

Corporatism, crisis, and contention in Sweden and Korea during the 1990s

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Abstract: Over the past thirty five years, debate has evolved about how corporatism differs from pluralism and about corporatism's inadequate notions of power and the state. The rise of neo-liberalism has promoted an even more fatal disdain for the concept both as an analytical construct and as a descriptor of institutions. Faltering growth and surges in unemployment after financial crises in Sweden in 1990-93 and in Korea in 1996-98 seemed to confirm neo-liberal expectations that all varieties of corporatism (state/authoritarian and societal/democratic) are doomed to decline, and that corporatism in all its guises will converge upon a liberal middle ground. A closer examination of the financial crises during the 1990s does not entirely dispel the convergence thesis but it is more accurate to conclude that Swedish and Korean institutions of economic policy formation have changed form rather than collapse. Corporatist institutions in these states have been transformed by ideas about networks and governance, interaction between national and international institutions, and shifting alliances among export-oriented and competition-shielded employers, private and public sector unions, and citizens' protest networks. We argue that the dynamics of contentious politics can explain how these new ideas and alliances transformed regimes in Sweden and Korea and as such constitute an alternative to corporatism as an analytical construct.

Introduction

As a term 'corporatism' remains elusive, despite the common reference to Schmitter's (1979: 93-94) formal definition. The term describes public institutions and state-society relations in both authoritarian and democratic regimes in both developing and developed countries (Chalmers 2001; Adams 2002; Cawson 1986; Wiarda 1997; Williamson 1985). Corporatism's depiction of state and society contrasts with ideas about a plurality of interest groups governed by the state as neutral referee. Corporatism insists that the state actively intervenes to recognise, license or create particular groups that exercise an organised capacity to monopolise representation of given interests, so long as they select moderate leaders who articulate the group members' demands. The elusiveness of corporatism comes in part from the diversity of its ideological connotations. Liberals frown on the absence of free choice, autonomy and efficient market forces when a state incorporates business associations in order to perform some of its regulatory functions. Marxists frown on the reduced scope for revolutionary mobilization when a state incorporates union leaders, union bodies and processes of collective bargaining in order to prevent strikes, restrain wage increases and promote employment. By contrast, Catholic social commentators, military leaders, social-democratic party and union leaders,

and international unionists promote corporatism (or tri-partite social partnership) as an alternative to both market chaos and class conflict. For them, corporatism aims to promote harmony, achieve social stability, and form public policies that develop a national economy with low inflation and high employment. Besides ideological connotations, corporatism is also elusive because scholars use it to describe established institutions or regime types in Europe, Latin America and East Asia rather than think of it as part of a carefully specified normative theory about the good society or as part of an explanation about why societies, states or regimes change. In short, 'corporatism' slips between ideology, description, norm and explanation.

We argue that formal definitions, ideologically oriented interpretations and regime typologies of corporatism all fail to explain why union or NGO influence over economic policy formation can arise, change, end or transform, either in general or in particular places and certain times. This shortcoming is particularly clear in contrast against the wide-ranging ambitions of recent theorizing about the common causal mechanisms in various forms of non-routine or 'contentious' politics, including peasant rebellions, revolutions, strikes, democratisation, coups, ethnic conflict, civil war and terrorism (McAdam, Tarrow et al. 2001; McAdam, Tarrow et al. 2009). The first rationale for undertaking our comparison between Korea and Sweden's dramatic convulsions during financial crises in the 1990s is, therefore, to demonstrate this shortcoming in notions of corporatism as we analyse how, when and why our two regimes shifted.

A more obvious rationale for focusing on Sweden and Korea is that they sit at opposite ends of a spectrum variously described as stretching between state and societal corporatism (Schmitter 1979), state-licensed and contract corporatism (Wiarda 1997; Williamson 1985), or authoritarian and democratic corporatism (Rothstein 1991; 1992; 2002; Choi 1989; Hundt 2005; Kim 2007). However it is described, the regimes at each end of this spectrum faced extraordinarily severe financial crises at much the same time. What caused authoritarian Korea and democratic Sweden to endorse neo-liberal views about state-society relations? What can explain this convergence from either end of the spectrum of corporatist arrangements towards a liberal centre? We question the argument that economic globalisation has rendered nation-states more dependent and beholden to the neo-liberal demands of transnational capitalism, and instead advance arguments about how, when and why Korea and Sweden each renewed their traditions of economic policy formation with state bureaucracies and governments that actively contribute to the processes of economic development.

This article has three parts. Part one reflects further on corporatism as it identifies similarities and differences between Korea and Sweden. Using official statistics from the Organisation for Economic and Co-operative Development (OECD), the International Monetary Fund (IMF) and the International Labour Organisation (ILO), we show how four countries fared between 1980 and 2000 in terms of economic growth, the public sector, unemployment, employment protection, productivity,

inflation, densities of unionisation and industrial conflict. These measures offer some objective context for the narratives in parts two and three on Sweden and Korea, which analyse episodes of regime change during the financial crises. We deploy aspects of the dynamics of contention approach to comparative politics (McAdam, Tarrow et al. 2009) and look more closely at interactions among insider and outsider actors, including governments, sites of contention and repertoire of contention. Our analyses focus on three causal mechanisms that Tilly argues are crucial during democratisation: changes in trust networks, cross-class alliances, and the brokerage of new connections between actors and sites of contention (Tilly 2001: 25-25, 36-37, McAdam et al 2001: 264-304). Critics of the dynamics of contention argue that causal mechanisms are potentially many and varied (Koopmans 2003). However since global neo-liberalism is a potential cause of de-democratisation (Tilly 1995), so these causes of contention during democratisation offer plausible explanations for how, when and why our two regimes changed in the 1990s. Given the importance of the state for corporatism and the active roles that our two states played during acute financial crises, we also focus on the possibility that outsiders' contention is closely related to insiders' contentious politics within established institutions (McAdam, Tarrow et al. 2001: 7). Strikes tend to be short, frequent and contentious in Korea, and large, infrequent and routine in Sweden, but there were few strikes in either state during the financial crises. Instead unions in both states tested the boundaries between contentious and routine politics.

1. Initial comparisons

All forms of corporatism pursue economic development with various forms of state-society relations that contradict, rather than merely fall short of, the ideals of a perfect market. Good economic performance is the crucial test for any form of economic policy formation and implementation, but it is particularly important for corporatist institutions because neo-liberalism has instilled considerable faith in market forces among leaders of transnational corporations and among bureaucrats and party leaders in the rich world. So, how well did Sweden and Korea perform before and after their financial crises of the 1990s? We first compare these two corporatist states with two market-oriented states (the UK and the USA), and then compare democratic-corporatist Sweden with authoritarian-corporatist Korea.

Figure 1 illustrates that the Korean economy grew at 6-12 percent per annum between 1980 and 2000, except for short, sharp recessions in 1980 (after a coup and major unrest) and 1998 (after the financial crisis),. Britain and the USA experienced negative growth during 1980-82 and again in 1991. Sweden mostly followed the British and American pattern, with growth at 2-3 percent during upturns and below 2 percent during downturns. However, the Swedish recession in 1991-93 was worse and lasted longer than it did in Britain and the USA.

Figure 2 shows in the total outlays of government as a proportion of GDP Sweden and Korea have converged on Britain and the US. Since 1870, total outlays of government in the industrially advanced countries have expanded from around 10 percent of GDP to around 40 percent. As a proportion of GDP, the Swedish state was smaller than the US or British state before the Second World War. All three were about 30 percent of GDP in 1960 but since 1960, the Swedish state has become much larger. During the financial crisis of 1990-92, it reached 71 percent and has since then declined to levels closer to Britain and the US. Korea does not figure in the historical figures (Tanzi and Schuknecht 2000: 6) but in the OECD figures for 1984-2010, Korea's small public sector has increased to levels closer to Britain, the US, and Sweden. Where the difference between Sweden and Korea was 50.3 percentage points in 1992, in 2010 that difference had halved to 24.2.

