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Varieties of Capitalism, Power Resources, and Historical Legacies: Explaining the Slovenian Exception

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Abstract

Although Slovenia is a small, relatively new nation-state, it has been justifiably called "neocorporatist" and a "coordinated market economy," making it unique among post-communist societies, including ten new EU member states. The authors explore how it became so, and in the process shed light on the debate between varieties of capitalism (VoC) and power resources theories about how coordinated or neocorporatist economies emerge. Although several of the elements predicted by the varieties of capitalism perspective were present in Slovenia, others were not. The authors also find that a significant mobilization by organized labor at a crucial point played an essential role, and overall find that power resources theory has greater explanatory power in this case. However, in turning from explaining how the Slovenian model was formed to why it was so unique among postcommunist cases, they find that specific historical legacies were critical, particularly those from the distinct Yugoslav form of communism.

Keywords

varieties of capitalism, power resources, labor, postcommunism, east central Europe

Although Slovenia is a small, relatively new nation-state, it arguably has something considerable to tell us about the possibilities and limits of alternatives to economic liberalism in the twenty-first century. By most accounts Slovenia is considered to be

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neocorporatist or, in the language of the varieties of capitalism (VoC) literature, a coordinated market economy, uniquely so among the many countries that have emerged from communism in the last two decades. But how did it emerge as such? How were coordination and corporatism created in Slovenia?

As some have argued, the transformation of communism into capitalism provides social scientists with something of a natural experiment. Whereas most countries in east central Europe adopted some version of neoliberalism, with varying degrees of success, Slovenia is a fascinating case—in part because its policies ran counter to the prescriptions of international financial institutions. In contrast to most—if not all—other countries in east central Europe, Slovenia deliberately chose a gradualist approach to capitalist transformation, with a relatively low level of foreign direct investment, a slow pace of privatization, and the adoption of seemingly rigid labor relations and a generous welfare regime. Moreover, Slovenia did so during a period, after the collapse of communism, that may have represented the apogee of neoliberal ideology.

Yet Slovenia not only fares well compared to other postcommunist countries in terms of labor and social standards, but also in terms of economic indicators; by most measures it is the most successful of the postcommunist economies. Its standard of living and wages are the highest of the new member states, and already approach the levels of some older EU members. Certainly this is a model to be emulated. Yet, if this is so, it remains to be explained why no other countries have adopted it, or even attempted to go down Slovenia's path.

We will argue here that the Slovenian case can help reveal the strengths and limits of VoC theory versus power resources theory as explanations for different paths of capitalist development. Here we will focus in particular on two criticisms of the VoC framework: whether VoC theory can account adequately for the emergence of distinct types of capitalism, and whether the relative power of social actors, especially labor, better explains outcomes than does the interests of firms and employers.[1]

More specifically, we will argue that we do find evidence to support the VoC account of the emergence of coordinated institutions in Slovenia: out of all postcommunist societies, Slovenia alone came out of communism with a dominant portion of its export sector dependent on skilled labor, where employers had a strong interest in coordinated institutions. This is a pretty strong correlation. Yet we also find that the logic of employers' interests provides only a partial explanation—a necessary but not sufficient condition. At least as important, we argue, was a well-timed strike wave, which erupted when the basic institutions of the Slovenian political economy were being shaped. Without this wave of labor mobilization, and the continued relative strength of unions in Slovenia, coordinated institutions would either not have emerged, or at the very least would have been considerably weaker and less established than they have been, lending strong support to the power resources theory. However, this leads us to a further question: why did Slovenia, uniquely out of ten postcommunist EU members, have a labor movement sufficiently strong to create coordinated labor institutions? Here we agree with Iversen and colleagues on the importance of specific historical legacies and pathways in the formation of distinct political economies;[2] however, we find only partial support for the factors they emphasize, and instead find very different and more recent historical factors at work in this case.[3] For Slovenia, the crucial factor is the specific legacy of Yugoslav self-managed socialism, which differed substantially from the communist legacy in countries such as Poland. Thus, central elements of both VoC and power resources theories were necessary to make Slovenia a coordinated economy, but also crucial was the legacy of Yugoslav (as opposed to Soviet-dominated) socialism. Taken together, while the Slovenian case shows that alternative paths of development exist, it also demonstrates that its coordinated postcommunism was a highly contingent outcome.

This article will proceed in four parts: first, a theoretical discussion of VoC and power resources theories of the development of distinct forms of capitalism; second, an examination of just how exceptional Slovenia is; third, an evaluation of the validity of different explanatory approaches; and finally, an exploration of the theoretical implications of empirical findings.

Varieties of Capitalism and Power Resources Theories

Are there alternatives to liberalization given increasingly global economic competition? Although ample reasons exist to be pessimistic about the viability of social democracy and corporatism in the twenty-first century, the now extensive literature on the varieties of capitalism argues that alternatives exist and will likely persist. The VoC theoretical perspective makes two central claims: first, that even in a globalized era, there are groups of national production regimes with distinctive institutional configurations—or in short, distinct varieties of capitalism—and second, these varieties of capitalism are largely resistant to pressures toward convergence.[4]

These claims have generated considerable discussion, and it is beyond the scope of this article to fully recount what has become the largest debate in the field of comparative political economy. However, for present purposes we can confine ourselves to the now somewhat conventional VoC classification of Hall and Soskice, namely the two ideal types of liberal market economies (LMEs) and coordinated market economies (CMEs), since it is generally accepted that Slovenia appears to be quite close to the coordinated type; the concern here is how to explain how that coordination came about.[5]

For the purposes of this article, we will focus on the three of the five spheres in Hall and Soskice's classification that have a direct impact on labor: bargaining mechanisms for wages and work conditions, vocational training, and employee relations generally.[6] Within these three spheres, in LMEs one finds flexible or decentralized labor markets with low levels of union density, enterprise-level bargaining with limited extension to other workers, and little or poorly functioning mechanisms of social dialogue with limited employers' coordination across firms. Education tends to focus on general skills to complement fluid labor markets, and there is a high degree of managerial prerogative with little to no codetermination in the workplace. Conversely, in CMEs, one typically finds high levels of union membership, highly articulated mechanisms of social dialogue with well-organized employers, resulting in collective agreements with a high rate of coverage at the national or sectoral level. These elements are combined with education and training systems that provide high industry-specific or firm-specific skills, and worker participation or codetermination at the workplace.[7]

Yet how are these different varieties created? According to VoC theory,

> The more employers are coordinated within strong organizations, and the more trade unions are articulated—both horizontally across sectors and vertically between levels of representation—the more likely it is that cross-class coalitions will develop long-term horizons and invest in specific and cospecific assets. It then becomes possible to produce collective goods (e.g., wage moderation, skills, and training provision) and the complementarities that bind them together.[8]

Such efficient bargains, reached in crucial sectors, will then spread throughout the economy to become its comparative institutional advantage.[9] This logic is closely related to arguments about the development of the welfare state, which, contrary to earlier approaches, emphasize the needs of employers above all in accounting for the specific ways social services are provided in different countries.[10] These two literatures have been recently brought together by Iversen, who argues that workers won't invest in firm-specific skills unless their income is protected from the risk of losing their jobs; hence, employers and employees in such strategic firms and sectors will seek social insurance to make an investment in skills less risky.[11]

Is such emphasis on employers' interests justified? As one critical review of the literature put it, according to the VoC perspective, "the emergence of labor-inclusive political economies does not require worker mobilization let alone class struggle, since generous welfare states are (co)built by, and partly for, employers."[12] In arguing that capital rather than labor has been central to the creation and continued viability of distinct welfare states and production regimes, these new perspectives challenge the emphasis in earlier accounts, commonly known as power resources theory, that emphasize the importance of working-class organization and mobilization in explaining distinct paths of welfare state development.[13] Moreover, the predecessor to the VoC perspective for explaining differences between capitalisms was neocorporatist theory, where corporatist societies, in contrast to pluralist (or liberal) systems, were characterized above all by encompassing labor organizations. Although, as in the VoC perspective, corporatism is based on class compromise, such institutions were not created by firms seeking efficient solutions for collective action problems; instead, they were built as means to contain the overt class conflict of an earlier period.[14] While labor peace coincided with strong corporatist systems in the postwar era, many argue that corporatist institutions evolved historically as a response to high levels of labor unrest in Scandinavia and elsewhere.[15] Thus we have two alternative explanations for the emergence of distinct types of capitalism: the efficiency needs of firms and employers related to skills, and the degree of working-class mobilization at crucial periods.

