Achieving Capitalist Solidarity: Collective Action Among Norwegian Employers

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1. INTRODUCTION

Observers as disparate as Adam Smith and Friedrich Engels have agreed that because of their small numbers and the nature of their social relations, capitalists face no meaningful obstacles in recognizing and pursuing their collective interests.[1] In their well-known essay, "Two Logics of Collective Action,"[2] Claus Offe and Helmut Wiesenthal present a modern version of this argument, contrasting the difficult collective action problems faced by workers with the much more tractable ones faced by capitalists. Even someone as skeptical about collective action as Mancur Olson believed that business groups have relatively good chances of success in cooperating as a result of their small numbers and the increased likelihood that they constituted "privileged groups."[3]

This view has been challenged in recent years. Wolfgang Streeck's cross-national study of sectoral trade associations led him to emphasize the obstacles to collective action posed by diversity among business firms, both in terms of their internal organization and in terms of the product and labor market challenges that they face.[4] My own case study of the attempts of American coal operators to

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coordinate their price and wage strategies demonstrates how differences in cost structures can create intractable conflicts of interest that make voluntary cooperation impossible.[5] More recently, Tolliday and Zeitlin introduced a collection of essays on European and American employers by noting that "collective organization among employers is . . . inherently difficult because of the underlying heterogeneity of business interests."[6]

Yet, not only do capitalist firms manage to cooperate, but, increasingly, such cooperation is seen as constituting a central element in contemporary capitalist political economies. In a recent summing up of the literature on corporatism, Kathleen Thelen writes that "coordination of employers is at least as important as the centralization of unions in achieving many of the economic outcomes commonly associated with corporatism."[7] While the viability of a neocorporatist "organized capitalism" is in doubt, the significance of business cooperation for contemporary comparative political economy is not. The search for a post-Keynesian model of capitalist development has led many political economists to supply-side institutions, where the importance of business cooperation looms large. What Michael Best's "new competition," Wolfgang Streeck's "diversified quality production," and Michael Piore and Charles Sabel's "flexible specialization" have in common is collective action by business firms, in both the labor and product markets.[8]

Surprisingly, the question of how this coordination among employers is achieved is hardly addressed in the literature. The analysis of cooperation among employers in the labor market is a topic that has fallen between the cracks in recent political economy scholarship. On one hand, students of the political economy of the labor market have tended to focus on union organization rather than employer organization.[9] On the other hand, the study of business organization has focused almost exclusively on the product market and its intersection with the state, rather than on the labor market.[10] As a result, we know a lot about labor unions and *trade* associations, but very little about *employers* associations. Meanwhile, historical and institutional studies of employers and their associations provide much evidence of internal conflicts, but no systematic analysis of the mechanisms by which cooperation ultimately is achieved.[11]

In this article, I will analyze collective action among Norway's employers, specifying the collective action problems that they face in the labor market and identifying the mechanisms that are employed to produce cooperation. I argue that Norwegian employers face two categories of collective problems, each of which possesses a distinct "logic." Norwegian employers have been relatively successful with the first category, association recruitment. Here, in a dynamic that corresponds closely to Offe and Wiesenthal's account of capitalist collective action, employers associations are able to defuse conflicts of interest and appeal to the narrow self-interest of member firms with a variety of selective incentives. Cooperation requires little solidarity. This is not the case with the problem of cooperating in the wage-setting arena, where cooperation takes the form of resisting the upward pressure on wages produced by Norway's tight labor market conditions. In a setting in which free riding means buying labor peace with high wages, the goal of collective action is the moderate wage growth that will maintain Norway's competitiveness. Here, cooperation requires that employers recognize a collective interest in moderate wage growth that is distinct from their short-term individual interest in buying labor peace under conditions of labor scarcity. Cooperation in this wage-setting arena is pursued by a combination of education, consciousness raising, and community building that differs from the logic of association recruitment. In fact, this second logic of capitalist collective action in Norway very much resembles Offe and Wiesenthal's account of *worker* collective action, which stresses the fact that workers need to be educated as to the nature of their collective interests. It has been the experience of the principal Norwegian employers federation that Norwegian employers need to be educated to take wage-setting seriously as a competitive strategy and to recognize moderate wage growth as a collective interest worth pursuing.

In short, capitalist collective action in the labor market cannot be reduced to joining an employer association. It also may involve a much more demanding process of coordinating wage-setting strategies in which employers run up against the same obstacles to collective action that plague workers and in which they employ similar techniques to overcome them.

This argument is developed through a case study of the principal Norwegian employers federation, the Næringslivets Hovedorganisasjon (NHO; Confederation of Norwegian Business and Industry). In terms of association membership and cooperation during conflicts, Norwegian employers are among the capitalist world's most organized firms, with a reputation for solidarity that goes back at least fifty years.[12] However, in spite of their high degree of organization and their prominence in the Norwegian political economy, Norwegian employers associations have only rarely attracted the attention of scholars. Laments about the lack of information about organized employers are a constant theme in the Norwegian literature.[13] One reason for this lack of attention, perhaps, is that the relative success enjoyed by Norwegian employers associations is generally taken for granted. It is explained by many observers, either explicitly or implicitly, by referring to "certain Norwegian traditions, values, attitudes, and behavior" that "predispose" Norwegians to cooperate in the industrial relations arena.[14]

I demonstrate in this article that such cultural predispositions, if they exist, have not been sufficient on their own to generate cooperation among Norwegian employers.[15] The central theme of collective action theory—that cooperative action in pursuit of a common interest is problematic—is as valid in Norway as it is elsewhere. The free-rider problems and conflicts of interest that complicate most efforts at collective action are not absent in Norway. In the words of a former leading official in the national employers federation, "Norwegian employers are just as selfish as other people."[16] Consistent with collective action theory, cooperation among Norwegian employers is pursued and achieved by an array of mechanisms that increase the incentive for rational firms to cooperate. These mechanisms include selective incentives, negative sanctions (applied by both employers associations and by labor unions and the state), precommitment mechanisms that limit employers' range of choice, side payments, and conscious community building.

The article begins with a brief analysis of the structure of employer collective action problems. Employer collective action involves not just the problem of recruiting members to trade and employer associations, but also the more difficult problem of achieving cooperation in the area of market behavior. In Norway, this means, in particular, that firms must cooperate in resisting the temptation to bid up the price of labor under conditions of labor scarcity. The second section of the article presents a brief description of the role of employer associations in the Norwegian political economy. The third section analyzes the problem of recruiting members to Norway's principal employers association, where problems of free riding and conflicts of interest have been addressed with considerable success through the use of selective incentives and organizational innovations that reduce the problems arising from conflicts of interests. In the fourth section of the article I turn to the problems of achieving cooperation in the labor market. These include the problem of achieving cooperation during strikes and lockouts and the problem of controlling wage drift—the competitive bidding upward of wages by individual firms. This latter problem, in particular, has not been as satisfactorily resolved as the problem of association recruitment. In this domain, the employers association relies to a large degree on education and a kind of capitalist "consciousness-raising" to achieve cooperation. In the fifth section, I move from the problem of coordinating the strategies of individual firms to that of coordinating the strategies of individual industry associations. Here, cooperation has been achieved largely by a community-building effort that has increased the levels of trust among negotiators.

I conclude by using the Norwegian data as a point of departure for some reflections on Offe and Wiesenthal's theoretical comparison of worker and capitalist collective action. I contrast the problem of association formation with the problem of market coordination. Although they may share the formal structure of a prisoner's dilemma, they are neither experienced in the same way by employers nor amenable to the same types of solutions. While a focus on association membership can easily lead to the conclusion that capitalist collective action is relatively unproblematic, this is less likely to be the case in the arena of coordinating market behavior. In market coordination situations, the relationship between the individual interests of firms and the collective interest is by no means self-evident, and the capacity of the association to secure cooperation in pursuing the collective interest is not as great. To a surprising degree, Norwegian employers have needed to be educated about their common interests in moderating wage growth. This implies that the stereotypical "undersocialized" employer, who places a high priority on controlling labor costs, may be just as much a product of education and social interaction as is the stereotypical class-conscious worker. In short, the difference between the logics of collective action faced by workers and capitalists may not be as great as Offe and Wiesenthal have argued. Instead, it may make sense to talk about two logics of *capitalist* collective action.