Figure 1: Economic Growth

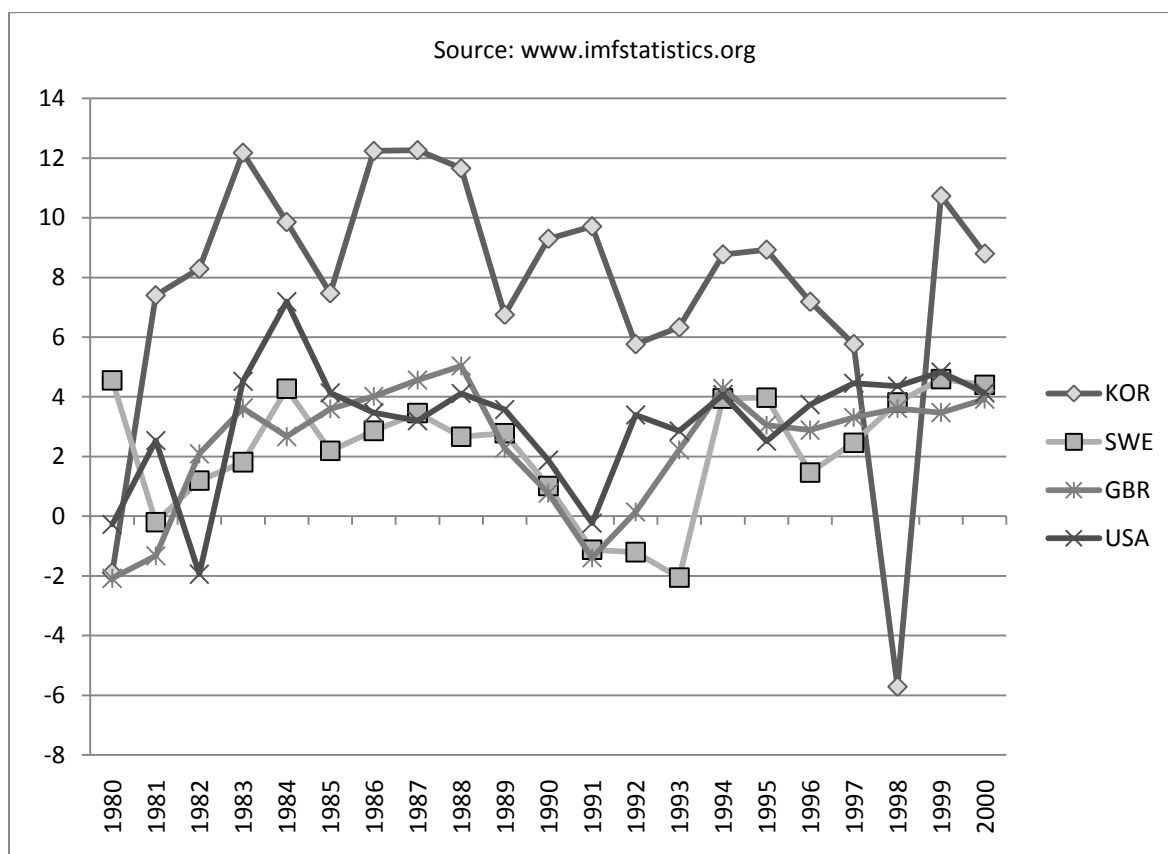
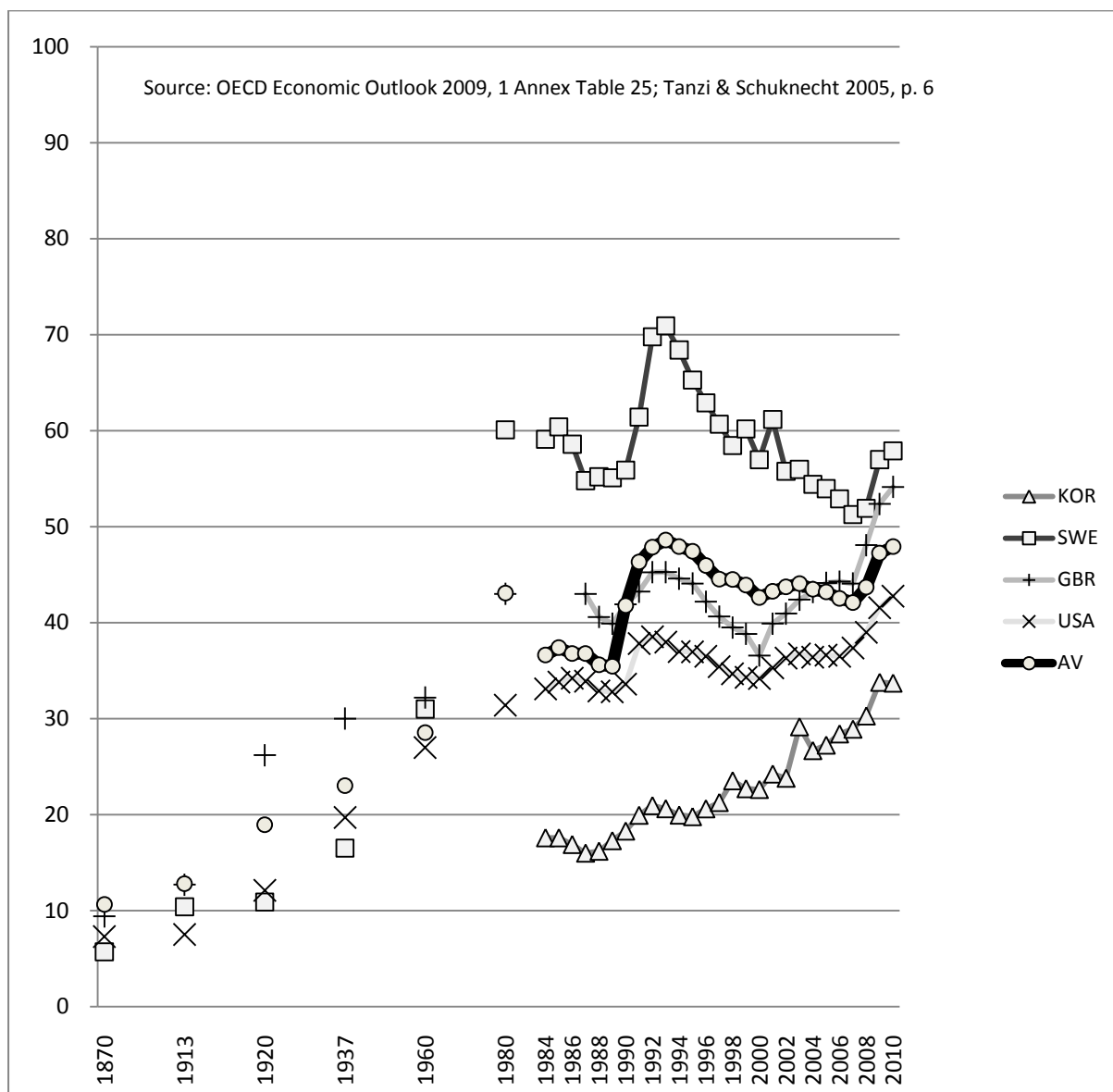