Recently Iversen and others have set out to create a synthesis between the power resources and the VoC approaches to explaining the development of specific capitalist varieties, particular types of welfare states, and different electoral systems.[16] They do so by investigating the historical foundations and developmental pathways of these different regimes to provide a historical analysis of how coordinated institutions and resulting equilibria emerge. Iversen and his colleagues argue that countries that, by 1900, had strong guild traditions, employer coordination, widespread rural cooperatives, a large skill-based export sector, and centralized and industrial unions (as opposed to fragmented and craft unions) all developed proportional representation election systems, which they believe are essential to the coordinated model of capitalism and redistributionist welfare states. As we shall see, Slovenia shared a number of these characteristics, yet others were weak or missing. Moreover, these elements were as strong or stronger in some other east central European countries, though they failed to develop coordinated institutions.

Arguably, a close examination of the evolution of coordinated institutions is essential to resolving such questions. Slovenia provides a unique example of a contemporary, and rather rapid, development of a coordinated market. Others have looked at Slovenia for precisely this reason.[17] Indeed, while the VoC framework was originally developed for advanced capitalist societies, a number of recent studies have applied the framework to the postcommunist region, some more critically than others.[18] Some studies have concluded that Slovenia fits the ideal type of a CME rather closely (while contrasting it with Estonia as a prototypical LME).[19] Is Slovenia truly a coordinated market and neocorporatist society? If so, how did it become one?

Slovenia's Postcommunist Neocorporatism

One might be tempted to dismiss Slovenia as a relatively small country with little additional significance. Yet the differences between it and the other postcommunist countries are striking. Regarding unions, Slovenia's level of union density was about 40 percent through the 1990s, and although it has recently dropped below 30 percent, it is still significantly higher than that of other postcommunist EU members where the average density is 18.6 percent. Slovenia's union density approaches the average density of the preaccession EU member states (EU-15), which is 36.8 percent.[20] Collective bargaining coverage—and the level on which those agreements are reached—is even more central than union density to the distinction between coordinated and liberal capitalisms. Here Slovenia is more exceptional still in terms of its coverage rate for collective agreements, which is said to be close to 100 percent, due to its extension rules. The comparable coverage rate for other postcommunist new member states is 27.4 percent, whereas the average coverage rate for the EU-15 is 78.8 percent.[21]

The level on which collective bargaining takes place is essential to the quality of collective bargaining, as well as to the definitions of CMEs and neocorporatism. In Slovenia, collective bargaining takes place predominantly at the sectoral level, framed by income policy agreements; almost all bargaining elsewhere in Eastern Europe takes place at the company level.[22] According to Visser's centralization of wage bargaining index, which measures the degree of centralization in bargaining on a scale from 1 (fully centralized) to 0 (no centralization), Slovenia's degree of bargaining centralization is .43, close to the EU-15 average of .46, whereas the other new member states average .26.[23]

The VoC literature argues that employer organizations are central to the creation and continued viability of coordinated market economies. Yet, in postcommunist societies the lack of strong employer organizations has been, in the words of one study, "the most significant weakness in industrial relations since the beginning of the transition."[24] Once again, Slovenia stands out. Until recently, the coverage rate of employer organization in Slovenia approached 100 percent, due to compulsory membership in the Chamber of Commerce. Since the law on compulsory membership was rescinded, Slovenia's rate of employer organization is said to be 40 percent; along with Hungary its rate is the highest of the new member states, though lower than the EU-15 average of 66.6 percent. In other postcommunist member states the employer organization rate averages 27.4 percent.[25]

The VoC literature argues that employers' organizations are central to coordinated economies because of the need to prevent the poaching by other firms of workers who have acquired industry-specific skills. With the collapse of communism, vocational education has largely deteriorated in east central Europe, and these societies have generally moved toward more general skills training as in the liberal model.[26] Slovenia is exceptional in that it has a "dual system of apprenticeships, very much like the German system."[27] Even more important has been the development of company-specific skills, which is typical in the large and most advanced Slovenian firms. This is consistent with VoC theory arguments about the generation of cospecific assets in CMEs.

Workplace participation is another characteristic of the coordinated model, according to VoC theory. Slovenia is also unique in the postcommunist world for adopting works councils that approach German-style codetermination.[28] In Slovenia, as in Germany, unions see works councils as an additional avenue for worker input, whereas elsewhere in the region trade unions have viewed works councils as a means for employers to undermine unions.[29]

Beyond centralized collective bargaining, Slovenia remains universally recognized as the one country in the region with a fully functioning system of social dialogue, deserving of the label "neocorporatist."[30] Additional evidence that Slovenia is unique regarding social dialogue comes from the country's experience with social pacts. In order to meet the exacting macroeconomic Eurozone criteria, a number of countries in Western Europe reached social pacts between unions and employers, compromising on difficult issues such as wage moderation and government budget cuts.[31] Despite the fact that preparations for joining the European Monetary Union (EMU) pose significant challenges for new member states—especially in terms of labor and welfare policies—such pacts have been all but absent in east central Europe.[32] The striking counterexample is once again Slovenia, which produced a series of income policy agreements and social pacts beginning in the mid-1990s that focused on the incremental adoption

Table 1. Industrial Relations in East Central Europe (ECE)

	CZ	EE	HU	LV	LT	PL	SK	SL	EU-ECE (minus SL)	EU-15 avg.
Union density	22	14	17	16	14	17	30	>30	18.6	36.8
Collective bargaining coverage	35	22	42	20	15	35	50	100	27.4	78.8
Collective bargaining centralization	.27	.25	.26	.30	.23	.20	.33	.43	.26	.46
Employers' density	32	25	40	25	20	20	30	40	27.4	66.6
Workplace representation	44	25	36	27	23	22	50	64	32.4	59.6
Social pacts	—	—	—	—	—	—	—	Yes	None	Several
Social expenditure	18.7	12.4	22.3	12.4	13.1	19.2	16.7	23	16.4	26.8
Pension reform	No	Yes	Yes	Yes	Yes	Yes	Yes	No	8 of 9	2 of 15

Sources: rows 1–2, 4–5: Euround European Industrial Relations Observatory on-line, http://www.eurofound.europa.eu/eiro/country_index.htm; row 3: Jelle Visser, "Patterns and Variations in European Industrial Relations," in *Industrial Relations in Europe 2004* (Luxembourg: Office for the Official Publications of the European Communities); row 7: Eurostat, Total expenditure on social protection, current prices (% of GDP), 2006 http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/; row 8: Mitchell A. Orenstein, *Privatizing Pensions: The Transnational Campaign for Social Security Reform* (Princeton, NJ: Princeton University Press, 2008). CZ - Czech Repubic; EE - Estonia; HU - Hungary; LV - Latvia; LT - Lithuania; PL - Poland; SK - Slovakia; SL - Slovenia; EU -15 - EU members before 2004 expansion

of the Eurozone criteria.[33] Slovenia subsequently joined the Eurozone in 2007, the first postcommunist member to do so.

Social dialogue mechanisms, when functioning, can directly influence the size and shape of welfare states, and the VoC perspective argues that a coordinated economy should have a more universal and egalitarian welfare state.[34] Slovenia spends 23 percent of its gross domestic product on social expenditures, below the EU-15 average of 26.8 percent, but well above the other eastern central European average of 16.4 percent.[35] Still, a number of commentators have argued that welfare states in the Visegrád states (the Czech Republic, Hungary, Poland, and Slovakia) are relatively robust, and the differences in welfare states between these four countries and Slovenia are not as great as they are regarding labor policies.[36] However, a number of new member states have liberalized their welfare states, whereas Slovenia has largely refrained from doing so. For example, virtually all Eastern European states have adopted some type of "new pension reforms," which entail the full or partial replacement of public social security systems with systems based on private, individual pension savings accounts.[37] Such a policy was proposed for Slovenia, but was rejected, in no small part due to union mobilization against it.[38]

Table 1 summarizes a number of the statistical measures discussed in this section. As the table indicates, Slovenia is the highest among east central European countries in almost every category, and in most categories it approaches or surpasses the EU-15 average.