2. THE PROBLEM OF EMPLOYER COLLECTIVE ACTION

2.1. Obstacles to Cooperation: Free Riding and Conflicts of Interest

A collective action situation exists when the provision of some collective good is dependent on the voluntary contributions of individual group members. Such situations are often problematic for two reasons. First, individuals may have an incentive to free ride on the contributions of other group members, generating an outcome in which a suboptimal amount of the collective good is produced. This is typified by the familiar prisoner's dilemma situation in which each employer faces a choice between a cooperative strategy (joining in the lockout, paying a "cooperative" wage scale, refusing to hire striking workers, refusing to take orders away from firms involved in a dispute, contributing to a training program, etc.) and a corresponding noncooperative strategy. Although all firms do better when they all cooperate than when they all defect, collective action is problematic because (in the absence of sanctions and other transformations discussed below) each firm receives a higher payoff when it chooses the noncooperative strategy. When all firms do so, the result is suboptimal—universal noncooperation.

The second obstacle to collective action is not as clearly recognized in the literature as the free-rider problem. In the case of heterogeneous groups such as employers, different collective outcomes will have a differential impact on group members.[17] This introduces the possibility of conflicts of interest. Collective goods for some group members may be collective "bads" for others. Although "groups" in collective action theory are usually implicitly defined by an imputed identity of preferences or interests, it is perhaps more accurate to define them in terms of their relationship to the consumption of the "collective good" in question. Collective goods are goods that, when provided to one member of a group, are also provided to other members, whether they contribute to the good or not. When we define the group not as those actors who *want* the collective good, but as those actors who *receive* it, *whether they want it or not*, it is easy to see that in groups as diverse as business firms, collective "goods" will be valued very differently by different types of firms. For instance, all firms may prefer the predictability achieved through long-term wage agreements, but the agreement that buys one set of employers lasting industrial peace may lead to the bankruptcy of others. Similarly, all firms may benefit from moderate union leadership, but the lockout that breaks the back of a militant union in one sector may lead to a catastrophic loss of orders in another. It is possible, then, that a preference for *some* cooperative outcome could go hand in hand with opposition to a *particular* cooperative outcome.

How are these obstacles to collective action overcome? In general, free riding can be eliminated in two ways. First, cooperation can occur if the preferences of the individual actors are altered so that they come to value conditional cooperation above free riding. Second, cooperation can occur if the material structure of the situation is transformed so that the noncooperative strategy is made either unavailable or relatively unattractive. This can occur in a variety of ways. Cooperation can be made more attractive by the application of selective incentives—benefits available to cooperators but not to free riders. Also, the expected benefits of free riding can be reduced through structural changes (e.g., a reduction in the number of decision makers, increased communication, etc.) that make free riding more easily detectable, or by negative sanctions that punish free riders.

The presence of conflicts of interest among group members clearly places an additional burden on the achievement of collective action. If conflicts of interest are to be overcome, preferences must be changed so that individual actors are willing not only to suffer the opportunity costs of giving up free riding but also to pay additional costs in the form of accepting a particular cooperative outcome that hurts them more than other group members. If cooperation is achieved through a transformation of the material structure of the situation, then the transformation will have to go further—to encompass compensatory payments to those for whom the particular cooperative outcome constitutes a collective bad.

2.2. The Problem of Association Recruitment Versus Problems of Market Coordination

Employers are involved in two qualitatively different types of collective action problems. One involves collective goods that can be purchased, for instance, lobbying activity or legal assistance. The other kind of collective good is the product of coordinated market behavior—for instance, a moderate aggregate wage increase that is produced by contributions by individual firms that take the form of moderate local increases.

This distinction has important consequences for the solution of collective action problems. When the collective good is purchasable, what is important is not the number of cooperators but the amount of resources that they provide. An organization that is an effective spokesman for employer interests does not have to be financed by all employers, as long as the few who do contribute pay enough to finance the organization's activities. Employers may be "privileged groups" with respect to this good.[18] This is not the case with labor market cooperation. Here, the success of the cooperative effort requires that most firms cooperate. If a substantial minority of firms is paying wages lower than the cooperative level, for instance, then cooperating firms will be placing themselves in an unsustainable position of competitive disadvantage. In the latter case, cooperating firms are much less able to tolerate free riding. It is also likely that different mechanisms will have to be employed to secure cooperation in the two types of situations. For instance, selective incentives such as inexpensive insurance and legal assistance may be very useful in increasing employer association membership, but it is difficult to imagine what kind of selective incentive would lead an individual employer to follow an association's wage guidelines.

Because these two kinds of contributions are distinct, they represent different collective action problems. Put another way, an employer association's recruitment challenge is distinct from the challenge of getting its members to go along with its policies. In the remainder of this article, I show that while Norwegian employers have been relatively successful in organizing themselves into associations, they have been less successful in addressing the qualitatively different problem of coordinating wage-setting.

3. NORWEGIAN EMPLOYERS ASSOCIATIONS IN THE LABOR MARKET: A PRIMER

The principal employers association in Norway is the Norwegian Confederation of Norwegian Business and Industry (Næringslivets Hovedorganisasjon, or NHO), whose members employed in 1994 about 68 percent of the workers employed by private sector employer association members.[19] NHO is the employers association of industrial employers. Associations of employers in the retail and banking sectors, which are a distant second and third to NHO in size, cooperate closely with it in the collective bargaining arena.[20] NHO was formed in 1989, as the result of a merger between the Norwegian Employers Association (Norsk Arbeidsgiverforening, or NAF),[21] a "pure" employers association founded in 1900; the Norwegian Industrial Association (Norges Industriforbund, or NI), the leading industrial trade association; and the Norwegian Handicraft Association (Norges Håndverkforbund), a trade association of craft employers. In terms of industrial relations activity, there is considerable continuity between NAF and NHO. Although NHO took care to create a symbolic break with NAF, which was embarrassed and weakened in a 1986 lockout defeat, NHO is rightly viewed as a continuation of NAF, rather than a new organization. Most of the NHO staff members who deal with employer concerns also worked in NAF. In the remainder of this article, my focus will be almost exclusively on NAF-NHO.

For most of its history, NAF-NHO has been a federation of national industry employers associations.[22] Table 1 presents the membership data for NHO's 30 constituent industrial branch organizations in 1995.[23] Two points should be noted. First, in terms of employment, the industry associations representing the metal products industry and the chemical, electro-metal, and forest products industries dominate NHO. Second, the average NHO member employs only about thirty-one workers. NHO membership is by no means limited to large firms. In 1996, 30 percent of the employees in NHO firms worked in companies with fewer than fifty

Table 1
Membership in the NHO, by Industry Association, 1995

Industry Association	Number of Firms	Number of Employees
Newspaper publishers	189	10,533
Bakeries	322	4,719
Mines	91	3,280
Construction industry[a]	502	13,744
Construction trades[b]	1,695	15,376
Energy	21	1,764
Fish cultivation	485	8,708
Airlines	68	7,458
Printing and graphics	318	5,273
Harbor and terminal operators	266	5,520
Handicrafts[c]	1,187	3,707
Meat preparation	233	10,288
Science and research activity	87	6,538
Building contractors	239	15,778
Furniture production	142	5,073
Food products	336	18,100
Auto repair	1,228	14,579
Electrical contractors	999	14,746
Hotels and restaurants	698	16,971
Transportation	158	10,975
Oil production	48	16,781
Services to offshore production	34	2,813
Culture and sport	38	937
Chemicals and forest products[d]	509	51,240
Metal products and machinery	820	68,132
Shipping	57	6,593
Services[e]	171	7,938
Sawmills	120	1,594
Textiles and clothing	137	5,449
Weekly publications	5	512
Total	10,624	350,967

Source: Norges Offisielle Statistikk [Official Statistics of Norway], *Statistisk årbok 1996*: 171.
a. Includes the production of concrete, prefabricated buildings, and other building components.
b. Includes firms of carpenters, plumbers, painters, etc.
c. Includes hairdressers, photographers, florists, opticians, piano tuners, photographers, locksmiths, etc.
d. Includes paper, pulp, and cellulose, as well as chemical production.
e. Mostly cleaning and security services.

workers and approximately one-half of all NHO member firms employed fewer than ten workers.[24] NHO is an association of retail bakeries, small print shops, small electrical contractors, and even hairdressers and piano tuners, as well as multinational oil firms and large engineering companies. We shall see that one of the principal problems that the organization has faced is managing the tension between small and large employers.