Figure 2 Total Outlays of Government



Figures 3 and 4 illustrate the neo-liberal convergence thesis in terms of employment protection. During the 1980s, Sweden and Korea each maintained unemployment levels below 4 percent. First Sweden (1992) and then Korea (1998) abandoned their maintenance of low and stable unemployment and converged on the neo-liberal mainstream, as represented by the cyclical rise and fall of unemployment in the UK and the USA. Indicators of the strictness of employment protection show a less dramatic convergence between our corporatist and liberal regimes. These figures come from the IMF and the OECD, but liberals challenge the reliability of unemployment statistics in both Sweden and Korea. It is often suggested that when retrenched workers take the Swedish Labour Market Board's courses in sought-after skills they count as students and thus disguise the real extent of unemployment. Similarly, in Korea strong family values and deep shame over unemployment disguise the extent of actual unemployment. A liberal observer might therefore argue that the levels of

unemployment in Sweden and Korea during the 1980s are not entirely comparable with levels of unemployment in states where individuals are more often left to their own devices, but after the financial crises the unemployment levels are more comparable. The differences in unemployment and employment protection in our corporatist and liberal states before the 1990s may actually be less than they appear, but we argue nonetheless that the timing of changes in employment levels and employment protection should be accepted as indicators of ‘regime change’.

Figure 3: Unemployment

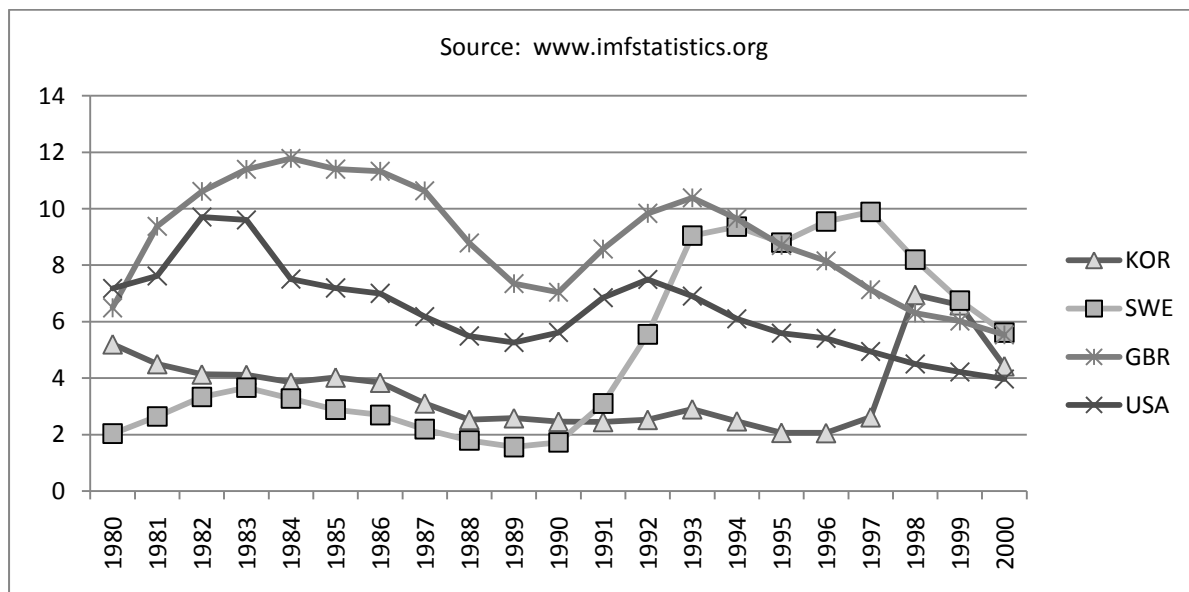
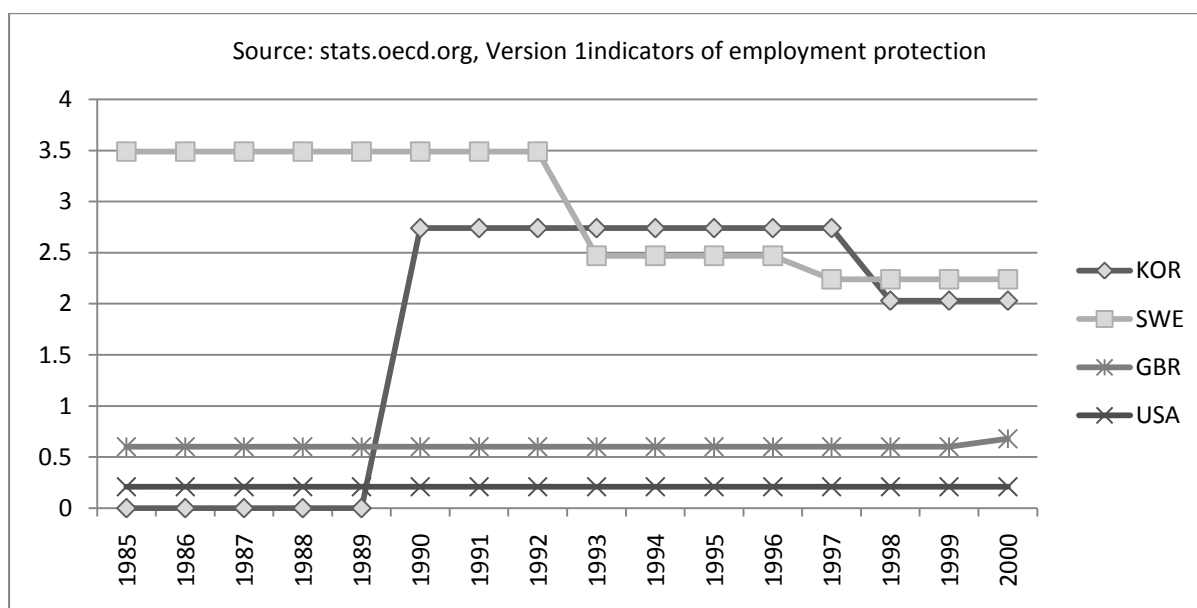


Figure 4: Employment protection



Figures 5 and 6 also illustrate the convergence thesis in terms of inflation. The productivity of labour and rates of inflation became less important differentiators between our corporatist and liberal states and between Sweden and Korea.