Explaining Slovenia's Neocorporatism

There is little question that Slovenia is truly exceptional among the many countries emerging from communism, including those countries that are now EU member states. The very existence of Slovenia as a CME lends credence to the claim of VoC theory that coordinated economies remain viable.

But why is Slovenia so different from other postcommunist states? Others have argued that the emergence of coordination in Slovenia is best explained through VoC theory.[39] We will argue that the picture is more complex.

Certainly a number of factors have led to Slovenia's relative success. Slovenia was a republic within Yugoslavia, and this had several consequences. Yugoslavia was the most market-oriented of countries within communist Eastern Europe, and since it was outside the Soviet bloc, it had extensive trade relations with the capitalist world. Slovenia was also the most "western" of the Yugoslav republics, in terms of geography, market orientation, trade profile, and standard of living.[40] Also in significant contrast to other Yugoslav republics, Slovenia was the most ethnically homogenous, and as the first republic to secede from the Yugoslav federation, it was able to achieve independence in days, with a minimal amount of bloodshed.[41]

Thus upon independence, Slovenia was a largely market-oriented economy already, with a higher standard of living than any other former communist country. Moreover, the initial recession was not as severe as elsewhere and "throughout the transition period Slovenia sustained favorable positions in its fiscal and external accounts."[42] As such, it was less susceptible to pressure from the International Monetary Fund (IMF), and partly as a result, the nation was able to pursue a gradualist approach to economic transformation.[43] Accordingly, it has relied on much lower levels of foreign direct investment than most other countries in east central Europe, most of whom made the attraction of foreign capital a cornerstone of their policies.

Although much of this helps explain why Slovenia has been relatively successful, how do we explain the rapid development of coordinated institutions in particular? Feldmann, following Hall and Soskice, proposes a "theory of emerging VoC coordination," which emphasizes the role of networks or ties among actors that can help solve collective action problems. In the Slovenian case, he points to two important policy choices that helped transform proto-networks into institutions that promoted cooperation. First, many different forms of privatization were debated, but the ruling party of the time had "close ties to the old economic elites, including enterprise directors." Largely for this reason, the government chose a privatization strategy that privileged insiders, "which essentially cemented the preexisting networks by strengthening the role of insiders as owners."[44] The second policy innovation was centralized collective bargaining, which Feldmann argues came about in part because membership in the employers' organization, the Chamber of Commerce, was mandatory. Yet this is insufficient to explain why employers would choose centralized bargaining. In addition, Feldmann argues that Slovenia chose a managed float for its currency, which led to wage increases:

> Real wage increases became unsustainable in the early 1990s, and this was a source of major concern to employers (especially exporters) and the government. The establishment of [tripartism] in 1994 followed a year of very high wage increases—11.6 percent in 1993—and the centralization of wage bargaining was seen as a key step to combat this problem.[45]

Even though inflationary wage pressures certainly spurred employers to support centralized wage bargaining, the managed float was not the primary source of that wage pressure, as we shall see.

Perhaps more important for the VoC perspective was that the Slovenian economy centered around a core group of large capital-intensive and western-oriented companies from the metal and machine industry (such as Gorenje) and chemical/pharmaceutical industries (such as Krka), where workers cooperated with managers in a form of Streeck's "competitive solidarity."[46] In these companies, employers supported the job security of core workers in order to motivate them to develop company-specific skills. In this way, managers and workers in these sectors developed cross-class coalitions, and the coalitions within these dominant firms had a strong influence on the laws that became the core of the Slovenian coordinated model.[47] Adding all of this up, the Slovenian case appears to confirm much of the institutional logic of coordinated economies.

However, important elements are missing from this account. For one, the western-oriented companies in Slovenia represented a departure from coordinated firms elsewhere in that the protected Yugoslav market effectively subsidized them during the communist period. As Jaklič et al. explain,

> The peculiarity concerning the functioning of these companies was the lack of hard budget constraints, a feature that was all-encompassing and the result of lax monetary policy used as the ultimate risk-sharing tool since it prevented companies from going bankrupt. As a consequence, the Yugoslav dinar was not convertible and the country was chronically in need of foreign exchange. Companies were therefore stimulated to export and generate hard currency inflows even if that meant selling abroad at loss. That eventual loss could be compensated for by selling at profit in the well-protected home market.[48]

Thus with Slovenian independence, the hardening of budget constraints combined with the loss of the protected Yugoslav markets meant these firms faced a rather unique crisis of competitiveness.

Moreover, in addition to this dominant capital-intensive part of the export sector, a massive number of labor-intensive companies from the textile, footwear, and wood industries had been almost exclusively focused on the vanishing Yugoslav market. This part of industry, which based its price competition on cheap, unskilled labor, was an important source of trade union membership (where, in addition to high density rates overall, industrial workers made up about 70 percent of union membership through the mid-1990s) and mobilization power. The left-center government that ruled with considerable stability for twelve years was very much influenced by the interplay of these capital- and labor-intensive sectors, and government policies—such as privatization and monetary policy—were aimed at the common denominator that would benefit both groups.

Thus, in contrast to a primary focus on the interest of employers for efficiency gains as in the VoC account, we develop an alternative approach that emphasizes two sets of factors: the extent to which labor and class conflict (rather than employers and cooperation) helped shape institutional outcomes, and the historical conditions that might enable labor to mobilize sufficiently to do so. In the case of Slovenia, a more historical approach would emphasize that the Yugoslav experience with communism was quite different from that of other states in the region. Unlike other Eastern European countries (except for Albania), communist rule came about in Yugoslavia through an indigenous revolution, rather than being imposed by Soviet tanks. This basic fact—whether communism was viewed as homegrown or alien—has had an enormous impact on how communist-era institutions were viewed in the postcommunist era.

Moreover, Yugoslav communism was forced to develop outside of the Soviet bloc, and as a result, sought to legitimize its independence through the ideology and institutions of "self-management," which had significant consequences for labor in particular. Most concretely for our purposes, unlike other communist states, the Yugoslav regime tolerated strikes and sought to dampen them by quickly meeting workers' demands, a policy that often had the unintended effect of encouraging others to strike.[49] Like unions in other communist countries, Yugoslav unions were set up as "transmission belts" of Communist Party rule, but the pressure from strikes—as well as competition from legally protected workers councils operating as parallel structures to unions—gradually pushed unions to become more responsive to worker demands.

By the late 1980s, as the country underwent economic crisis and hyperinflation, Yugoslavia was faced with a massive strike wave.[50] As Slovenia achieved independence in June 1991, the strike wave continued, and in effect "connected the country's 'communist' and 'postcommunist' periods."[51] Indeed, the relationship between the newly emerging Slovenian state and trade unions "started in a confrontational manner."[52] Upon independence, and in a fragile social and economic context marked by high inflation (approaching 200 percent per year), the government froze wages and suspended collective agreements and unilaterally issued a draft agreement on social stability. This action infuriated Slovenia's unions; in response, on March 18, 1992, the main union federation Zveza svobodnih sindikatov Slovenije (ZSSS) organized a massive warning strike that involved work stoppages, blockades, and a power cut that paralyzed the country for a few hours.[53]

The warning strike triggered the strike wave in 1992, when, despite the country's small size, there were approximately 200 strikes in that year alone.[54] The strike wave took on "the characteristics of a spontaneous mass workers' movement," meaning that "Slovenia was faced with the possibility of an explosion of social unrest."[55] Strikes began to taper off in the years after, and by the end of 1990s, strikes in Slovenia were rare. We need to use caution in interpreting Slovenian strike data, since they come from the main trade union federation.[56] However, according to these figures, during the crucial