NAF-NHO's counterpart on the labor side is the Norwegian Confederation of Trade Unions (Landsorganisasjon, or LO), which was organized in 1899. LO was organized through the active sponsorship of the Norwegian Labor Party, which has been the governing party during most the of the post–World War II era and which has been the largest party in the legislature since 1927. Although the Labor Party no longer is officially represented in LO's leadership, the two arms of the labor movement continue to maintain a close relationship. During the past twenty years, LO's position of dominance has been challenged by two "independent" federations, principally of white-collar workers—the Federation of Norwegian Professional Associations (AF) and the Confederation of Vocational Unions (YS).[25] While overall union density has remained fairly steady in recent years, LO's share of the workforce has declined from 37.1 percent to 30.4 percent between 1977 and 1994.[26]

By the end of World War I, collective bargaining between national industry associations and unions, coordinated by the NAF and LO, was routine. Since the 1950s, when postwar wage and price restrictions were lifted, bargaining has generally taken the form of centralized agreements negotiated either at the level of the national labor and employer federations or at the level of industry-level unions and employer associations. In an increasing number of sectors, these central agreements are supplemented by firm-level negotiations. In addition, during the 1970s, Norway experienced a series of "combined" agreements, in which the government participated in negotiations, "lubricating" central agreements with subsidies and social policy initiatives.[27] A further departure from normal labor market transactions occurred in the late 1980s, when the Norwegian government enacted wage laws in which centrally negotiated agreements between NHO and LO were legislated into wage increases that put an effective ceiling on wage growth for all workers.[28]

4. THE PROBLEM OF ASSOCIATION MEMBERSHIP

4.1. Introduction

NAF-NHO has been highly successful in organizing Norwegian employers into a national organization. Although comparative data on employer organization do not exist, Norwegian employers are certainly among the most highly organized in the capitalist world. Table 2 presents Stokke's estimates of the degree of NHO organization in different branches of the private sector.[29] These data confirm the high degree of organization among Norwegian employers, especially in the industrial core of the Norwegian economy: the oil, food, chemicals, metal, and paper and pulp industries.

The success of NAF-NHO should not lead us to an overly sanguine view of the problem of employers associations organizing in Norway. First, the cross-sectional data in Table 2 reveal that NHO has not been equally successful in all areas of its domain. Second, a historical examination of employer association organization in Norway indicates that it has by no means proceeded smoothly. The official historian of NAF writes that it took almost twenty years before

Table 2
NHO Organizational Density, by Industrial Sector, 1995

Industrial Sector	Total Wage Earners	Percentage Employed in NHO Firms
Forestry	3,560	48.9
Fish cultivation	3,070	89.6
Oil production and related services	21,600	98.1*
Mining	4,730	44.8
Food and beverages	53,676	70.9
Textile and apparel	8,430	73.9
Wood products	14,680	81.4
Paper and pulp	11,920	93.9
Graphic production	38,700	54.3
Chemical raw materials	9,250	94.1
Metal industry	121,250	71.1
Other industry	11,400	50.0
Building and construction	85,860	56.8
Automobile sales and repairs; gas stations	35,020	52.3
Wholesale and retail trade	240,870	2.9
Hotels and restaurants	53,310	43.4
Transportation	57,360	54.0*
Cleaning and maintenance	13,360	74.9
Total	1,119,000	34.2

Source: Torgeir Aarvaag Stokke, *NHO: Medlemmer, Organisasjonsgraden og Tariffavtaler* (Oslo: FAFO, 1996): 18.
Note: I am grateful to Torgeir Aarvaag Stokke for making this report available to me. The table was compiled by combining data collected according to two different industrial classification systems. In those branches where this operation produced particularly uncertain results, the percentage is followed by an asterisk (*).

Norwegian employers were willing to grant it enough power to be a "battle-ready [slagskraft] institution."[30] During the interwar period of large-scale conflicts, internal tensions and membership problems were chronic concerns of NAF. Its administrative director stated that a 1927 lockout "shook the employers association so strongly that we sank down to almost nothing."[31] This assessment is confirmed by employment data. Between 1915 and 1927, the number of workers employed by NAF firms sunk more than 50 percent, from 88,000 to 42,000.[32] Nor has the path of employer organization been completely smooth in the contemporary period. In 1989, in the wake of internal divisions and public disrepute produced by an unsuccessful lockout, NAF dissolved itself to become part of a new entity, NHO. Finally, NAF-NHO employment as a share of private sector employment has experienced a gradual decline in recent decades, dropping from 34 percent in 1970 to 29 percent in 1994.[33]

NAF-NHO's efforts to organize Norwegian employers have been impeded both by free riders and conflicts of interest. Two types of conflicts have been particularly important in the contemporary era. One is a perceived conflict of interest between large and small firms. Small firms must be convinced to join an organization that, by reputation, is dominated by the interests of Norway's largest employers. Second, employers of nonunion workers, many of whom are in the "industries of the future" that NHO needs to attract to protect its legitimacy as the embodiment of the interest of the modern Norwegian community, must be convinced to join an organization that could embroil them in labor conflict.

NAF-NHO has relied principally on three mechanisms to facilitate recruitment. First, it provides a wide range of selective benefits to members. When benefits are not obviously selective in nature, NHO officials try to present them as such. Second, NAF-NHO has undertaken a variety of organizational strategies that are designed to protect firms from having to carry out policies that are against their interests and to protect them against unwanted conflicts. It also has created organizational barriers that help to insulate labor market politics from conflicts of interest arising in the product market. Third, NAF-NHO has benefited from pressure applied by LO unions and by the state to force firms to become members of the employer association.

4.2. Selective Benefits and Membership in NAF-NHO

Initially formed in response to increased labor organization, Norwegian employer associations have always defended the interests of employers in the labor market. With the position of unions firmly established in Norwegian society, NHO is deprived of a major collective benefit—the provision of a union-free or union-hostile environment. In this setting, most of the "defensive" benefits provided by NHO—for example, assistance in local dispute resolution, transaction-cost economizing during wage negotiations, protection against whipsawing, and strike insurance—are not collective goods at all but can be withheld from nonmembers.

Although the earliest Norwegian employers associations initially may have aspired to a union-free environment, they reached accommodations with union counterparts in most branches early on. Aggressively anti-union employers have been a minority outside the major federation.[34] Certainly, NHO does not currently combat union organization. On the contrary. I was told by an NHO official that the organization is so sensitive to charges of "union busting" that it has not recruited as heavily in some less unionized sectors of the economy as it otherwise would.[35] In fact, as we shall see later, it is a common opinion at NHO headquarters that a major reason why firms stay out of the organization is a fear that joining NHO will *promote* the unionization of their workers.

The positive selective benefits offered by NAF-NHO include strike insurance, assistance in negotiating with workers, low-cost insurance, technical assistance, and the opportunity to participate in association-sponsored gatherings. NHO officials also argue that their pubic policy advocacy, which could be seen as a collective good benefiting business in general, selectively benefits association members.

Strike insurance replaces a portion of the costs incurred during conflict-induced shutdowns. The most recent official history of NAF describes lockout insurance as one of the central pillars of employer organization in Norway.[36] For reasons that will be discussed below, the initial level of insurance provided was too low to be meaningful,[37] but that is no longer the case. In 1996, NHO paid out approximately 300 million kroner (almost $50 million) in strike insurance.[38]

Norwegian employers associations also negotiate agreements on behalf of employers. Local bargaining, where it does exist, always supplements previously negotiated central agreements.[39] Although NHO has pressed for more local bargaining since 1989, the transaction-costs savings provided by central bargaining are strongly supported by small employers, and it is unlikely that decentralization in Norway will proceed as far as it has in Sweden.[40] The reluctance of small employers to negotiate with employees was a constant theme of my interviews with NHO officials. As the manager of a bakery stated, employers in small communities do not want to enter into conflictual wage negotiations with employees who are also their children's football trainers or scout leaders. They would rather be told what to do by their association.[41] This both reduces their bargaining costs and deflects responsibility for the outcome away from the individual employer. "They can say, 'Sorry, guys, this is what the wage is.' "[42]

NHO provides a range of other employer-related benefits to its members. One of these is free assistance with local dispute resolution. Representatives from employer associations and unions work together to police their members and to prevent local disputes from disrupting production.[43] Other benefits include cheap occupational health insurance, which, according to an NHO recruiter, often produces savings that more than pay for membership dues, and technical assistance with virtually any employer-related problem.[44]

Many employers also value the "social benefits" of NHO membership—the opportunity to get together and discuss common problems and to build common attitudes toward these problems.[45] For this reason, most recruitment is left to the branch associations. Employers join NHO automatically when they become a member of an affiliated industry-level association. It is at the level of the industrial branch, according to an NHO recruiter, that social ties operate most strongly. Employers in the same industry have "the same education, the same background, and shared experiences. They are part of the same network."[46] Paradoxically, tight social ties sometimes slow the expansion of membership, as association members exclude employers whom they personally dislike.[47]

In the capacity of a trade organization, NHO and its affiliates also serve as advocates for public policy that benefits business. The recruitment strategy directed at firms that are not expected to place much value on NHO's labor market role is to emphasize that, while NHO's policy efforts are inevitably *generally* pro-business, NHO's influential position provides a unique opportunity for members to win *specific* benefits as well. "NHO has considerable power . . . and can help create business opportunities that they wouldn't otherwise have."[48] A current recruiting campaign emphasizes the impact of NHO at the level of local government in these terms, as well.[49] In the words of one NHO strategist, "the people on board determine the direction of the boat."[50]

4.3. Reducing the Costs of Membership as a Recruitment Strategy

Participation in any cooperative effort involves the opportunity cost of being deprived of the free-rider strategy. Where conflicts of interest are present, there is the additional risk that cooperation will produce outcomes that are opposed by some members. In the NAF-NHO context, this particularly applies to firms that are fearful of being unionized or drawn into sympathy lockouts as a result of NAF-NHO membership and small firms that are worried about the organization's reputed domination by large companies. In both cases, the organization has taken concrete steps to reduce the perceived costs of membership.