Figure 5: Labour productivity per unit of labour input

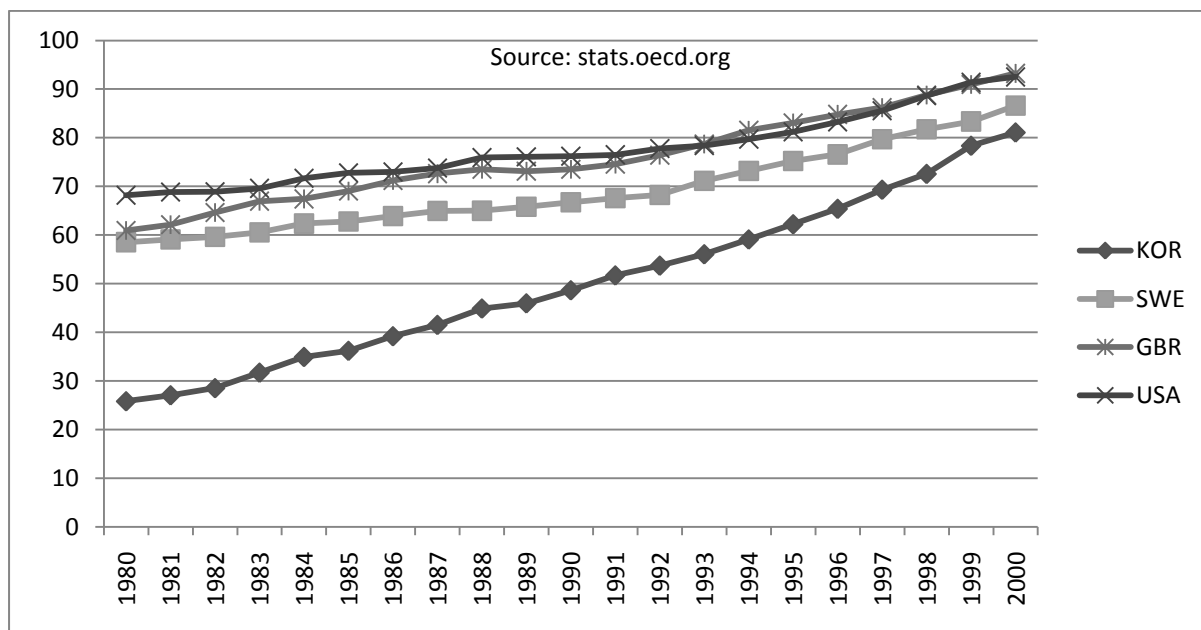


Figure 6: Inflation

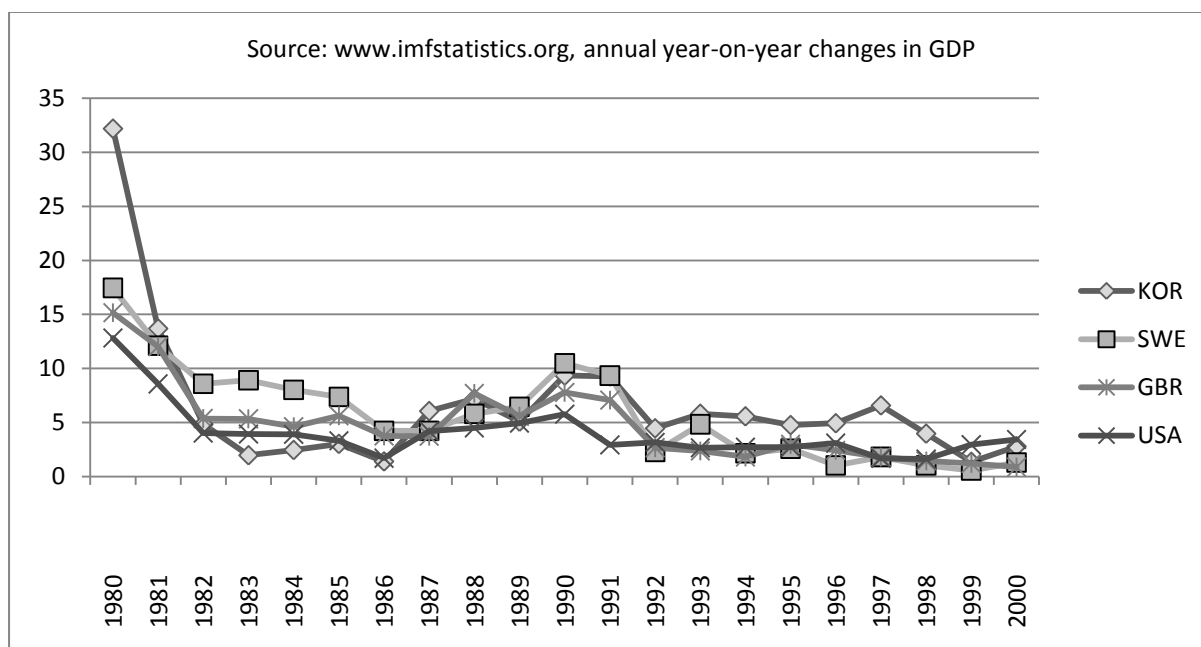


Figure 7 contradicts the corporatism-liberalism convergence thesis and illustrates a large difference between Sweden, which has long had the world's highest density of unionisation, and Korea. Among OECD states, the USA and Korea have always had a low union density, while

Britain's was medium-high until 1980 and fell strongly between 1980 and 2000. Korean densities increased in the years immediately after the first presidential elections in 1987 only to decline again thereafter.

Figure 7: Densities of Unionisation

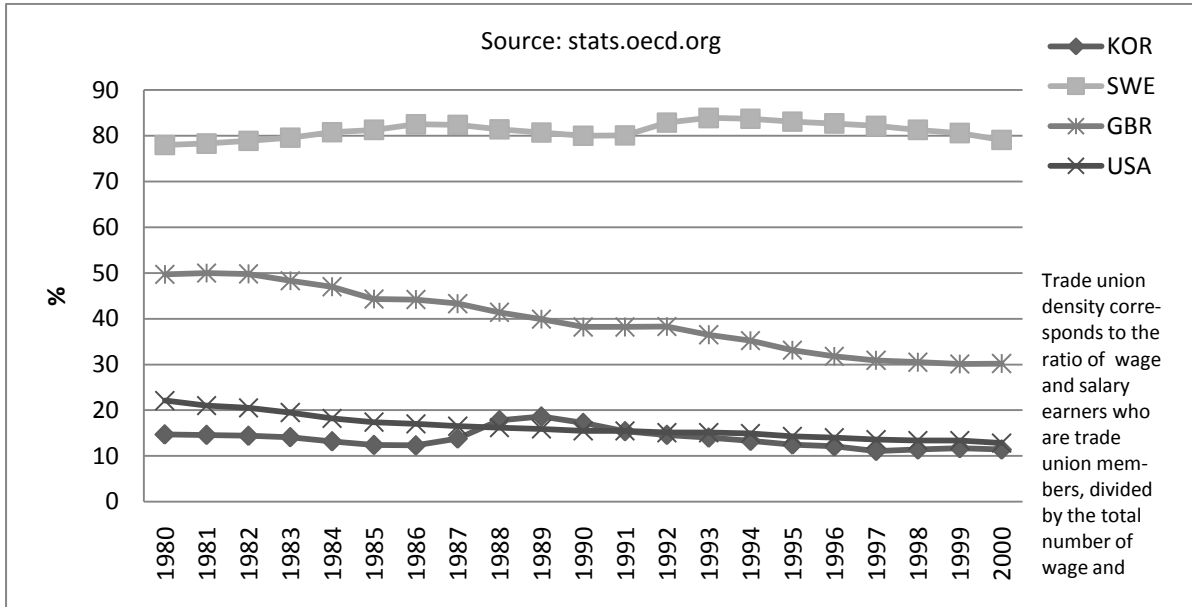
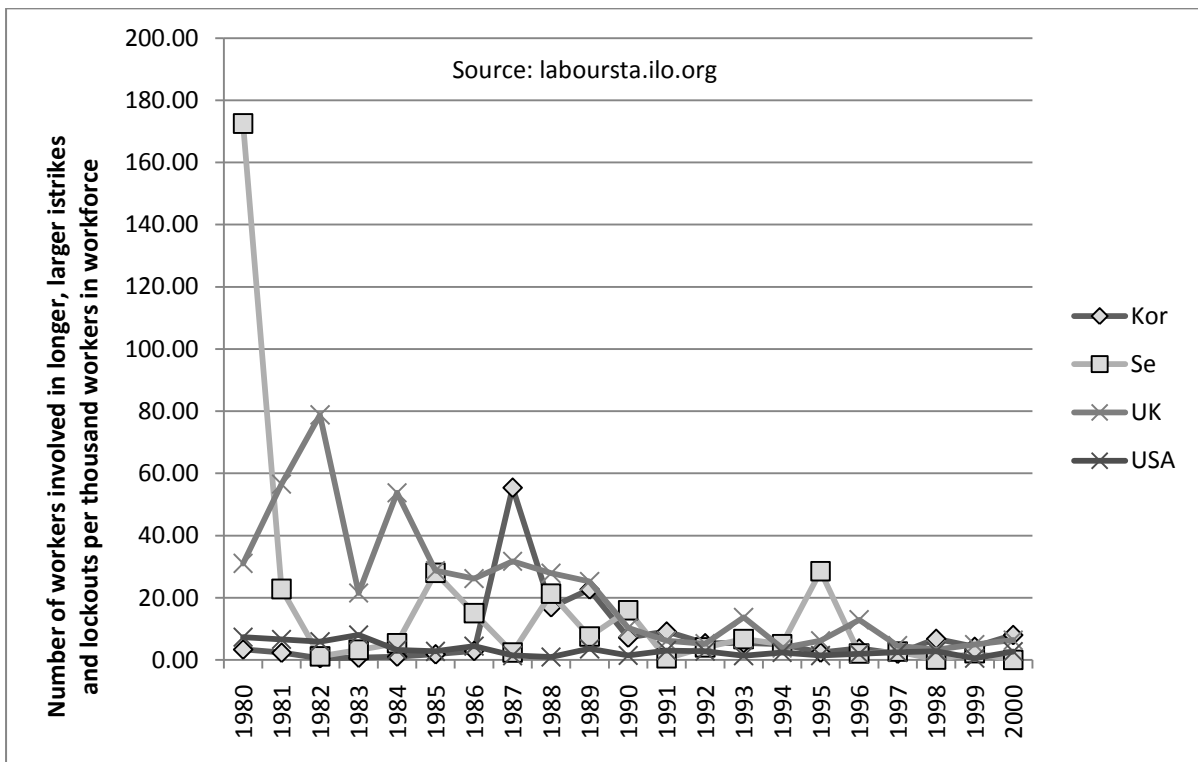