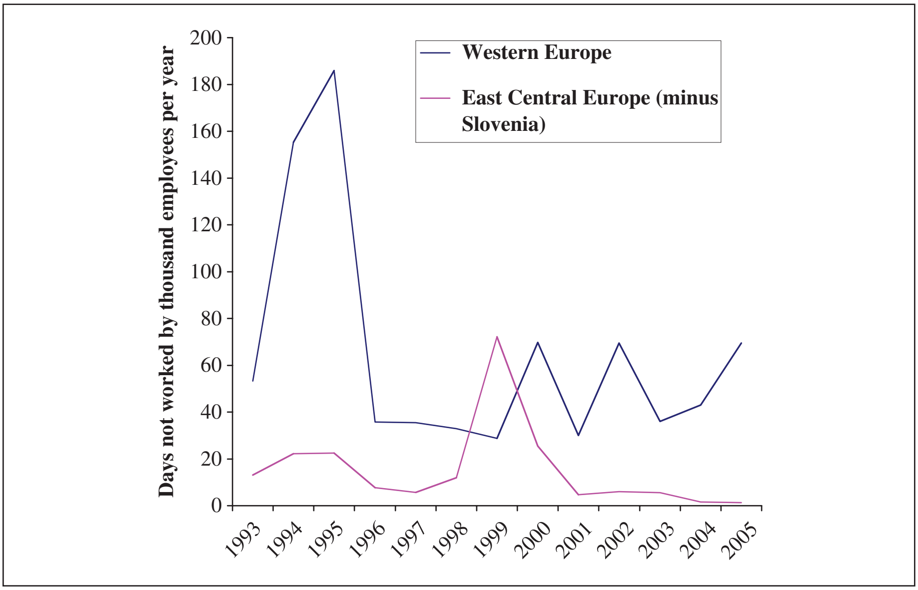

Figure 1. Changes in strike volume by region and year
Sources: Laborsta Internet, http://laborsta.ilo.org/; Miroslav Stanojević, "Formation of the Slovenian Pattern: The Strike Wave and Industrial Relations 'Rigidities,'" *South-East Europe Review* 6, no. 3 (2003): 17–30.

years of 1992 to 2000, Slovenia was the most strike-prone country in east central Europe: the volume of strikes (or working days lost per 1,000 employees) in those years was ninety-two in Slovenia, compared to twenty-one elsewhere in Eastern Europe. This is rather surprising when one considers that Slovenia has the strongest corporatist institutions in the region, and is often characterized as a society with considerable labor peace, though this characterization fits only from the mid-1990s onward.

According to power resources theory, the explanation for the establishment of strong corporatist institutions has been the mobilization power of workers. Despite the dramatic transformations in the region, strike rates have been significantly lower on average in Eastern Europe (excluding Slovenia) than in Western Europe from the 1990s to the present (see Figure 1).[57]

However, when we disaggregate the data we find significant strike activity in four countries in the region (see Figure 2).[58] We need to be cautious in making comparisons, given differences in counting rules. The Polish strike rates, for instance, seem particularly undercounted.[59] But based on the available data, the Slovenian strike wave stands out for its multiyear intensity, for its cross-sectoral composition (matched only by Poland), and most crucially we will argue, for having peaked in 1992, so early in the transition period.

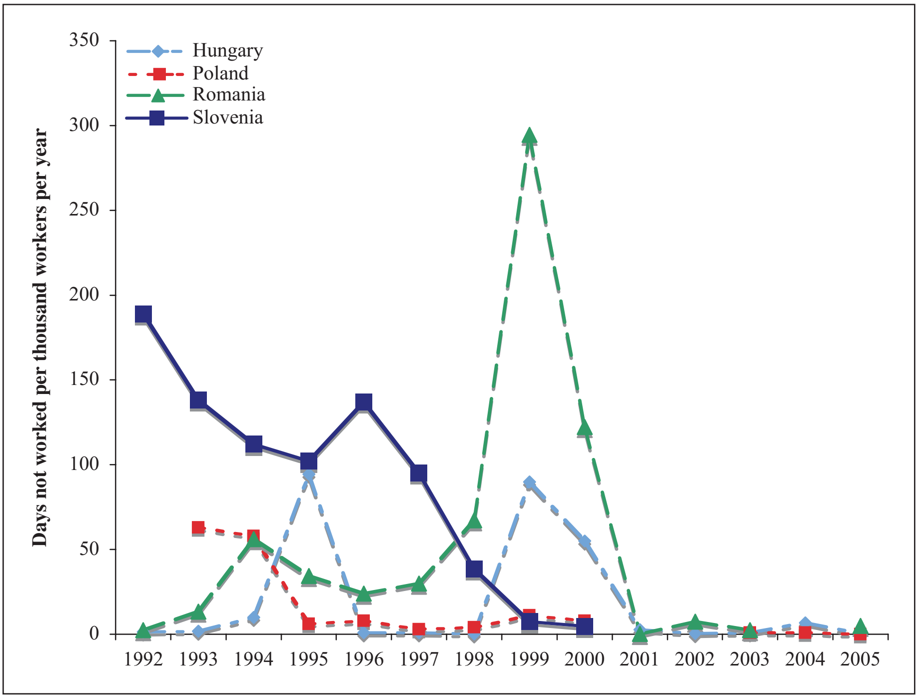

Figure 2. Strike rates (per thousand workers), Western and Eastern Europe, 1993–2005
Strike Rates (per thousand workers), select ECE countries, 1992-2005
Sources: Miroslav Stanojević, "Formation of the Slovenian Pattern: The Strike Wave and Industrial Relations 'Rigidities,'" *South-East Europe Review* 6, no. 3 (2003): 17–30; Laborsta Internet, http://laborsta.ilo.org/.

What were the consequences of the Slovenian strike wave, and what might explain why strikes began to decline after 1992? The immediate impact of the "warning strike" of March 1992 was that wages were unfrozen, and a month later the center-right Demos government led by Christian Democrat Prime Minister Alojz Peterle resigned and a caretaker government was formed.[60] The interim prime minister was Janez Drnovšek, president of the center-left Liberal Democrats of Slovenia (LDS) party. The interim government adopted a law on privatization (the Law on Ownership) and at the end the year, Drnovšek's LDS party won reelection to lead a revised coalition, and from there led a succession of center-left coalition governments for the next twelve years.[61]

Most importantly, the basic institutions of Slovenia's postcommunist political economy were forged during—and often in direct response to—this period of intense labor conflict. Significantly, the strikes were often led not by workers in the leading, western-oriented and highly skilled sector emphasized by VoC theory, but more often by workers in less-skilled and labor-intensive industries, which were hit hard by the loss of the then-vanishing Yugoslav market.[62] Moreover, the immediate demands were often defensive in nature, protesting low wages or their late payment. Yet crucially, the strike wave coincided with debates over the form of privatization for the Slovenian economy. As Feldmann notes, a number of different proposals regarding privatization were on the table at this time.[63] However, despite Feldmann's claim, the former communists, the party with the closest ties to enterprise directors, were not the ruling party when the Law on Ownership was passed in 1992; the LDS was. On the other hand, the Law on Ownership coincided rather closely with the dissatisfaction expressed by striking workers in the labor-intensive industries that had fully depended on the Yugoslav market. Given these pressures, as well as the Yugoslav legacy of social ownership (or self-management), all participants in the debate over the new law on privatization implicitly agreed that workers should get some shares. The major trade union ZSSS organized a special conference in October of 1992, where it formulated demands for workers to be given the majority of shares and then delivered those demands to Parliament.[64] The version of the law finally adopted was a compromise, but one that strongly favored internal buyouts that benefited all the key players: the state, managers, and workers.[65] Workers did get majority shares in many firms, but primarily in the labor-intensive (and strike-prone) sectors.[66] After this initial protopolitical exchange, strikes in these industries quieted down; this exchange signaled that unions were a force to be reckoned with, but also that they could be included in the policy-making process as responsible, corporatist, social partners.[67]