Paradoxically, considering NAF's origins, the universally held view within NHO is that the main reason why firms stay out of the organization is that they fear that joining NHO will lead to the unionization of their workers and make them *more* vulnerable to strikes and lockouts. In the words of one NHO strategist, when it comes to small firms in the information and technology sector, for instance, where workplace relations are collegial, NHO has "nothing to offer but trouble" when it comes to labor relations.[51] First, aside from the potentially hostile signal that NHO membership sends to employees, it is in fact objectively easier to unionize workers at an NHO firm. Up until recently, NHO's main agreement with LO stated that when *any* unionized workers in an NHO firm request a collective agreement, the firm must negotiate an agreement.[52] If a firm is not an NHO member, however, it can refuse a demand for a collective agreement. Of course, workers can meet this refusal with a work stoppage, but, in this case, only unionized workers can legally strike. In practice, then, a non-NHO firm can successfully resist a demand for an agreement when the proportion of unionists is too low to make a strike effective.[53]

NHO has responded to the concern that membership will lead to unionization and collective wage agreements by distinguishing membership in NHO from membership in NHO's "wage-setting community" (*tariffelleskapet*). This is particularly relevant for small firms. While 84 percent of NHO's total employment was covered by wage agreements in 1996, only 46 percent of NHO's member firms were covered.[54] Firms with fewer than fourteen workers (measured in person-years), as well as larger firms that have not received a demand for a collective agreement from their workers, are also released from any obligation to pay into the organization's strike insurance fund.[55]

Another potential cost of NHO membership with respect to labor conflict is that NHO has the authority to ask employers to lock out their workers in support of struck firms, both in their own branch and in other branches. Although multi-branch lockouts have been rare since the 1930s, NAF undertook an "offensive" lockout (one that was not in response to an earlier strike) in 1986 that involved the metal industry, hotels and restaurants, the building industry, and the electrochemical industry. The fact that this lockout had little support among the front-line branches contributed to the demise of NAF.

Efforts to reassure firms that they will not often be dragged into sympathy conflicts are visible at the earliest stages of NAF's organizational development, when the capacity of the organization to pay compensation to members in case of work stoppages was successively *reduced* in the 1895 draft bylaws, the 1898 draft bylaws, and the final 1900 version.[56] Fewer financial resources made lockouts less likely and therefore reduced the expected costs of belonging to NAF. Faced with a dilemma between expanding the organization's membership and building its fighting capacity, NAF's early leaders prioritized membership.[57]

On at least two occasions, major organizational changes were driven by the need to reduce the danger that firms would be drawn into multi-industry lockouts against their will. The first of these occurred in 1925, after dissatisfaction with NAF's lockout policy led the powerful association of paper industry employers to leave the organization and employers in the building trades threatened to leave. Both sets of employers were unhappy about their participation in the costly 1923-1924 lockout in defense of wage demands in the metal industry which lacked general support within NAF.[58] The association's response was a combination of organizational centralization and increased representation that was designed to reduce the likelihood of such unpopular sympathy conflicts.[59]

The reorganization that resulted in the merger of NAF into NHO was also in part the product of dissatisfaction with a lockout. In the opinion of many employers, the unpopular lockout of 1986 occurred because the organization's structure gave the administrative director, who was not himself an employer, too much power. As in 1925, some firms (but, this time, no industry associations) left NAF in 1986 to protest the lockout policy. Most returned to the fold to join a reorganized NHO, which separated the office of administrative director, a staff position, from the office of president, an elected position. The expectation was that increased representation of employers in the leadership would make the organization less trigger happy.[60]

In addition to attempting to reduce the perceived costs of membership to conflict-averse firms, NHO has also acted to reassure potential small-firm members. In spite of the facts that Norway is a country of small employers and that a large portion of NHO's membership consists of small firms, there is widespread concern within NHO that the organization is viewed as the tool of Norway's largest employers. The tension between large and small firms arises principally from a suspicion among small employers that large firms (and by implication, NHO) are overly bureaucratic and pay managers too much money, as well as from divisions on industrial policy issues.[61] One NHO branch association, Grafiske Bedrifter Landsforeningen—which represents employers in the printing industry, where the average number of employers per firm is only thirteen—maintains its offices in a building separate from the one that houses most other NHO associations because of the suspicion of NHO harbored by its members.[62] Small business's worst fears of NHO were confirmed to many by the exorbitant "golden parachute" that bought the resignation of Pål Kraby, the NAF administrative director who was widely blamed for the 1986 lockout debacle.[63] In the wake of the so-called "Kraby affair," and in opposition to NHO's position on corporate taxes, some small firms left NHO to establish a competing industrial policy advocacy organization, the Bedriftforbundet (the Association of Business Enterprises).[64] The big-small tension reached the surface again in 1996 when a baker from the southern Norwegian city of Kristiansand briefly sought the presidency of NHO as a representative of small business.

NHO has been quite assiduous in responding to the concerns of small business. Two conditions for the participation by Norges Håndverkforbund, the trade association of small employers, in the merger that created NHO were that the new organization possess a regionally decentralized structure and that it maintain a separate section to service small businesses.[65] NHO's small business section provides a wide range of services pitched to the so-called "active employer," who manages his or her firm without staff support. These include a telephone reference service that guarantees a response to any employer-related question within thirty minutes and a newsletter that provides summaries of official documents that are of interest to employers.[66]

4.4. The Management of Heterogeneity: Insulating Labor Market Politics from Product Market Conflicts

It has been plausibly argued by Streeck that the diversity of interests among capitalists in the labor market is less than what they face as competitors in the product market. Employers in labor markets, like workers, face a common enemy, "whose interests differ so much from theirs that they find it comparatively easy to develop a common identity and policy. . . . As a consequence, class interests are typically easier to aggregate than product or occupational interests."[67] This perception is echoed by NHO's representative to international employer associations, who has had long experience in NAF. In his view, internal divisions on the labor market side are

> nothing compared to trade policy. In that [trade policy] sector, employers are competitors. In our sector they are more likely to be partners. The enemies are mostly on the outside. . . . It is more pleasant to work on the employer side: friendly, united—no double crossing.[68]

One way that Norwegian employer associations facilitate collective action on the labor market side is to create organizational buffers between employer concerns and product market/industrial policy concerns. Within TBL (Teknologibedriftenes Landsforening, the metal industry association), the industrial policy section is organized into eight branches, each representing a distinct sector of the industry, while there is a single, unified employer section. Harald Rysst, a former administrative director of this association, put it this way: In spite of their different industrial policy interests, “they are employers every one.”[69] Within HSH, the independent association of distribution firms, a single employers/labor market section coexists with thirty-four separate industrial policy branches.[70]

One of the objectives of NHO’s current plan to reduce the number of industry associations from thirty to ten, principally through mergers, is to create associations that possess the capacity to pursue their industrial policy interests on their own, without embroiling NHO in internecine disputes.[71] The merging of associations will likely result in a divisional structure on the product market/industrial policy side and a unified labor market organization. Thus, the chief negotiators for the metal industry, textile industry, and furniture industry associations, which, in a tentative step toward a merger, presently share the same office building in Oslo, regularly answer each other’s telephone calls, responding to member queries from employers in the other associations.[72]