Figure 8: Number of Workers in Longer, Larger Industrial Disputes per Thousand Workers in the Total Workforce



On strikes and lockouts, our four states mostly converged on industrial peace in the 1990s. Figure 8 draws on ILO statistics about strikes and lockouts, excluding disputes shorter than one day and fewer than ten workers in Korea, Sweden and the UK, fewer than 100 workers in the USA, and all political strikes in the UK. Figure 8 shows that Sweden's 10-day general strike in 1980 was something like an earthquake that had aftershocks in 1984, 1988, 1990 and 1995. The British strikes of the 1980s largely ceased in the 1990s. Similarly, Korea's numerous, short strikes by independent new unions during its democratisation in 1987 and 1988 were not replicated in the 1990s.

The figures above describe an uneven convergence on a liberal centre. Workers in both Sweden and Korea continue to benefit from employment protection measures against unfair dismissal, for high health and safety standards, and effective rights to organise collective bargaining, that remain clearly better than employment protection rights in Britain and the USA. Britain's density of unionisation has fallen close to the low levels in Korea and the USA, but Sweden's density of unionisation remains very high. Industrial conflict remained important in Sweden but fell to low levels in Britain, the USA and Korea. But these official statistics tell us nothing about why or how growth faltered, inflation rose and full employment became a lesser priority, and they cannot explain how our corporatist regimes responded to the problems posed by financial crisis.

2. Swedish Contention and Financial Crisis

On 7 February 1990, the treasurer of the minority social-democratic government announced a crisis package that included command-economy proposals to freeze wages, prices, rents, dividends and taxes, along with a ban on strikes during 1990 and 1991 (Feldt 1991, pp. 456-69). Amidst these dramatic proposals, an unheralded declaration of intent to apply to join the EU was almost an aside, meant to underline how serious the government was about controlling inflation. A week later, the Riksdag rejected the crisis package bill, the government resigned and the treasurer left politics altogether. After another week, the social democrats formed a new minority government. The only aspect of all the drama (Vandenberg 1990; Vandenberg and Dow 1991) that had longer-term importance was the government's sudden declaration of intent to apply to join the EU. In retrospect, the government had effectively declared it no longer had faith in the capacity of the Swedish Employers' Federation and the union peak bodies to negotiate non-inflationary national wage agreements. Feldt's successor, Allan Larsson, made further attempts to institute public controls over wage-setting but they also failed. In January 1991, Larsson said in his budget speech that reducing inflation had to come before all other goals. Many interpreted this as the final and formal end for the long-standing priority of full employment (Svenning 2005, pp. 53-55; Lindvall 2006). When the bourgeois parties replaced the democrats at the September 1991 elections, they had no qualms about making reduced inflation the first priority of public policy.

During 1990, major developments took place in the routines of industrial relations. In the 1980s, the large engineering corporations (such as Volvo, Electrolux and Ericsson) had managed to persuade the metalworkers to settle wage contracts separately from the centralised negotiations between the Swedish Employers' Federation and the union peak federations. In 1990, the employer federation finally ceded to the engineering corporations and declared that it would no longer negotiate wages or conditions at a national level with the Confederation of Unions. It backed this up with a decision to close its offices of statistics and negotiations, and a year later it withdrew all representatives from the boards, committees and inquiries that had built up around tri-partite 'democratic corporatism' over almost ninety years (Rothstein 2002).

Serious economic problems also developed during 1990. The real-estate price bubble burst in May. By October, bankrupted real estate developers in Stockholm, London and Brussels sent Sweden's largest finance company Nyckeln bankrupt. The collapse of Nyckeln and other finance companies revealed extensive exposure in the partially privatised Nordbanken, SE-Banken, Första Sparbanken and Gotabanken. During 1991-92, the social democratic government paid 65 billion crowns to Nordbanken in return for shares when it bought the bankrupted Gotabank, It also demanded shares from Första Sparbanken in return for guaranteeing its loans to that bank. When the economy recovered and the value of the banks' shares also recovered, the government sold its shares and recovered about half of the money it had given the banks (Bäckström 1997).

The breakdown in the centralised negotiation of wage setting, the collapse in real estate values, and the banking crisis all contributed to the currency crisis of September and November 1992. The final factor was a change in government in September. Devaluations are most commonly undertaken by new governments that seek to differentiate themselves from their predecessors and to compensate for the loss in international competitiveness usually supposed to have been caused by the inflation that had accumulated under former governments. However, contrary to international speculation, both the social democrats and the incoming bourgeois government repeatedly disavowed any recourse to devaluation. Instead they conformed to the stable-currency and low-inflation criteria for EU membership. The British government and other participants in the partial pegging regime of the European Exchange Rate Mechanism (a forerunner to the European Monetary Union) also sought stable currencies and made the pursuit of low inflation the first priority of public policy. However, the collapse in real estate values and the associated banking crisis kept the risk of devaluation open. Britain invested its gold reserves heavily in maintaining the value of the pound but on 16 September 1992, the speculation proved too great. The British allowed the pound to float completely. In Sweden, the Riksbank continued to resist the same course. On 17 September it imposed a daily instrumental interest rate of 500 percent per annum, and it was prepared to impose a marginal rate of 4,000 percent if necessary (Dennis 1998, pp. 49-56; Bäckström 1997). The Riksbank succeeded in the short term and the daily instrumental rate fell back to 20 percent. However by November, the number of bank-

ruptcies and the strain on the banking system forced it to allow the Krona to float completely. Resisting devaluation because of its potential to cause inflation resulted in higher interest rates and a loss of competitiveness for small export-oriented firms, but more employment was lost in the public sector. During 1990-94 about 185,000 people lost work in industry and another 100,000 in private services (such as banks), but cuts to public spending saw 253,000 people lose work in the public sector (Ehrenberg and Ljunggren 2006, p. 126).