Through this initial step labor's voice first became institutionalized.[68] As has been argued elsewhere,

> The discontent expressed through the strikes was extremely intense, so the price of its lowering was high. The Slovenian political elite, under the pressure of massive social discontent, had to promote striking workers into being (co-)owners of the factories. This was the direct price for "calming down" the tensions.[69]

Although the privatization law helped dampen strike activity, it did not solve the problem of wage inflation and the challenge of competitiveness, which continued at high levels even after the election of Drnovšek's revised center-left coalition. From the viewpoint of employers, including those in western-oriented firms, there were initially a number of levers that might be used to reduce wage demands and boost competiveness. The simplest was to let the hardening of budget constraints and the resulting unemployment lower the market bargaining power of employees. Indeed, unemployment, which had been quite low in Slovenia through much of the communist period, began to rise significantly.[70] However, due to mass strikes, employers soon abandoned this option in order to end the strike wave, and backed the government's introduction of early retirement schemes and generous compensation for lost jobs as means to stabilize the labor force. A second option was the wage freeze, proposed by the center-right Demos coalition that had the support of a number of employers. But the March 1992 general strike, called in response to the government's unilateral wage freeze, sent a strong signal to all future governments that the issue of inflation could not be resolved without the prior approval of the trade unions. If, given union opposition, a simple wage freeze was out of the question, so was a monetarist solution, which would have entailed high levels of unemployment, likely also triggering union opposition. Thus, even before the center-right government was removed from power, the general strike "and several other strikes convinced the government to abandon the wage freeze and to accept union proposals to manage inflation via centralized collective bargaining."[71] Hence the government, together with unions and employers, pursued a policy of negotiated wage constraint, with the first social pact in 1994 not only setting the parameters for incomes policy for that year, but also establishing the Economic and Social Council, which institutionalized the process of social dialogue. This was a straightforward political trade-off: in exchange for supporting wage restraint, unions were given an institutional forum that enabled their systematic participation in future policy formation.[72] This council of social dialogue subsequently allowed for the consensual formation of income and other policies and stabilized Slovenia's centralized collective bargaining system; in fact, by lowering inflation, it stabilized the entire economy in addition to supporting its relatively generous welfare regime. As VoC theory would contend, employers also backed centralized collective bargaining, which offered a competitive price policy for their firms (as did the government, since it provided the potential for national competitiveness and stabilization for future European integration). However, in the Slovenian case, employers' support clearly came in the context of wage inflation and a large strike wave, where such external bargaining served to push the conflict-ridden issue of pay outside of the firm. Thus, as Korpi has argued was the case elsewhere, employers did come to embrace centralized bargaining, but only as a second (or third) best option, when other avenues were closed.[73]

What occurred was chain of social conflicts, followed by political exchanges, and finally the institutionalization of those exchanges. From the onset of independence and in a challenging economic environment, a strike wave arose, marked by the impressive general warning strike, which prevented the freezing of wages. After the general strike the center-right government was replaced with an interim center-left government, which coordinated work on the law on privatization favoring employee ownership, which dampened the strike wave. After the adoption of the privatization law, LDS won the election, and then—still being pressed by inflation—invited unions to support a policy of wage restraint. Unions accepted this offer in exchange for political influence on the shaping of future social and economic policy. The exchange was then institutionalized in the spring of 1994 with the formation of the Economic and Social Council. This institutionalization of corporatist mechanisms helped the center-left remain in power in Slovenia for twelve years.

To be sure, a number of crucial factors helped create the coordinated model for Slovenia, not least its relatively favorable starting conditions, including the western-oriented and skilled export sector whose interests, as the VoC approach would predict, came to dominate the political economy. Yet other factors were equally important and have been overlooked. In particular, labor mobilization played a substantial role in the formation of Slovenia's coordinated economy. Of the two factors that Feldmann argues were central to "network promotion" in the creation of Slovenia's CME (insider privatization and centralized bargaining), both were directly impacted by the strike wave (the latter directly through worker demands and indirectly through wage growth pressure that gave employers the incentive to support coordinated wage bargaining).

Of course, strikes by themselves won't bring about coordination. As a brief comparison with Poland will make clear, the timing of the strikes was also crucial, along with the fact that they were led by a united union movement, and that they centered around broadly social democratic demands.

Strikes without Coordination in Poland

Why was Slovenia the only postcommunist country with a labor movement powerful enough to push successfully for coordinated labor institutions? For reasons of space, we will focus on a comparison with Poland, which justifiably stands out in the region (and the world) for its historically strong labor movement, one that played a central role in bringing an end to communist rule in Poland. While Romania and Hungary also experienced high strike rates in certain years (Figure 2), those actions were largely confined to certain industries.[74] The comparison is imperfect: there are substantial differences in population size, starting conditions, and such factors as the relative proportion of the rural sector.[75] Still, aside from Slovenia, Poland was the only country to experience a sustained, multiyear strike wave across industries; and like Slovenia, it did so relatively early in the postcommunist period.[76] If any labor movement in east central Europe had sufficient power resources to push for the institutionalization of workers' interests it was Poland.

As Ekiert and Kubik note in their study, "During the 1989–1993 period, collective protest in Poland was intense" and "waves of strikes swept through entire sectors of the economy."[77] In both Poland and Slovenia, the first years of the postcommunist period were met with significant labor protests. Yet the impact of the protests and the policy outcomes they helped shape were quite different in both cases.

Although communist legacies were essential in shaping the labor movements in both countries, those legacies were quite different in each case. Unlike Yugoslavia, where communism came about through indigenous revolution, communism in Poland was largely imposed by the Red Army after World War II. With the end of communism, Solidarity's struggle against the communist-backed trade unions led to a highly fragmented union movement, divided primarily by the stark ideological divisions between the two leading union federations, Solidarity and the (once communist-backed) OPZZ. While a number of scholars have argued that union competition spurs labor mobilization, partisan ties also shape union strategies, and labor mobilization in Poland was muted by the political alliances of the opposing unions.[78] Thus the first postcommunist government in Poland was led by Solidarity, the party directly allied with the union movement, though in 1989 it began implementing the economic policy that became known as "shock therapy." Paczynska argues that while Polish unions were later relatively influential,

> In the first years of reform both trade unions and work councils did little to block the restructuring of enterprises and in many cases were active promoters of these changes. At the national level, Solidarity trade union extended a "protective umbrella" over the reforms, containing strike activities and promoting enterprise restructuring.[79]

In one clear contrast with Slovenia, where the government's proposed unilateral wage freeze was met with a general strike led by ZSSS, when Poland's Solidarity government imposed a controversial tax on wage hikes, the Solidarity union acted to tamp down any strike action.[80] Only when the Solidarity union's support for reforms began depleting its membership rolls and prompting wildcat strikes did the union begin to oppose economic reforms. Yet when the Solidarity government lost the election in 1993 and was replaced by the ex-communist Alliance of the Democratic Left, allied with OPZZ, the Solidarity union, shaped more by anticommunism than traditional working-class goals, opposed even pro-labor legislation backed by the new government.[81] Thus in contrast to Slovenia, unions in Poland were not only divided, but Solidarity, the dominant Polish union, often refused to back social democratic goals at crucial periods of reform.[82]

Not surprisingly, these divisions and strategies had a direct impact on how labor power was translated into policy. First, Poland and Slovenia were both unique in having large strike waves early in the transition period, but the exact timing was different in each case. Partly because the Solidarity union provided a "protective umbrella" for reforms, when shock therapy reforms began in 1989–90, labor protests rose significantly only in 1991 and reached a peak in 1992.[83] Although strikes in Slovenia also peaked in 1992, Slovenia achieved independence in mid-1991, and the Slovenian strike wave was built on a wave of strikes that had begun in the Yugoslav period prior to independence.[84] Thus, Polish reformers had a two-year opening before strikes reached their peak (which leading reformer Leszek Balcerowicz later referred to as Poland's "window of opportunity"),[85] whereas Slovenian strikes spilled over from the communist period, before most major reforms had begun. In short, whereas the Polish strikes were reactive, strikes in Slovenia were constitutive.

