

Summary of "Small European States in the International Economy: Economic Dependence and Corporatist Politics" by Katzenstein.

In brief, K makes the argument that the domestic political structures of small European States (i.e. corporatism) can be best explained by their dependent (rather than interdependent) position in the international economy.

Main points:

Economy

Smaller industrialised countries occupy different positions in international division of labour than larger countries. Because of the economies of scale necessary for industrial production cannot be supported in a wide range of industries, they import a larger portion of national consumption. In return they specialise in their exports. They tend to have two main sectors, one externally orientated and liberal, the other internally orientated and protected. They finance persistent trade deficits by exporting services (eg. Switzerland and financial services) as well as importing capital. (NB this service export sector is one difference between these dependent European countries and many developing countries.)

Politics

External liberalism is combined with domestic compensation (larger state sectors, centralised wage bargaining, pensions, taxes). External trade policy is multilateral, to reduce dependence on any one trade partner, (though not overall dependence on international economy). So external liberalism and domestic intervention complementary.

Corporatism

Defined as the voluntary, co-operative regulation of conflicts over social and economic issues through highly structured and interpenetrated sets of political relationships by business, unions and the state. K shows this to be characteristic of smaller E countries and best explained by economic openness and not other variables (eg. power of unions).