Poor economic circumstances saw the electorate return the social democrats to office in September 1994. During the election campaign and before the referendum held in November, the popular social-democratic Prime Minister, Ingvar Carlsson led a successful Yes campaign to join the EU. Along with Finland and Austria, Sweden officially joined the EU in 1995. How did the government manage to persuade a majority of the voters to agree to join the EU? Why did Sweden abandon its long-standing commitment to full employment as the first priority of public policy and then turn to the neo-liberal public policies required to join the EU? What consequences did this shift in public policy have for the patterns of protest against and support for the government? To answer these questions we turn to our three dynamics of contentious politics: changes in trust networks, changes in cross-class alliances, and the brokerage of new connections.

Swedish citizens' networks of trust remain well integrated in the public sphere of debate, policy formation and policy implementation. This is a legacy of the way the labour movement and other social movements mobilised during 1890-1920 to pursue democratisation as a 'joint project' with liberal elites who dissented against an anti-democratic conservative regime (Collier 1999: 83-85). Unions and social movements developed strong links between workplaces, local chapters, co-operatives and neighbourhood organisations and their respective central committees or bodies, which had a strong national presence (Rothstein 2002, p. 295). Unions in Sweden remain both strongly decentralised, with strong local negotiation of piece rates for example, and highly centralised, with well-staffed national offices and extensive engagement in industry-wide wage negotiations and all manner of public enquiries and boards of public authorities (Higgins 1985a; Kjellberg 1997; 2007). During the 1990s, however, membership in many different civic associations has declined somewhat from very high levels. In 1993, 92 percent of the adult population belonged to at least one civic association and by 2001 this had declined to 89 percent (Persson 2003, p. 11). Older people belonged to civic associations in greater proportions than younger people (Vogel, Amnå et al. 2003, pp. 58, 64, 70-71). There is, however, an important nuance in this picture of high but declining social capital in networks of trust.

Bo Rothstein (2002, pp. 330-31) argues that networks of trust among citizens in the wider community remain strong and vibrant, but that since the end of the 1980s, unions are less well integrated in public decision-making because national union leaders and corporate leaders no longer

trust each other. He attributes the breakdown in elite trust to, first, the unions' mobilisation for economic democracy and the social democrats' legislation of extensive union rights at work from the mid-1970s, and second, the employers' neo-liberal counter-mobilisation during the 1980s. From our dynamics-of-contention perspective, ideological mobilisation and counter-mobilisation is an important but insufficient explanation of the differential changes in the networks of trust because it relies on the actors' views of the world. A fuller explanation needs to include consideration of how fragmentation within both the union movement and the employers' federation affected their relations with each other, with the government, and with sites and repertoire of contention.

Since the early 1970s, technological development and structural change in the global economy had pushed the global competition-exposed engineering employers to dissent from the approach that the Employers' Federation took in the central wage negotiations with the Union Confederation. The engineering employers disputed the wisdom of accepting that ongoing wage-rate compression was a fair price for no-strike clauses in central agreements. Besides a wider spread of wage rates, they demanded that other employers and unions allow wages in the competition-exposed sector to be the benchmark for national wages in accordance with national productivity increases. When this failed to happen, they sought greater flexibility in local piece-rate setting in order to cope with the merging of blue- and white-collar tasks and to compete for scarce skills in a full-employment economy. In 1983, they used high wage offers to persuade the metalworkers to negotiate independently of the central wage-setting procedures, but it was not until 1990 that they could finally persuade the Employers' Federation to abandon national wage-setting altogether. Peter Swenson and Jonas Pontusson (2000) argue that it was a cross-class alliance, between the engineering employers, the metalworkers and a bargaining group of white-collar unions in private industry that brought the peak bodies' centralised wage negotiations to an end. The timing of the changes to wage-setting procedures illustrates the agency of the engineering employers' active choices because the imperatives of technological and economic structural change developed gradually over a long period. But how did this cross-class alliance affect other actors and relations between actors, sites of contention and repertoire of contention?

The most direct effect of the cross-class alliance between the engineering employers, the metalworkers and the white-collar engineering workers was to ally actors in export-oriented manufacturing *against* three groups of actors shielded from global competition. One, they allied against both large retailers who could pass the cost of higher wages on to their customers and the large timber and paper manufacturers whose wage costs were small compared to their capital costs (Swenson and Pontusson 2000, pp. 92-94). Two, they allied against public-sector employers who could either trim their capital maintenance costs in workplaces such as schools and hospitals, or lobby for higher taxes to cover wage increases. Three, they allied against public-sector unions that mobilised around feminism (Higgins 1996) to attack the gap between men's private sector wages and women's public-

sector wages for comparable work. From the mid-1970s to the end of the 1980s, inflation aggravated tensions between the engineering employers and other parties to wage contracts. They insisted that manufacturing productivity had to be the benchmark for wages across the economy while other employers' were more interested in avoiding strikes or could avoid or pass on their increased wage costs. The public sector unions mobilised against the gendered pay gap between the public and private sectors. Between 1976 and 1982, successive bourgeois and socialist governments used currency devaluations to adjust for inflation. The social democrats', liberals' and conservatives' turn to the EU saw socialist and bourgeois governments abandon devaluation as a last resort and join the trade-exposed employers' and unions' cross-class alliance against non-trade exposed employers and unions.

A second effect of the pro-EU cross-class alliance was that militant unions outside of the trade-exposed sector began to consider collaboration with the anti-EU communists or greens in parliament and began to support diverse groups opposed to the EU. The municipal workers drew on feminism to motivate campaigns against privatisation and authoritarian managerial practices (Higgins 1996), and paid local officials to help organise the Stockholm social forum (Interview: Ann-Terese Mörch 26 March 2004). The Commercial Workers' Union organised a successful consumer boycott of Toys 'R Us (Vandenberg 2006) and mobilised its younger members to support the clean clothes campaign against child labour (Interviews: Stefan Carlén 26 February 2007; Sven Engleson 1 March 2004). The Confederation of Unions also attempted to forge connections with the campaign for a Tobin tax. Unions formed connections with anti-globalization and anti-EU groups in the Toys dispute and other campaigns, but their achievements were defensive rather than constructive. They were a matter of resistance against unwelcome incursions on established rights rather than a matter of, say, advancing industrial democracy or scaling back the prerogatives of management. Part of the reason why the pro-EU cross-class alliance was stronger than the anti-EU groups was that they presented themselves as competing for a proud and wealth-generating place in a rapidly globalizing world, while anti-EU groups reverted to a national sense of identity to resist the insecurity that flows from globalization and integration with the EU.

3. Korean Contention and Financial Crisis

A high-capacity, repressive state suppressed civil society for several decades after the founding of the anti-communist Republic of Korea in 1948. The state targeted trade unions for repression due to suspicions that they were communist sympathisers. Independent unions were destroyed, and replaced by loyalist, "yellow" organisations that supported the intelligence agencies in monitoring workplaces. These belonged to the Federation of Korean Trade Unions (FKTU) and were incorporated as a highly subordinate actor in the development model that emerged in the 1960s. The model also entailed a small number of family-owned and managed conglomerates—the chaebol—which received privileged

access to resources in return for supporting the regime and for acquiescing to state designation of priority industries (Hundt 2009).

Individuals were promised “lifetime employment” and a set of basic rights in return for quiescence, but this came at the expense of collective rights to organise and bargain. Korean unions failed to play the advocacy role expected of them, and working conditions subsequently remained relatively poor even in recent times when evaluated by indicators such as hours worked each week, fatal injuries in the workplace, and treatment of staff (Buchanan and Nicholls 2003: 206, 222; Kong 2006: 377; Ogle 1990).