Second, and partly as a result, while Polish officials made significant concessions to end the strike wave, the main impact of those concessions was to slow the pace of reform, rather than to fundamentally alter or reshape it. The wage restraint policy was dropped, enterprise restructuring was slowed, and unemployment levels were relatively constrained for a time.[86] Privatization proceeded at a much slower pace in Poland than in neighboring countries, with some concessions to employee ownership.[87] Even though unions had success in modifying certain policies, as Ekiert and Kubik conclude, "the main contours of economic policy introduced in 1990 were neither challenged or drastically changed."[88] In Poland, labor's power resources, when measured by mobilization capacity, appeared quite significant, but the key question was how that power was organized and how labor's interests and goals were interpreted.

Although there are limits to what we can conclude from this brief comparison, we argue that if Poland had a single union confederation, united around a clear goal of social democratic principles, pushed by a similar strike wave occurring earlier in the transition period (i.e., had Polish unions been more like Slovenian unions), the outcome would have been a substantially different, and a much less "liberal," if not coordinated, economy.[89] This would of course have required Polish society to be fundamentally different from the one that emerged from communism.

Although we have argued that the Yugoslav legacy was different, other post-Yugoslav countries faced nationalist wars that, in contrast to Slovenia, diverted labor's attention at a crucial moment—during the founding of independent states. Still, labor protests in Serbia continued during wartime, and worker mobilization played a key part in the downfall of Slobodan Milošević.[90] More recently, in Serbia and Croatia, workers have taken the dramatic steps of factory occupations as a means of protesting what are considered illegitimate privatizations.[91] Though these protests typically take place without union backing, unionization rates in Serbia and Croatia are in the range of 40 percent, making them, along with Slovenia, the most unionized Eastern European states.[92]

However, in the case of Slovenia, the coordinated model has recently come under considerable pressure. In 2006, the center-right government, which had come to power in 2004 when Slovenia joined the EU, deliberately attempted to dismantle the networks of coordination described by Feldmann.[93] The government changed the law that governed membership in the main Chamber of Commerce that represented large companies—shifting membership from obligatory to voluntary (although it did not apply the same reform to the chamber that represented small companies). The employers in large, export-oriented firms were willing to acquiesce to these changes for one crucial reason: the government signaled that is would soon sell its remaining shares in these firms, and managers were willing to sacrifice coordinated institutions in order to gain greater personal ownership of their firms. As a result, employers have become divided.

Once again, labor mobilized in response, so far successfully, to resist "employer demands to negotiate pay at company level only" and what some characterize as the "rather radical demands of employers to reduce workers' rights."[94] Employers also lobbied for amendments to the Law on Labor Relations, which passed with strong support of the unions in 2002, in order to make it more flexible.[95] Yet unions successfully mobilized against the flexibilization of labor relations, and also succeeded in defeating a proposed flat tax. Their pressure led to significant decline in public support for the government, leading to the resignation of the minister for reforms, and later the removal of the labor minister. Unions also succeeded in defeating a proposed flat tax. Such protests, as well as the willingness of key employers to abandon coordination, strongly suggest that coordination in Slovenia now rests more on the continued mobilization capacity of labor than on a functional equilibrium based on a cross-class coalition led by employers in leading firms.

However, recent developments have posed the question of whether Slovenia's institutions of coordination and corporatism are resilient enough to survive the challenges of a right-of-center government (defeated in elections of 2008), the resistance of employers, and the pressures of Eurozone membership. While Slovenia was better positioned than many other postcommunist countries to weather the recent global economic crisis, as the recent decline in union density suggests, it remains to be seen if the new center-left coalition will succeed in preventing further erosion of Slovenia's institutions of coordination.

Theoretical Implications

There are limits to the conclusions that can be drawn from a single case. However, we argue that the Slovenian example can help evaluate the strengths and limits of VoC versus power resources theories in explaining the development of distinct political economies. Although both theoretical approaches contribute to the answer of how Slovenia created a coordinated economy, we find the power resources view more persuasive in this case. Yet when we turn to the question of why coordination emerged in Slovenia alone, out of ten postcommunist EU members, we turn to the importance of historical legacies, pathways, and critical junctures.

First, we find VoC theory to be a necessary but insufficient explanation for the rise of coordinated institutions in Slovenia. We argue that it is necessary based on a very strong correlation: out of ten postcommunist members of the EU, Slovenia alone developed coordinated institutions, and it alone emerged from communism with the economic profile expected by VoC theory to generate sufficient support for coordination—namely a dominant export-led sector of the economy that relied on skilled labor. Other studies have also found Slovenia to adhere closely to the coordinated model of capitalism.[96] At the very least—and this is one of the main points of the VoC argument—the example of Slovenia suggests there is indeed an alternative to an international competitiveness strategy based on flexible labor markets and relatively low wages and labor standards as a means of attracting foreign capital, even for countries emerging from forty-five years of communism.

However, we also find the VoC account to be insufficient. Most especially, we find that labor militancy played a central role in shaping Slovenia's coordinated institutions, lending support to the argument that the power resources of social actors best explains the rise of corporatism and generous welfare states, and that employers seek compromise when confronted with class conflict.[97] Slovenian employers, especially in the crucial export sector, were certainly concerned with retaining skilled employees, but the key institutions of Slovenian coordination and corporatism were created in the wake of a massive strike wave, one that gave employers significant incentive to coordinate wage increases and forge other institutions, such as employee ownership, that could contain future labor mobilizations. In short, although there is much in the Slovenian case to support the VoC account, the evidence strongly suggests that labor mobilization—in both its extent and its timing—was essential to the emergence of coordination in Slovenia.[98]

In another crucial departure from VoC theory, not only did an undertheorized social actor, namely labor, have a central impact, so did an unexpected sector. The strike wave was centered not in the skilled export sector, but in the less-skilled, labor-intensive sector, which quickly felt the pain of the transition to the (post-Yugoslav) market. Thus it was this constellation of interests—labor and employer, unskilled and skilled sectors—that had to be conciliated during the formation of the Slovenian political economy.

A single case study does not allow us to precisely weigh the importance of different causal factors. However, subsequent events strongly suggest the importance of the factors emphasized by power resources theory relative to those of VoC theory. Most importantly, in recent years when employers were no longer compelled by law to organize themselves, many—especially in the skilled export sector—withdrew their membership in the employers' Chamber of Commerce and began to push for the end of coordinated institutions such as centralized collective bargaining. Thus in Slovenia we find little evidence of the lock-in effects or stable equilibrium of coordinated institutions predicted by VoC theory. On the other hand, labor mobilized, and prevented some (but not all) of these more liberal reforms from taking place. In short, if employer interests were the main factor driving coordination, we would not expect significant numbers of employers to defect once coordination was made voluntary rather than compulsory; likewise, if labor's power resources were insufficient, we would expect those coordinated institutions to have eroded fairly rapidly, and Slovenia to look much more like other postcommunist societies.

Although we find strong support for the power resources perspective in explaining how Slovenia created coordination, this begs the question of why only in Slovenia did labor have sufficient power resources to achieve this outcome. Here we find that a historical institutional explanation is crucial. Interestingly, Iversen and colleagues have recently proposed a synthesis of power resources and VoC theories, and their explanation centers on deep historical paths of development to explain the divergence of coordinated and liberal market economies (and different electoral systems).[99] As stated earlier, according to their argument, countries that by 1900 had strong guild traditions, employer coordination, widespread rural cooperatives, a large skill-based export sector, and centralized and industrial unions (as opposed to fragmented and craft unions) all developed proportional representation election systems, which they say were essential for the creation of the coordinated model of capitalism and redistributionist welfare states.