4.5. Negative Sanctions and NAF-NHO Membership

While negative sanctions applied by *employer associations* have not been deployed much in Norway, both the Norwegian state and Norwegian labor unions have at times pressured individual firms to join employers associations. Early in its history, the NAF attempted to punish nonmembers by increasing their initiation payment at a 50 percent annual rate for every year that they remained outside the organization. This policy was abandoned, however, when someone finally figured out that it would have the long-term effect of reducing the incentive to become a member.[73] In 1904, the NAF general assembly passed the so-called Stavanger resolution, which called on NAF members to show a commercial preference to members, a policy that was reaffirmed as late as 1949 in an article in the NAF’s main publication, *Arbeidsgiveren*.[74] In 1929, Norsk Hydro, the huge electro-chemical and power company, required that all its suppliers join NAF, whose annual report for that year observed that Hydro’s policy contributed significantly to the “support for and consolidation of our organization.” However, according to one high-level NAF official of the post–World War II era, such attempts at discrimination have had little overall impact.[75] Certainly, there is little interest in applying negative sanctions against nonmember firms within the contemporary NHO. The reason is that such behavior will undermine the organization’s main recruitment program, which is to appeal to prospective members on the basis of the positive benefits of membership.[76]

This does not mean that Norwegian employers are never pressured into joining employers associations, however. Paradoxically, one source of such pressure is

Norwegian labor unions. In spite of the fact that unions exhibit hostility to NHO members during conflicts, singling them out for strike actions,[77] they also often encourage organized firms to become NHO members in order to economize on the transaction costs of regulating labor relations. When a firm is an NHO member, it is easier for the union to resolve disputes through its ongoing relationship with NHO than by dealing with individual employers on a case by case basis.[78] The chief negotiator of the printing and graphics industry employers association told me that the industry's union is his own organization's "best recruitment mechanism."[79]

The chief example of state pressure to compel membership in Norway's main employer federation is the offshore oil industry. Partly because of hostility to unionization by U.S.-based oil companies, and partly as a result of interunion competition on the labor side, labor relations in the Norwegian oil fields were particularly fragmented during the 1970s.[80] The combination of interunion rivalry, dissatisfaction among workers with LO's national wage moderation policy, and companies with deep pockets eager to avoid work stoppages led to wage settlements which, both in their content and in the way in which they were achieved, threatened Norway's price stability and its centralized industrial relations institutions. In December 1981, Conservative Party Prime Minister Kåre Willoch announced that unless the oil companies played by Norwegian rules, they could not expect continued North Sea concessions.[81] After meeting with the oil producers, Willoch expressed his satisfaction that the foreign oil companies "have exhibited the solidarity one expects in Norwegian labor relations by joining NAF" and stated that he "counts on the [oil] companies to give NAF all of the authority and loyalty that is necessary."[82] In another example of using organizational restructuring to provide reassurance to reluctant prospective members, NAF welcomed the oil companies into the fold by amending its bylaws to give the new oil industry branch association a permanent seat on its executive committee.[83]

5. PROBLEMS OF LABOR MARKET COORDINATION

5.1. The Problem of Wage Drift

The most important collective action problem faced by Norwegian employers is not that of recruiting members to employer associations, but that of moderating the wage increases that are made at the local level in the so-called minimum-wage branches, where collective agreements stipulate a wage increase for all workers which is then supplemented by local bargaining. Wage drift is defined as the difference between the wage level agreed to at peak or industry-level negotiations and the wages actually paid to workers.

In a significant departure from the typical U.S. pattern, due principally to Norway's tight labor markets, employers organizations are not worried about a competitive bidding down of wages and prices that will destabilize the market. Rather, their concern has been that free riders, both within and outside the employers organizations, will bid wages *up* in an effort to preserve labor peace.[84] Thus in 1950, an article in *Arbeidsgiveren*, the official NAF publication, placed the blame for wage drift squarely at the feet of *unorganized* employers: "They have freedom with respect to wage levels and can poach their competitors' labor force and pay whatever they want! . . . The organized firms [should] get rid of [these] swindling freebooters who bid up wages and evade reasonable collegial considerations."[85] The same article goes on to state that it is "lack of labor power [that] has placed a stranglehold on many employers and squeezed higher wages out of them. . . . The employer sees his enterprise emptied of workers because one or another firm in the district pays higher wages."[86]

Wage drift has been an important component of wage development in Norway throughout the postwar era. A joint NAF-LO committee appointed in 1962 to study the problem reported that more than 50 percent of the total average wage increase from 1950 through the first quarter of 1962 was due to wage drift. Between 1972 and 1988, wage increases due to wage drift exceeded the centrally negotiated increases in thirteen out of seventeen years.[87]

In spite of the negative connotation of the expression "wage drift," the mere presence of a gap between the centrally negotiated agreement and real wage growth is not necessarily problematic from the point of view of Norwegian employers. Since 1989, official NHO policy has been to decentralize wage negotiations and place more responsibility for wage growth on individual firms.[88] In this respect, the existence of some "wage drift" is a principal NHO goal. The problem is not the presence of wage drift, but its basis. During the 1970s, NAF administrative director Kåre Selvig elaborated a distinction between "positive" and "negative" wage drift. The former is due to increases in labor productivity that are shared with workers. The latter is due to labor shortages and a local bidding up of wages that is unrelated to productivity.[89] It is controlling this negative wage drift that has been the NAF-NHO (and LO) problem.

Wage drift presents a problem not only for those industries in which local bargaining is permitted but also in other industries. Wage drift tends to increase the gap between high-paid and low-paid industries during the life of a collective agreement, and thus puts additional pressure on the low-wage industries during the subsequent bargaining round. Given LO's strength and its solidarity policy, according to which LO claims extra increases for low-wage workers, "If strong companies grant an increase, the bill will be paid by low-wage industries the next year."[90] As a result, NAF-NHO has argued that the "low-wage problem" can be addressed adequately only through some kind of control on wage drift.[91]

In fact, until recently, Norwegian employers associations have been unable to fashion internal mechanisms to control wage drift and have tended to seek its solution in centralized bargaining that reduces the capacity of local firms and unions to engage in free riding or in some form of state intervention.[92] As Selvig stated in

1977, "Experience has unfortunately shown that appeals to solidarity and requests for moderation, don't help."[93]

NHO's recent strategy of pushing for an increased role for local firms with respect to wage determination makes it increasingly important for NHO to develop mechanisms to secure cooperation among its member firms. By placing more control over wage development at the local level, NHO is risking one of its most important political resources—its capacity to deliver wage moderation.[94] As one NHO strategist remarked, "We can't sit here and watch 75 percent wage drift and claim to promote the national interest."[95]

NHO's strategy for controlling wage drift in the era of more decentralized bargaining has three elements. One of these is a joint agreement with LO, arrived at in 1990, that stipulates that the basis for local bargaining will be the economic condition of the local firm, not wage comparisons with other firms.[96] By forcing both workers and employers to precommit to an agreed upon set of criteria, this agreement from the cooperative strategy makes it easier to detect and, presumably, to resist deviations. The criteria also provide employers with a legitimate defense against upward wage demands driven purely by local labor shortages. At the same time, LO and NHO also agreed on a quantitative frame for local bargaining: The total nominal wage increase (in kroner, not percentages) in industries in which local bargaining was permitted would approximate the wage increase negotiated in the low-wage industries that do not yet permit local bargaining. The low-wage increase, in turn, was expected to be about double the centrally negotiated increase in the pattern-setting sectors that do permit local bargaining.[97] For instance, if the metal industry increase was 2 kroner per hour, then the hotel and restaurant increase was expected to approximate 4 kroner per hour, and later local negotiations in the metal industry would yield local increases approximating 2 kroner per hour.

Second, NHO has embarked on a major education campaign to reshape the process of wage formation on the employer side. The organization has become "quite conscious" about promoting responsibility among member firms.[98] Another official reported that "there is never an NHO executive board meeting in which the implications of decentralized bargaining is not discussed."[99] The complaint by many officials at NHO is that firms have not taken wage formation at the level of the firm seriously. Instead they have succumbed to what one official termed the "neighbor syndrome" in which wages are based on statistical comparisons of what local competitors are paying, rather than on the economy of the firm.[100] It was the desire to combat this pattern, within both NHO and LO, that led to the agreement that local wage negotiations would be based solely on criteria reflecting the individual firm's financial condition and future competitive prospects. NHO has also undertaken a major "pedagogical" effort, directed at trying to involve top management in the wage formation process and at creating more "professional" and "competent" negotiators within the firm. [101] When the chief executives who were invited to NHO-sponsored seminars on wage strategy followed the earlier custom of sending human-resource personnel in their place, NHO officials "sent them home" until the CEOs attended themselves.[102] It is not surprising, then, that NHO has done a better job than NAF in communicating the relationship between wages and inflation and in producing a "more holistic, community oriented view."[103]

Third, NHO has become more aggressive in applying social pressure, mostly in the form of "strong speeches," to enforce cooperation. This marks a departure from the more "laissez-faire" approach of NAF.[104] In 1996, for the first time in the memory of the veteran chief negotiator of TBL (the metal industry association), TBL officials visited five firms in southern Norway whose wage increases were deemed to be unreasonable and delivered a verbal message that this was not acceptable.[105] The feasibility of such an approach was defended by another NHO veteran of employer relations, who pointed out that Norwegian employers "know their competitors. . . . They don't want to stick out."[106]

5.2. Cooperation in Strikes and Lockouts

Although the level of labor conflict in postwar Norway has been low by conventional quantitative measures, it continues to take a highly concentrated form. Industry-level lockouts and, at times, national lockouts have remained a viable employer response to strikes in the postwar era. Norwegian employers are asked by their associations not only to lock out workers in support of firms in their own industry but also to lock out their workers in support of employers in other industries. In 1986, for the first—and probably the last—time, employers staged a national lockout of about 100,000 workers *before* any workers struck.[107]

The problem is that individual members of the association "don't want conflict."[108] Reluctance to engage in work stoppages has been especially strong in sectors with high fixed costs, in sectors experiencing strong demand, and in sectors in which low levels of employer organization expose cooperators to competitive incursions by free-riding competitors.