Korean civic movements proved to be resilient despite decades of repression, and key constituents of the *minjung* (people’s) coalition such as churches (Wells 1995) and students (Lee 2007) played a crucial role in building class consciousness among workers in the 1970s and 1980s (Koo 2001). The linkages between *minjung* forces and workers had at least two discernible effects. First, it greatly improved the organisational capacity of workers, and fostered the formation of independent unions that were willing to undertake the advocacy role neglected for so long. From a low base and despite restrictions which allowed only one union to organise in each workplace, the independent unions enjoyed strong growth during the 1980s. The number of unions in Korea more than doubled after 1986, reaching more than 6,000 by 1988 (Burkett and Hart-Landsberg 2000: 157). The independent unions formed their own peak body, the Korean Federation of Trade Unions (KCTU). Second, the revitalisation of the union movement provided anti-state forces with a critical mass of support in their quest for political change. The *minjung* alliance and KCTU-aligned unions formed the vanguard of the democratisation movement in the summer of 1987. The movement also gained support from the middle classes, indicating a widespread demand within Korean society for political change (Chung 1997; Kim 2007: 213-14).

In the more open social and political conditions of the democratic era, a new group of civic organisations emerged, with a focus on middle class issues such as human rights, the environment and gender inequality. Two of the most longstanding and successful “comprehensive citizens’ movements” to emerge at this time were the People’s Solidarity for Participatory Democracy (PSPD) and the Citizens’ Coalition for Economic Justice (CCEJ). They could be distinguished from the independent unions and *minjung* partners by their degree of class consciousness, strategies and priorities for social and economic reform. Conservative politicians and media encouraged this splintering of civil society by depicting students and the KCTU as dangerous radicals, and cited a propensity for violent protest and support for dialogue with North Korea as evidence that these elements could not be trusted (Jee 1997: 151-52; Kim 2008: 305-06).

In contrast, the middle class civic groups eschewed violence as a tactic, accepted the basic framework of the new democratic political system, and interpreted their role as acting as a check on executive

power. For the PSPD, founded in 1994, the primary focus of its activities was the “monitoring of power” (Yoon, 2001: 69). The focus of the CCEJ was economic justice and procedural democracy. The themes of participation, accountability and transparency guided its projects to monitor the attendance and activity of National Assembly members, to raise standards of corporate governance, and to protect consumer rights (Burkett and Hart-Landsberg 2000: 194-95; Multinational Monitor 1995: 27).

The effects of democratisation on the Korean development model were becoming apparent by the mid 1990s. The government applied for membership of the OECD in 1996. The application was rich in symbolism: Korea had transformed from one of the world’s poorest states in the early 1960s to a member of the “rich world club” only three decades later, with income levels reaching \$US10,000 per person. However Korea was required to further open its economy, including the financial system, to international markets. The government embraced a liberalisation of the economy on the grounds that a trade-dependent state should foster competition rather than avoid it. The government also sought to increase the “flexibility” of the labour market, including the dissolution of employment guarantees that had accrued in earlier decades. The manufacturing sector witnessed particularly strong improvements in wages and conditions due to successful campaigns by unions aligned to the independent KCTU. In response to complaints from the chaebols that wage increases were destroying their competitiveness, the government passed a raft of amendments to the Labour Relations Law in late 1996. The aim was to make it easier for firms to lay off workers (Kong 2006: 371). Unions strongly opposed the removal of employment protections, and staged a series of strikes to repeal the rollback of protections. For the first time, the state-aligned federation and the KCTU joined forces to defend labour rights. Under pressure to end the strikes, the government agreed to repeal the most restrictive elements of the new legislation. In March 1997, a compromise was reached whereby unions acceded to limited job security in return for greater freedom to organise. The government also granted pay increases to both public and private sector workers (Buchanan and Nicholls 2003: 218).

Evidence that the chaebol-centred development model was faltering was not difficult to find. A mid-sized chaebol, the Hanbo Group, declared bankruptcy in early 1997. Hanbo’s loans came at low interest rates and allowed the group to record extraordinarily high levels of debt, even by the standards of the chaebols (Schopf 2001: 709-10). The government nationalised Hanbo, but its collapse shook investor confidence. The collapse of Kia Motors followed a few months later. This loss of confidence became especially important when investor panic spread across Southeast Asia in the second half of 1997. Within months lenders were scrutinising the debt levels, investment patterns and corporate governance practices of the chaebols. By year’s end, Korea was forced to apply to the IMF for a loan to repay the costs of actual and potential corporate failures. In return for a bailout loan from the IMF, the Korean government agreed to a range of changes: spending was reduced, reforms were enacted to increase the quality of loans, and new regulations were introduced to improve standards of

corporate governance. The IMF also recommended that the flexibility mechanisms that were originally mooted in late 1996 be introduced without amendment (Hundt 2005: 245-47).

Amid the financial crisis Kim Dae-jung, who survived assassination and imprisonment at the hands of authoritarian regimes, won the presidency at his fifth attempt. Unlike his predecessors, he was somewhat amenable to bringing non-traditional elites into government. The trust networks of civic movements thus began to move into the public sphere at the same time as the state–chaebol networks of privilege and corruption were coming under scrutiny. The new government recruited civic groups to support elements of its chaebol reform agenda such as the enhancement of corporate governance. The “small shareholders’ movement”, for instance, sought to ensure that chaebols called annual general meetings as required in their statutes, other groups campaigned for the appointment of outside directors, and some civic groups provided input to social policy by suggesting incentives for women to re-enter the workforce. Some representatives from civil society even served as Cabinet ministers (Kim 2000: 603-04; 2007: 216-19; Lim and Jang 2006: 449-51; Peng and Wong 2008: 79-80).

In order to ease the implementation of the IMF’s rescue package, the government invited the rival union federations to partake in Tripartite Talks. Both federations had supported Kim during the election campaign (Kong 2006: 377-78), and this was an attempt to establish democratic corporatism around a pact between labour, government and business. The February 6 pact expanded basic labour rights, allowed for the formation of a teachers’ union, and allowed laid-off workers to join a union. Unions won the right to establish a political party, and the KCTU won belated recognition as a peak body. The pact largely removed the expectation of job security, although the government established a multi-billion dollar fund to compensate workers for job losses resulting from restructuring (Ha and Hwi-Lee 2007: 910-11).

The unions had a range of motivations for participating in the talks. First, the union federations argued that the chaebols were largely responsible for the financial crisis. They argued, for instance, that the embattled Kia Motors was a well-run firm experiencing only temporary liquidity problems, in part due to the bigger chaebols’ monopolisation of credit markets. The unions recognised the value of positioning themselves on the side of reform during a time of national crisis (Burkett and Hart-Landsberg 2000: 200). Union leaders proposed that chaebol restructuring proceed via job sharing and wage freezes. In other words, while agreeing to the new “flexibility” mechanisms, unions sought to save jobs. The public was wary of any group that appeared to share the chaebols’ opposition to reform. As one union official recollected: “There had been and was a very strong mood among the members to fight, but members were worried about how their actions would be interpreted within the overall context of the economic crisis itself. They found it difficult to be seen as the people who rock the boat at a time of difficulty” (quoted in Neary 2000: 4).

Second, the talks went some way towards fulfilling the aspirations of union leaders to alter their status as outsiders to routine politics. Unions emphasised the symbolism of the talks, and Yoon Young-Mo of the KCTU argued that: “Labour could now be included and recognised as a pillar of the society, as a value in itself as an organised progressive force. In this way you could philosophically change the way in which labour was perceived in society” (quoted in Neary 2000: 4).