Although Iversen and his collaborators rightly point to the importance of historical pathways, the specific historical factors they identify are of only partial utility in east central Europe. In the case of Slovenia, some of their historical preconditions were present, but others were not. On the one hand, the employers' organization, the Chamber of Commerce, was formed during the Habsburg Empire, and managed to survive the socialist period. Rural, premodern cooperative communities were an important influence on subsequent developments.[100] On the other hand, Slovenia was not very industrialized by 1900 (the period Cusack et al. posit as crucial), with an even greater portion of its population employed in agriculture than the average for the Austro-Hungarian empire, where industrialization remained relatively low and very uneven. Nor was there a "large skill-based export sector" at the time, since the Austro-Hungarian Empire as a whole was not export-oriented.[101] Slovenia did inherit important industry and craft traditions from the Austro-Hungarian monarchy, and with 20 percent of its population employed in industry and crafts, it was the most industrialized Yugoslav region at the founding of the Yugoslav kingdom. However, the bulk of Slovenian industrialization occurred only after World War II in the communist period.

Moreover, if the existence of crucial precursors—such as guild traditions, employer coordination, and specific union formations—were essential to explaining the subsequent development of coordinated capitalism, one would predict that the Czech Republic, rather than Slovenia, would stand out among the countries of east central Europe. Bohemia was one of the most industrialized regions in the Austro-Hungarian empire; its exports were world renowned, and its craft and guild traditions ran quite deep. Furthermore, in the interwar period, Czechoslovakia developed a successful proportional representation electoral system, and the country was the only democracy in the region to survive until World War II. The Czech lands also had strong levels of unionization and a thriving Social Democratic Party.[102]

Yet Slovenia stands out from the Czech Republic, as well as from every other postcommunist country in east central Europe. This leads us to posit that while Iversen and his collaborators may have discovered some important preconditions for the subsequent development of coordinated institutions, the intervening history of the communist period is essential in explaining the different trajectories in east central Europe.[103] Although it is not entirely surprising that Soviet communism effectively crushed the economic interests that might have led to coordination in the Czech and Hungarian cases, it is surprising that Yugoslav communism in effect nurtured those interests, or at least allowed them to survive and eventually thrive in the postcommunist period.

What was it that so distinguished Yugoslav from Soviet communism? Events at crucial historical junctures—the way communism came to power and the development of "self-management"—led to important institutional arrangements, including workers' councils, a decentralized and marketized economy, and shifting alliances among workers, managers, and political elites.[104] All of this allowed for the development of a powerful labor movement, but one where the timing of its mobilization and the content of its demands were also crucial. The contrast with Poland, where the workers' movement also had considerable power resources yet was riven by political divisions and a very different interpretation of interests, is revealing. So are comparisons with the former Yugoslav republics of Croatia and Serbia, where unionization rates and worker militancy remain high.[105] Yet unlike in Slovenia, such mobilizations occurred after nationalist wars, and well after the basic institutions of postcommunism were forged.

To the extent that it tells us something about the varieties of capitalism, the Slovenian case—and its dramatic distinction from every other postcommunist society—suggests a considerable unevenness to such varieties. The near-absence of coordination among postcommunist cases underscores what others have argued about the rise of coordinated institutions elsewhere: in contrast to liberal economies, the development of coordinated market economies appears to be particularly historically contingent and difficult to construct.[106] Although varieties of capitalism do exist, some varieties are harder to create, and arguably harder to maintain, than others.

Indeed, even with its particular confluence of factors, the survival of Slovenia's distinctive model of postcommunist coordination is not guaranteed. If Slovenia's corporatism is, in fact, eroding under the pressures of Europeanization and globalization, there would seem to be three possible interpretations. First, Slovenia might not be a coordinated economy after all; however, this would beg the question of how an economy can have all the attributes of an ideal type without actually being one. Second, one might argue that two decades is not enough time for such institutions to become consolidated. Or third, more troubling for the VoC perspective, the theory might overstate the resilience of coordinated economies in the face of global economic pressures for liberalization, since such pressures can create change that is both gradual and transformative.[107] Time will tell which interpretation proves most lasting.

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43. Vaughan-Whitehead, *EU Enlargement versus Social Europe?*, 128–29; Feldmann, "Emerging Varieties of Capitalism in Transition Countries"; Bohle and Greskovits, "The State, Internationalization, and Capitalist Diversity in Eastern Europe."

44. Feldmann, “Origins of Varieties of Capitalism,” 343–44. In fact, the former Communist Party, which had the closest ties with enterprise managers, while influential, was not the “ruling party” but in the opposition until after the privatization law was passed.
45. Ibid., 346.
46. Wolfgang Streeck, “Competitive Solidarity: Rethinking the ‘European Social Model’” (MPIfG Working Paper, Max Planck Institute, Cologne, September 1999).
47. See Hancké, Rhodes, and Thatcher on the importance of cross-class coalitions for coordinated economies. Bob Hancké, Martin Rhodes, and Mark Thatcher, “Introduction: Beyond Varieties of Capitalism,” in Hancké, Rhodes, and Thatcher, *Beyond Varieties of Capitalism*.
48. M. Jaklič, H. Zagoršek, and A. Hribernik, “Slovenian Evolutionary Business System Dynamics,” in *New Modes of Globalizing: Experimentalist Forms of Economic Organization and Enabling Welfare Institutions: Lessons from the Nordic Countries and Slovenia*, ed. P. H. Kristensen and K. Lilja (Helsinki: Helsinki School of Economics, 2009), 247.
49. Marko Grdešić, “Mapping the Paths of the Yugoslav Model: Labour Strength and Weakness in Slovenia, Croatia and Serbia,” *European Journal of Industrial Relations* 14, no. 2 (June 1, 2008): 133–51.
50. Miroslav Stanojević, “Formation of the Slovenian Pattern: The Strike Wave and Industrial Relations ‘Rigidities,’” *South-East Europe Review* 6, no. 3 (2003): 17–30. A. Lukan, *Problemi institucionalizacije in regulacije stavk* (Ljubljana: Univerza v Ljubljani, Fakulteta za družbene vede, 1992); N. Jovanov, *Sukobi: Protagonisti latentnih i otvorenih društvenih konflikata* (Nikšić, Montenegro: Univerzitetska riječ, 1989). See also Jake Lowinger, “Economic Reform and ‘Double Movement’ in Yugoslavia: an Analysis of Labor Unrest and Ethno-Nationalism in the 1980s” (PhD diss., Johns Hopkins University, Baltimore, 2009).
51. Stanojević, “Formation of the Slovenian Pattern.”
52. Tibor Meszmann, “(New) Labor Organizations for New Times? Transformation of Trade Unions in Serbia, Slovenia and Poland in 1988–1992/3” (unpublished manuscript, November 2007).
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54. M. Stanojević and P. Vrhovec, “Industrial Conflict in Slovenia,” *South-East Europe Review for Labour and Social Affairs* 4, no. 1 (2001): 29–37.
55. Stanojević, “Formation of the Slovenian Pattern,” 28.
56. The figures come from ibid. While the inflation of the figures can’t be discounted, Eurofound, “Industrial Relations Country Profiles,” Eurofound, “Strike Legislation and Trends Examined,” http://www.eurofound.europa.eu/eiro/2002/11/feature/si0211101f.htm notes the possibility of undercounting, since strikes by other unions are not included.
57. Laborsta Internet, http://laborsta.ilo.org/. Data are missing from some countries for some years. The eastern European exception is in 1999, which saw a spike of strikes in Romania. See also Stephen Crowley, “Explaining Labor Weakness in Post-Communist Europe: Historical Legacies and Comparative Perspective,” *East European Politics and Societies* 18, no. 3 (August 1, 2004): 394–429; Pieter Vanhuysse, *Divide and Pacify: Strategic*