How does the employer federation secure cooperation from reluctant members during conflicts? In the words of a veteran NAF-NHO official, "we pay them."[109] All employers with fourteen or more employees whose workers have requested a collective agreement are required to subscribe to NHO's strike insurance program. The organization's bylaws give the leadership considerable flexibility regarding the payment of benefits. If normal benefits are "unreasonable," the eighty-member "main assembly" can depart from them.[110] It was NAF policy to double strike payments when conflicts involved "important questions of principle."[111] In the 1996 conflict in the electrical contracting sector, NHO's desire for solidarity among employers, many of whom were small firms that took advantage of the option to remain outside the strike insurance program, led NHO to make payments to all members of the industry association, whether they had paid strike insurance premiums or not.[112]

NHO also possesses the capacity to fine its members when they go against federation policy. The principal recent example was a $200,000 fine against Norsk Hydro, one of Norway's largest employers, for agreeing in 1985 to a reduction in working hours. This was in direct contradiction of an NAF position whose defense figured prominently in the 1986 lockout. In spite of recent moves by NHO to increase the maximum fine it can levy, fining has been a rarely applied sanction.[113] One reason, no doubt, is the negative impact that such publicly assessed fines are likely to have on the association's recruitment efforts.[114] On the other hand, it could be argued that, in assessing a large fine against Norsk Hydro, NAF-NHO has demonstrated its credibility so successfully that it has been unnecessary to fine other firms in order to secure cooperation.[115]

Participation in sympathy lockouts has also been affected by log rolling. Industries that benefit from a sympathy lockout are expected to reciprocate. However, this mechanism can work both ways. Sæland reports that in 1927, two branches argued against a sympathy lockout in support of their *own* demands because they did not want to obligate themselves to participate in later sympathy conflicts in support of other industries.[116]

6. THE PROBLEM OF ACHIEVING COOPERATION AMONG EMPLOYER ASSOCIATIONS

In addition to collective action problems among individual employers, there are two types of collective action problems among individual employer *associations*. The first involves coordination among NHO and non-NHO associations, including the public sector. Here the danger is that associations outside the NHO "family" may buy labor peace by agreeing to wage levels that exceed those that are acceptable to NHO, generating pressure on NHO employers to match them. Among the private sector associations, this is not much of a problem. NHO-LO agreements always are reached first and set a pattern for the smaller private sector agreements. NHO's numerical strength, its political authority, and its position as the employer of the country's largest internationally competitive firms leave it in an unchallenged position on the employer side of private sector bargaining. As the administrative director of Bankenes Arbeidsgiverforeningen, the employer association for banks, remarked in an interview, if the banks would try to reach an agreement before NHO, "Karl Glad [NHO's administrative director] would chop off my head."[117] In the distribution sector, where the largest "independent," or non-NHO employers association, Handels-og Servicenæringens Hovedorganisasjon (HSH) is located, HSH sometimes concludes negotiations before NHO employers in that sector, but only after the general pattern has been set in other areas of the NHO-LO arena.[118]

The main employer threat to NHO's strategy of wage moderation comes not from other private sector associations, however, but from the public sector. Coordination is maintained in part by a convention, formalized in the so-called Aukrust model, that in a foreign trade-oriented economy like Norway's, wage growth should be regulated by productivity in those sectors exposed to international competition.[119] In practice, that means that in most instances, private sector negotiations precede and set the pattern for public sector negotiations.[120] In recent years, the problem of coordinating public and private sector wage growth has been aggravated by the fact that it is in the public sector that LO's dominance is most at jeopardy. Therefore, interunion rivalry fuels the upward pressure on wages. In 1988 and 1989, convention was supplemented by coercion: The Labor Party government enacted legislation that extended the basic terms of the NHO-LO agreement to all workers, regardless of their union affiliation. In 1996, public sector negotiators were greeted by a joint letter signed by both the NHO and LO leaders warning that an agreement that fell outside of the NHO-LO frame would "not be tolerated."[121]

The problem of coordinating wage strategies among different employer associations is also an internal NHO challenge. As noted in section 3, above, collective bargaining in Norway typically takes one of two forms. The first of these is coordinated bargaining, in which the basic increase in every industry is determined by negotiations at the confederation level between LO and NHO. Here, there is no interindustry association collective action problem, since industry-level bargaining is supplanted.[122] However, in a second bargaining framework, negotiations take place on the level of the individual industry, resulting in a multitude of separate agreements, one between each industry employers association and every one of its union counterparts—a total of 260 agreements.[123] Here, in Norway's tight labor market, the danger is that individual associations will purchase industrial peace by "free riding" on the moderate wages negotiated by harder-line employers.

Again, pattern bargaining led by exposed industry is one mechanism by which coordination is achieved. Although there is apparently some internal grumbling within NHO about which industry should lead negotiations,[124] this role continues to go to TBL, the association of metal industry employers and NHO's largest branch association. Other industries that, like TBL, negotiate agreements that permit local bargaining in addition to industry-wide increases, tend to follow the TBL pattern closely. For industries in which local bargaining is not permitted, the hotel and restaurant industry serves a similar pattern-setting role.[125]

Pattern bargaining, however, is not always sufficient to ensure the desired level of coordination among NHO associations. During the latter part of the NAF era, there apparently was a lack of trust among employer negotiators that undermined cooperation within NAF. They "held their cards close to their chest."[126] In a pattern that one participant described as "give and hide," industry negotiators would sometimes mislead their colleagues in other industries, providing excessively optimistic accounts of the results of their negotiations. For instance, "a negotiator would say, 'I gave just over a krone'; when he really gave 1.95 kroner. Or he would give a wage increase and describe it in the agreement in some disguised way, as a small adjustment, perhaps."[127] Alternatively, he might report that the wage increase was "just over ten," implying ten øre (one hundred øre equal one krone), when in fact the real increase was more than one hundred kroner.[128] The net result was typical of any collective action situation in which free riding predominates: suboptimally high wage increases.

One of the reasons that this pattern is no longer evident is that more information is available about the progress of negotiations. The free-riding strategy of "give and hide" is more easily detected. In the words of one high-ranking NHO official, "opportunity makes a thief."[129] Second, there are now fewer branch associations. The chief negotiator for TBL remarked in an interview, "The fewer the number of federations, the easier it is to cooperate."[130] However, in recent years, NHO has also consciously pursued a strategy of promoting trust among industry negotiators. In the words of one NHO official, "Trust and openness are required." They are achieved in part through frequent communication among negotiators. They meet twice weekly during normal periods, and on a daily basis during the negotiating season. In addition, they attend a weekend retreat at one of Norway's mountain hotels as well as an overnight cruise to the German port of Kiel. At these gatherings, discussions of mutual concerns are combined with socializing, helping to generate a "united attitude."[131] "We have learned that the expression, 'yes, but our branch has special problems that the others do not have' is not true."[132] As a result of their repeated interaction and socializing, the industry negotiators have become "colleagues, even friends. . . . In fact, we are friends. . . . We trust one another in quite another way" than during the NAF era.[133] Finally, the NHO leadership has been more conscious about providing guidance to negotiators, aiming to create a common set of principles that would "provide the glue in the system," rather than simply letting them on their own "to get the best deal that they can."[134]

7. CONCLUSION: TWO LOGICS OF CAPITALIST COLLECTIVE ACTION?

Is collective action among capitalists relatively easy or difficult to achieve? The most systematic argument in favor of the former position was elaborated by Claus Offe and Helmut Wiesenthal in their essay "Two Logics of Collective Action." They argue that capitalists have both a lesser need for collective action than workers and a greater capacity to achieve it. The lesser need is the result of the fact that the activity of individual firms can be socially effective, even in the absence of cooperation from other firms, because their most important interests—their "central life interests"—are served not through their interest associations but in the arenas of the market and the state, and because collective action through combination offers an alternative to collective action through association. The greater capacity to achieve collective action is the result of the fact that capitalist interests are relatively homogeneous, that selective incentives offered by associations are a more potent incentive for firms than for workers, and that capitalist associations do not require solidary behavior on the part of members. Finally, Offe and Wiesenthal argue that workers are disadvantaged because their real interests can be discovered only through a "dialogical" process of debate and education, whereas interest formation among capitalists is "monological"—their real interests are self-evident to capitalist firms.