Third, unions could change their organisational strategy. Instead of operating solely at the enterprise level, they recognised an opportunity to create industry associations (Kong 2006: 376). Some of the legal barriers to creating such structures were removed, although problems remained in terms of collecting membership fees at the industry and national levels. Consequently the fledgling industry unions were ill equipped to undertake nationwide negotiations over wages and conditions with government and employers (Buchanan and Nicholls 2003: 221).

Despite the unions’ willingness to compromise, the government played the most forceful role in the restructuring process. Kim Dae-jung proposed that the chaebols undertake asset swaps to reduce overcapacity and indebtedness. The state dictated the terms of restructuring, and the Minister for Finance and Economy warned: “the public must understand that reducing employment by 10 to 20 percent through restructuring is a way to prevent a situation where 100 percent of jobs are lost to unemployment in the future” (quoted in Song 1999: 91).

This left unions with less autonomy than initially envisaged. Problems arose when the union federations returned to their members with details of the pact. Delegates voted to reject the agreement, which placed the brunt of the burden for reform on workers (Chang and Chae 2004: 432-34). With their constituents opposed to the proposed model of restructuring, some union leaders saw no option other than to return to the non-routine politics of strikes, sit-ins and protests to press their claims on government. However the government reverted to authoritarian means of coercion—such as the violent suppression of strikes and the arrest of union leaders—to halt industrial disputes (Ha and Hwi-Lee 2007: 912). Two examples illustrate the government’s response to the unions’ reversion to non-routine politics.

First, Hyundai Motors announced in early 1998 that 10,000 workers would need to accept voluntary redundancies for the company to survive. More than 8,000 workers opted for early retirement. While individual members acted in what they perceived as their self-interest, the Hyundai union viewed voluntary redundancies as a direct threat to its strength. The union proposed saving jobs through wage cuts and job sharing. When the company rejected these options, 30,000 union members went on strike in July 1998 to oppose further redundancies and factory closures. After holding out for two months against the company and government, the union capitulated. In the face of the government’s threat to break the strike via heavily armed riot police, the union agreed to the sacking of more than 200 workers and the dispatch of more than 1,200 others on extended unpaid leave—

bringing the total reduction in the workforce close to the 10,000 mooted only months earlier. Despite two-thirds of members rejecting it, the deal was ratified (Neary 2000: 3-5).

A second dispute illustrated the partial revival of links between unions and other elements of civil society. The student movement supported a strike by about 2,000 subway workers in April 1999 by sheltering workers on a university campus. However the students proved incapable of protecting the workers from the repressive powers of the state. Student activists claimed that their efforts to support workers did not attract widespread support: “There are a whole generation of young people in the universities for whom the student activists are very unpopular. They are too militaristic and their songs and language and idea have nothing to do with them” (quoted in Neary 2000: 7).

The failure of the campaign damaged efforts to create links between the unions and affiliated civic groups. Both federations had threatened to quit the Tripartite Talks on several occasions, but were persuaded to return. Under pressure from the government to rein in militancy, the KCTU had cancelled three general strikes in 1998. The subway strike was intended to form the “first wave” of a series of rolling strikes in the spring of 1999, but the harsh treatment of the subway workers dissuaded secondary action by affiliated unions. The KCTU cancelled the strike, and also quit the talks. The failure of the strike marked the end of the contentious episode in Korea. The cross-class coalition failed to maintain its unity and sense of purpose in the face of state repression and the state’s maintenance of links with the chaebols, the IMF and some middle-class social movements. For their part, affiliated civic groups found fault with the unions’ strategies, highlighting the philosophical differences between the two wings of Korean civil society. Park Won-Soon, the leader of one middle-class group, argued that the main problem was the unions’ inability to persuade the wider public that their campaign for worthy of support: “In the French case, the public will support subway workers if they go on strike, but it’s not that case for us... Labour has to present evidence that strikes are in the interests of society, not just the working class” (quoted in Yoon 2001: 72).

Conclusions

Sweden maintained full employment for fifty years from 1941 to 1991. This was partly a matter of social-democratic ideology, pursuing genuine freedom for ordinary workers (Meidner 1980), but more importantly it was a matter of long-term institution building (Dow and Clegg 1984; Higgins 1985b; Apple 1980) and a political culture of independence from the international edicts of neo-liberalism (Therborn 1986). Like Japan, Austria, Norway and Sweden, Korea also maintained full employment by means of long-established institutions (the Labour Market Board in Sweden, and life-time employment by the chaebol in Korea) that sustained a political culture of independence from neo-liberalism. We have argued that it was changes in trust networks, shifting cross-class alliances and the brokerage of new connections between actors and sites of contention, rather than an inevitable

collapse of corporatism, that saw Sweden and Korea each abandon their full employment regimes and converge on neo-liberal public policies during financial crises in 1990-93 and 1996.

Our comparison of episodes of contention during financial crises in Sweden and Korea shows that the respective governments' turn to the EU, the OECD and the IMF had de-democratising effects upon the role of unions in public-policy formation. The turn to international bodies fragmented unionism. Prior to the financial crisis in Sweden, the Union Confederation had managed to maintain some solidarity across the public and private sectors even as high inflation had aggravated its long-standing insider status. Inflation strained relations between the unions and both the Employers' Federation and the social-democratic government that undertook liberalising reforms during the 1980s. After the financial crisis, the metalworkers remained insiders when they joined a pro-EU cross-class alliance with the engineering corporations, the social democrats, liberals and conservatives while public-sector unions turned to EU-sceptical outsiders among the communist and green parties and diverse newly established social movements. Prior to the financial crisis in Korea, insider unions in the pro-government federation joined the outsider unions in the militant and independent KCTU to support the first president to win an election from opposition. There was also a broad alignment between all unions and the middle-class civic movements calling for greater corporate accountability. After the financial crisis, the independent unions abandoned the beginnings of social-corporatist tripartite discussions and reverted to their outsider status as they again deployed a familiar repertoire of contention against the new government, which for its part reverted to a familiar repertoire of authoritarian repression. In Sweden, the metalworkers chose to remain insiders and part of a pro-EU cross-class alliance, while in Korea, comparable groups of workers in competition-exposed manufacturing chose to revert to contention against the government from the outside. In both cases, governments benefited from the fragmentation of unionism as different unions pursued routine or contentious politics.

Our analyses of networks of trust among unionists and other social movements and between union and corporate leaders produced nuanced pictures of why some unions chose insider negotiations with governments while others chose outsider contention as financial crisis imposed serious threats to workers' livelihoods. The analyses of cross-class alliances produced nuanced pictures of why various unions chose different means of attempting to make the most of the opportunities posed by the financial crises. However, the governments of both Korea and Sweden proved themselves better at brokering new connections between domestic and international sites of routine politics. These connections constituted a somewhat optimistic and cosmopolitan sense of identity founded on the nurturing of globally competitive manufacturing sectors. In the circumstances of financial crisis, this cosmopolitan identity prevailed against nationalist identities that failed to broker strong connections in either national or international sites of contention.

Interviews

Andrew Vandenberg & Stefan Carlén, Handelsförbundet, Stockholm 26 February 2007;

Andrew Vandenberg & Sven Englesson, Handelsförbundet, Stockholm 1 March 2004

Andrew Vandenberg & Ann-Terese Mörch, Kommunalarbetarförbundet, Stockholm 26 March 2004

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(Tanzi and Schuknecht 2000)