacies is not without limits (Huyse 1987, 1994). The trade unions will continue to find it hard to discipline a more disparate workforce; the political parties to mobilize and attract a more fluid electorate; and the national elites to resist calls for a rationalization – if not a regionalization – of what looks increasingly like a pay-as-you-go welfare state. The social partners will continue to intermediate conflicts between functional interests, and the politicians will continue to operate through consensual institutions. In such a context, the opportunities for political mobilization in support of the unitary state diminish while those for mobilization against the centre increase. In 1993 the Belgian public turned out to show its grief over the sudden death of King Baudouin; in 1996 it turned out to express its outrage at the incompetence of the state.

The Belgian state is not incompetent. Nevertheless, it is losing the ability to organize collective sacrifices in the common interest, if not to organize collective action altogether. For a time, that organizational capacity was provided by cooperative elites from differing sub-national pillars and was contingent upon their willingness to cooperate. After that, the state's ability to organize collective action derived from the pervasiveness of particular institutional structures capable of intermediating conflicts below the national level. In the future, political intermediation will have to take place directly through the institutions of state. Whether the result will be stable remains to be seen.

Notes

1. Unless otherwise indicated, all data cited in this article are drawn from European Commission 2001.

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