Wolfgang Streeck tests some of the implications of Offe and Wiesenthal's analysis with comparative aggregate data on business and labor organization.[135] From the fact of greater organizational fragmentation on the employer side, Streeck concludes that the interests of business are *more* heterogeneous than those of workers. The "high organizational specialization and fragmentation" on the business side is a "class-specific response to interest heterogeneity."[136] In a footnote, Streeck also criticizes Offe and Wiesenthal for focusing exclusively on trade associations, rather than employer associations, where solidary behavior is often demanded.[137]

My case study of Norwegian employers, as well as my previous study of the U.S. coal industry,[138] suggests that the most important distinction in the analysis of capitalist collective action is not between trade associations and employer associations, but between *associative* collective action, where cooperation takes the form of payments, and collective action in the *market*, where cooperation takes the form of action. Offe and Wiesenthal are correct in making the distinction between acting and paying, but they are wrong to argue that this distinction is class specific. Capitalists cooperate by acting, not only in the case of strikes and lockouts, but also in other areas of market behavior.[139] In fact, it is arguable that cooperatively agreed "rules of the game" actually constitute the market, forming a foundation that makes competition possible.[140]

The most important collective action problem faced by Norwegian employers is not recruiting additional members to NHO. Rather, it is in the market arena of local-level wage bargaining. NHO needs firms to contribute to the moderate wage growth that NHO feels is necessary to protect Norway's international competitiveness, as well as to protect its credibility with the government.

My analysis of NHO recruitment provides confirmation of Offe and Wiesenthal's argument that selective incentives can be an effective mechanism to attract members to business associations. With respect to the transaction-cost savings offered by NHO, as well as its industrial policy efforts, the organization can cater to a firm's self-evident individual interests. Offe and Wiesenthal's "monological" logic of interest formation applies. Member firms do not have to be educated to subjugate their understanding of what is in their own interest to a vision of the collective business interest.[141] In line with Offe and Wiesenthal's reasoning, this monological logic seems to be associated with less internal democracy. Although I did not carry out a systematic comparison of the internal political structure of NHO and LO, the conventional wisdom among the NHO officials with whom I discussed the issue was that NHO was less democratic than LO—it offered fewer opportunities for the membership to shape policy.

The problem of association recruitment is different from the problems connected to labor market coordination. Even among officials who were sanguine about NHO's membership situation, there is a great deal of skepticism about the feasibility of decentralized bargaining in Norway's tight labor market. In some sectors, particularly the oil industry, NHO sees no possibility for cooperation in a decentralized bargaining environment and is therefore committed to the continuation of centrally bargained wages. With respect to NHO's reluctance to press harder for a more complete decentralization of bargaining, Karl Glad, NHO's administrative director, admitted that when it comes to decentralization, "we say one thing and do another."[142]

The reason that successful recruitment does not lead to successful market coordination is that these two phenomena represent different types of collective action problems. First, the stakes are different. In contrast to the decision to join an employers association, decisions regarding wages and conflicts do touch on the "central life interests of firms."[143] Second, in the cases of participation in conflicts and controlling wage drift, selective incentives are not applicable. There is a clear gap between the individual firm's perception of its own interest and the collective interest of Norwegian employers. In the case of conflicts, this gap can be closed with direct financial payments. In the case of local wage bargaining, neither selective incentives nor side payments are possible. Not only would they be very difficult to implement in practice, but they are precluded by an NHO-LO agreement that stipulates that local bargaining should be carried out by the local parties, without the central organizations playing an active coordinating role.

In those sectors where local bargaining is practiced, NHO must rely to a large degree on a firm's willingness to sacrifice an individual interest in achieving a fast, peaceful agreement in order to contribute to a national goal of preserving internationally competitive labor costs. To a surprising degree, NHO is engaging in a "dialogical" process of interest formation in which it is actively campaigning to convince the executives of member firms that labor costs are important and that they should be controlled in the community's interest. Neither of these positions is self-evident to Norwegian employers, many of whom have gotten used to delegating labor market policies to human-relations specialists and treating leapfrogging wage costs as a given element of their competitive situation. Under Norway's tight labor market conditions, then, the "undersocialized" employer depicted in economics textbooks, who takes wages seriously as a major component of competitive strategy, is largely a "social" creation of the educational efforts of the employers association. Where both market conditions and conventional practice place upward pressure on wages, a wage-setting strategy that prioritizes labor-cost control will not emerge spontaneously from a firm's consideration of its own interests. In these circumstances, the close attention to labor costs that we often associate with individualistic profit maximization must be the product of a collective effort to *transcend* narrow individual interests in favor of cooperation and solidarity.

In a recent essay, Mark Granovetter argues for recasting "the problem of economic institutions as one of involving the mobilization of resources for collective action, which opens it up to a whole stream of thought in sociology and political science previously considered irrelevant."[144] It is not clear from his text what institutions he has in mind, but the present article demonstrates that this "stream of thought" can illuminate some problems of economic organization. Capitalist collective action problems take several forms, from association formation to market coordination. The latter are often described as collective action problems but are rarely analyzed as such. I show in this article that different capitalist collective problems produce different logics of collective action. While problems of association recruitment may be fairly easily solved through selective incentives or because groups are privileged, this is not necessarily the case with problems of coordinating market behavior. The Norwegian case suggests that these latter problems are both of greater importance to firms and that a cooperative outcome is more difficult to achieve. It also suggests that, in tackling these market-based collective action problems, employers associations attempt to create an alternative logic of collective action that treats business firms not as one-dimensional, self-interested profit-maximizers but as actors that are capable of being educated to view themselves as part of a community.[145]

NOTES

1. From Smith: "We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform, combination, not to raise the wages of labour above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbors and equals." (Quoted in Henry Phelps Brown, *The Origins of Trade Union Power* [Oxford: Clarendon, 1983]: 99)

From Engels: "Capitalists are always organized . . . their small number, the fact that they constitute a particular class, their social and commercial relations make formal organization superfluous" (quoted in Gerald Friedman, "The Decline of Paternalism and the Making of the Employer Class: France, 1870-1914," in Sanford Jacoby, ed., *Masters to Managers: Historical and Comparative Perspectives on American Employers* [New York: Columbia University Press, 1991]: 154).

2. Claus Offe and Helmut Wiesenthal, "Two Logics of Collective Action: Theoretical Notes on Social Class and Organizational Form," *Political Power and Social Theory* 1 (1980): 67-115.

3. Mancur Olson, *The Logic of Collective Action* (Cambridge, MA: Harvard University Press, 1965).

4. Wolfgang Streeck, "The Uncertainties of Management in the Management of Uncertainty: Employers, Labor Relations and Industrial Adjustment in the 1980s," *Work, Employment, and Society* 1 (1987): 282.

5. John R. Bowman, *Capitalist Collective Action: Competition, Cooperation, and Conflict in the Coal Industry* (Cambridge, UK: Cambridge University Press, 1989).

6. Steven Tolliday and Jonathan Zeitlin, "Introduction," in Tolliday and Zeitlin, eds., *The Power to Manage: Employers and Industrial Relations in Comparative-Historical Perspective* (London: Routledge, 1991): 22.

7. Kathleen Thelen, "Beyond Corporatism: Toward a New Framework for the Study of Labor in Advanced Capitalism," *Comparative Politics* 27 (1994): 110.

8. Michael Best, *The New Competition: Institutions of Industrial Restructuring* (Cambridge, MA: Harvard University Press, 1990); Wolfgang Streeck, "On the Institutional Conditions of Diversified Quality Production," in Wolfgang Streeck and Egon Matzner, eds., *Beyond Keynesianism: The Socio-Economics of Production and Full Employment* (Aldershot, UK: Edward Elgar, 1991); Michael Piore and Charles Sabel, *The Second Industrial Divide* (New York: Basic Books, 1984).