Social Policies and Political Protests in Post-Communist Democracies (Budapest: Central European University Press, 2006).
58. Laborsta Internet, http://laborsta.ilo.org/.
59. Guglielmo Meardi, *Trade Union Activists, East and West: Comparisons in Multinational Companies* (Aldershot, UK: Gower, 2000).
60. Vrhovec, *20 let Zveze svobodnih sindikatov Slovenije*. (Ljubljana: ZSSS, 2010), 23-24.
61. Meszmann, "(New) Labor Organizations," 13; D. Fink-Hafner, and A. Krašovec, "Ideološko-politički rascjepi u Slovenskoj stranačkoj areni poslije 1989 godine," in *Razvoj političkog pluralizma u Slovenijii i Bosni i Hercegovini*, ed. Danica Fink-Hafner and Mirko Pejanović (Sarajevo, Ljubljana: Promocult, 2006), 71–104.
62. Stanojević, "Formation of the Slovenian Pattern."
63. Feldmann, "Origins of Varieties of Capitalism."
64. Vrhovec, *20 let Zveze svobodnih sindikatov Slovenije*. (Ljubljana: ZSSS, 2010), 24-26.
65. Miroslav Stanojević, "The Rise and Decline of Slovenian Corporatism: Local and European Factors" (draft manuscript).
66. As a result, as late as 1999, firms with a share of insider ownership above 50 percent accounted for 22.9 percent of total capital, but 61.3 percent of total number of companies, suggesting that insider ownership clearly prevailed in labor-intensive companies (Marko Simoneti, Matija Rojec and Aleksandra Gregorič, 2004, 232). Privatization, Restructuring, and Corporate Governance of the Enterprise Sector. It was published as a chapter in book: Slovenia, From Yugoslavia to the European Union, eds. Mojmir Mrak, Matija Rojec, and Carlos Silva-Jagueri, Washington D.C.: The World Bank, pp 224-243).
67. Stanojević, "Rise and Decline"; Stanojević, "Formation of the Slovenian Pattern," 28.
68. Meszmann, "(New) Labor Organizations."
69. The next year, 1993, the law establishing worker codetermination was passed, further institutionalizing labor's position within the firm. Stanojević, "Formation of the Slovenian Pattern," 28.
70. Woodward, *Socialist Unemployment*; Avdagic, "Tripartism and Economic Reforms in Slovenia and Poland."
71. Avdagic, "Tripartism and Economic Reforms in Slovenia and Poland," 43.
72. I. Lukšič, "Social Partnership in Slovenia—How to Go Further?" in *Conflicts and Consensus: Pluralism and Neocorporatism in the New and Old Democracies*, ed. Samo Kropivnik, Igor Lukšič, and Drago Zajc (Ljubljana: Slovenian Political Science Association, 1996), 185–207.
73. Korpi, "Power Resources and Employer-Centered Approaches."
74. During Romania's peak of strikes in 1999 more than half of the striking workers were from the education sector. While Hungary also witnessed high strike rates in three years (1995, 1999, 2000) the Hungarian strikes were mainly limited to the transport sector (and education in 1995). Crucially, we argue, the strikes in Hungary and Romania came well after most institutional decisions in those countries had been reached.
75. Avdagic, "Tripartism and Economic Reforms in Slovenia and Poland."
76. Laborsta Internet, http://laborsta.ilo.org/

77. Grzegorz Ekiert and Jan Kubik, *Rebellious Civil Society: Popular Protest and Democratic Consolidation in Poland, 1989–1993* (Ann Arbor: University of Michigan Press, 1999), 108.
78. Graeme B. Robertson, "Leading Labor: Unions, Politics, and Protest in New Democracies," *Comparative Politics* 36, no. 3 (April 2004): 253–72; Steven Levitsky and Lucan A. Way, "Between a Shock and a Hard Place: The Dynamics of Labor-Backed Adjustment in Poland and Argentina," *Comparative Politics* 30, no. 2 (January 1998): 171–92.
79. Agnieszka Paczynska, "Confronting Change: Labor, State, and Privatization," *Review of International Political Economy* 14 (May 2007): 345–46.
80. David Ost, *The Defeat of Solidarity: Anger and Politics in Postcommunist Europe* (Ithaca, NY: Cornell University Press, 2005); Avdagic, "Tripartism and Economic Reforms in Slovenia and Poland."
81. Ost, *Defeat of Solidarity*; Meardi, *Trade Union Activists*.
82. Ibid. Ost, *Defeat of Solidarity*.
83. According to government figures, the number of strikes rose from 205 in 1990 to 305 in 1991 to 6,351 in 1992. Ekiert and Kubik, *Rebellious Civil Society*, 118.
84. Stanojević, "Formation of the Slovenian Pattern," 18.
85. Leszek Balcerowicz, *Socialism, Capitalism, Transformation* (Budapest: Central European University Press, 1995).
86. Ekiert and Kubik, *Rebellious Civil Society*; Osa, "Contention and Democracy: Labor Protest in Poland, 1989 -1993," *Communist and Post-Communist Studies* 31, no. 1 (March 1998); see also Vanhuysse, *Divide and Pacify*.
87. Though compare Paczynska, "Confronting Change" to Ost, *Defeat of Solidarity*.
88. Ekiert and Kubik, *Rebellious Civil Society*, 138.
89. Would Poland have developed a more coordinated economy if it had a dominant export-oriented sector led by firms dependent on skilled labor? While it is impossible to say for sure, given a general tenor of anticommunism (expressed in principle if not always followed in practice) at least at the crucial initial period, and without a united social democratic union to act as a counterweight, the temptation for Polish employers to compete with western markets with high skills but lower wages and a more flexible labor regime would likely have been overwhelming.
90. Martin Upchurch, "State, Labour and Market in Post-Revolution Serbia," *Capital & Class* 89 (2006).
91. Marko Grdešić and Tibor Meszmann, "Reluctant Militancy: Understanding Unorthodox Labor Action in Croatia and Serbia" (unpublished manuscript, 2007).
92. Grdešić, "Mapping the Paths of the Yugoslav Model."
93. Feldmann, "Origins of Varieties of Capitalism."
94. "Unions Protest against Government's Reform Programme," http://www.eurofound.europa.eu/eiro/2006/01/feature/si0601303f.htm.
95. Avdagic, "Tripartism and Economic Reforms in Slovenia and Poland," 50.
96. Buchen, "East European Antipodes"; Feldmann, "Emerging Varieties of Capitalism in Transition Countries"; Feldmann, "Origins of Varieties of Capitalism."
97. Korpi, *Democratic Class Struggle*; Korpi, "Power Resources and Employer-Centered Approaches"; Huber and Stephens, *Development and Crisis of the Welfare State*.

98. The timing of the Slovenian strikes, which took place as debates over key institutional transformations were being resolved, formed a distinct "critical juncture" in the formation of the Slovenian political economy. Collier and Collier, "Shaping the Political Arena."
99. Iversen and Stephens, "Partisan Politics"; Cusack, Iversen, and Soskice, "Economic Interests and the Origins of Electoral Systems."
100. Jaklič, Zagoršek, and Hribernik, "Slovenian Evolutionary Business System Dynamics."
101. King, "Central European Capitalism in Comparative Perspective."
102. Based on historical precursors (ca. 1900) alone, Hungary would also be a candidate for coordination, though less so than the Czech lands.
103. The most important variable for Cusack, Iversen, and Soskice is the electoral system, and they argue, following Gourevitch and Shinn, that "current varieties of capitalism are almost perfectly correlated with electoral systems." Cusack, Iversen, and Soskice, "Economic Interests and the Origins of Electoral Systems," 373; Peter Gourevitch and James Shinn, *Political Power and Corporate Control: The New Global Politics of Corporate Governance* (Princeton, NJ: Princeton University Press, 2005). This correlation is absent in east central Europe, where most countries adopted some form of proportional representation (though Hungary's system is mixed). Josep M. Colomer, ed., *Handbook of Electoral System Choice* (Houndmills, UK: Palgrave Macmillan, 2004).
104. Grdešić, "Mapping the Paths of the Yugoslav Model."
105. Ibid.; Grdešić and Meszmann, "Reluctant Militancy."
106. Wolfgang Streeck and Kōzō Yamamura, eds., *The Origins of Nonliberal Capitalism: Germany and Japan in Comparison*, Cornell Studies in Political Economy (Ithaca, NY: Cornell University Press, 2001); Wolfgang Streeck and Kathleen Ann Thelen, eds., *Beyond Continuity: Institutional Change in Advanced Political Economies* (Oxford, UK: Oxford University Press, 2005); Howell, "Varieties of Capitalism."
107. Streeck and Thelen, *Beyond Continuity*.

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