9. Thelen, "Beyond Corporatism."

10. Peter Swenson, "Bringing Capital Back In: Employer Power, Cross-Class Alliances, and Centralization of Industrial Relations in Denmark and Sweden," *World Politics* 43 (1991): 513-44.

11. For instance, Tolliday and Zeitlin, eds., *The Power to Manage*; John P. Windmuller and Alan Gladstone, eds., *Employers Associations and Industrial Relations: A Comparative Study* (Oxford, UK: Clarendon Press, 1984).

12. Walter Galenson, *Labor in Norway* (Cambridge, MA: Harvard University Press, 1949): 80.

13. Galenson, *Labor in Norway*, 80-1; Hans Otto Frøland, *Intekkspolitikk og tarifforhandlinger som etterkrigshistorisk forskningsfelt* (Bergen: Norwegian Research Center in Organization and Management, 1989): 30; Paul Knutsen, *Korporatisme og klassekamp* (Oslo: Det Historisk-Filosofiske Fakultet, Universitet i Oslo, 1994): 9-10.

14. Paul Johnsen and Pat Joynt, "Industrial Relations in Norway: Past, Present, and Future," *Journal of General Management* 11 (1986): 59.

15. A more plausible position was articulated by an employer association strategist and is more consistent with my own findings: There *is* social pressure to show solidarity with the "business community" in Norway, but the strength of that pressure varies across industrial sectors and individual firms according to the level of cooperation exhibited by others and the costs and benefits of cooperation (interview with Olav Stene, Assistant Director, Strategy and Projects, NHO, Oslo, 22 October 1996).

16. Interview with Lars Aarvig, former vice director, NAF (Norwegian Employers Federation), Oslo, 6 December 1996.

17. For a more complete discussion of heterogeneity and collective action, see Bowman, *Capitalist Collective Action*: 23-7.

18. Olson, *The Logic of Collective Action*.

19. John R. Bowman, "Organisering i Arbeidsmarkedet: Utvilingen på arbeidsgiversiden," *Søkelys på arbeidsmarkedet* 14 (1996): 192. In fact, the largest employers organization in Norway is in the public sector—Kommunenes Sentralforbund (the Central Association of Local Governments)—which in 1995 employed 463,000 workers (Norges Offisielle Statistikk [NOS], *Statistikk årbok 1996* [Oslo: Statistisk Sentrabyrå, 1996]: 171). In this article I discuss private sector associations only.

20. Interview with Thorstein Larsen, Director, Employers Division, Handels-og Servicenæringens Hovedorganisasjon (HSH; Federation of Norwegian Commercial and

Service Enterprises), Oslo, 6 December 1996; interview with Jostein Røsjø, Managing Director, Bankenes Arbeidsgiverforening (Norwegian Banks and Employers Association), Oslo, 6 December 1996. In 1995, members of the banking industry employers association, Bankenes Arbeidsgiverforening, employed 23,817 workers; members of Handels- og Servicenærings Hovedorganisasjon—the retail employers association— employed 85,000 workers; and members of NHO employed 360,000 workers (NOS, *Statistikk årbok 1996*, 171). There is some competition between NHO and HSH in the recruitment of members, particularly in the service sector and in branches where there is a close link between retail operations and production (e.g., bakeries and gasoline stations). In late 1997, competition between the two organizations took a slightly nasty turn when HSH's director wrote to the membership of the association of gasoline stations, asking them to reverse a decision by their association leadership to affiliate with NHO (*Næringslivets ukevis* [28 November 1997]: 14). (I am grateful to Torgeir Aarvaag Stokke for bringing this news item to my attention.) However, the two federations still cooperate closely in the area of wage negotiations.

21. For a non-Norwegian audience, this abbreviation is less clumsy than the customary N.A.F., which Norwegians use to distinguish the employers federation from NAF, the Norwegian Automobile Association.

22. NAF originally was a federation of regionally based district associations, but by 1917, the principle of industrial representation had effectively supplanted that of geographic representation (Erling Petersen, *Norsk Arbeidsgiverforening 1900-1950* [Oslo: NAF, 1950]).

23. As of 1996, the number of NHO's constituent organizations was twenty-eight and falling, due to an NHO campaign to promote mergers among its member associations. The goal is a federation consisting of ten to twelve associations.

24. NHO data. The employment figures cited in this and the previous sentence are actually person-years, not actual employees.

25. In November 1997, several AF unions formed a new federation, Akademikerne. As of early 1998, its short-term status as a bargaining agent is unclear, however, since these unions are still bound by AF agreements. I am grateful to Torgeir Aarvaag Stokke for making this information available to me.

26. Torgeir Aarvaag Stokke, *Organisasjonsgraden på arbeidstakersiden 1956-1994* (Oslo: FAFO, 1995).

27. Frøland has demonstrated that the government also "coordinated" wage negotiations during the 1950s, but in a less public manner. See Hans Otto Frøland, *Korporativt kompromiss gjennom korporativ konsert: Tariff-og intektspolitikk i LO-NAF området 1950-1965* (Trondheim: Historisk Institutt, Universitetet i Trondheim, 1994).

28. For English-language overviews of Norwegian industrial relations, see Galenson, *Labor in Norway*; Jon Erik Dølvik and Torgeir Aarvaag Stokke, "Norway: The Revival of Centralized Concertation," in Anthony Ferner and Richard Hyman, eds., *Changing Industrial Relations in Europe* (Malden, MA: Blackwell, 1998): 118-45; and Geir Høgsnes, *Collective Wage Bargaining and the Impact of Norms of Fairness: An Analysis of the Norwegian Experience* (Oslo: Institute for Social Research, 1994).

29. Unfortunately, NHO and the Norwegian government employ different industrial classification systems, so these data cannot be matched with the industry associations listed in Table 1.

30. Petersen, *Norsk Arbeidsgiverforening 1900-1950*, 67, 82.

31. Quoted in Frøde Sæland, *En "gang maa vi ta en ordentlig kamp." Norsk Arbeidsgiverforening og Mekaniske Verksteders Landsforenings politikk i perioden 1925 til 1931* (Bergen: Universitet i Bergen Hovedoppgave i Historie, 1985): 118.

32. Petersen, *Norsk arbeidsgiverforening 1900-1950*, 665.

33. Bowman, "Organisering i arbeidsmarkedet," 188. This computation was based on NAF-NHO employment data, which, according to Torgeir Aarvaag Stokke (*NHO: medlemmer, organisasjonsgraden og tariffavtaler* [Oslo: FAFO, 1996]: 9), actually computes full-time equivalent person-years [årsverk] rather than actual employees. Using his adjusted employment data, the decline in NAF-NHO during this period is from 35 percent to 30.9 percent. This downward trend apparently has been reversed in recent years. NHO membership expanded annually from 1995 through 1997 (*Dagens Næringsliv* (29 December 1997): 5).

34. Edvard Bull, *Norsk fagbevegelse* (Oslo: Tiden Norsk Forlag, 1979): 82; Galenson, *Labor in Norway*, 184-5.

35. Interview with Helge Løvdal, Executive Advisor, Strategy, NHO, Oslo, 17 October 1996.

36. NHO, *En avslutning—og en begynnelse: Norsk Arbeidsgiverforening 1975-1988* (Oslo: NHO, 1989): 4.

37. Petersen, *Norsk Arbeidsgiverforening 1900-1950*, 90.

38. Interview with Karl Glad, Administrative Director, NHO, Oslo, 5 December 1996.

39. Collective agreements are distinguished between those that do permit firm-level wage negotiations and those that do not. The latter group, which covers about 30 percent of total NHO employment, includes transportation, shipping, hotels and restaurants, and oil production (interview with Britt Spilling, Chief Negotiator, NHO, Oslo, 18 December 1996).

40. Another reason why there is strong sentiment for centralized bargaining within NHO is the danger that an oil sector freed from central constraints would lead to wage inflation (interview with Olav Magnussen, Director, Economics and Statistics Section, NHO, 16 December 1996); Glad interview; Løvdal interview.

41. Interview with Arnt Hals, Manager, Baker Hansen, Oslo, 9 October 1996.

42. Interview with Harald Rysst, former Managing Director, Mekaniske Verksteders Landsforening (Association of the Metal Fabricating Industry), Oslo, 12 November 1996.

43. Interview with Steinar Opstad, Director, Small Business Section, NHO, Oslo, 24 September 1996; interview with Nils Ulvin, Director, Employer Division, Teknologibedriftenes Landsforening (Association of Enterprises in the Technology Industry), Oslo, 27 November 1996.

44. Interview with Eli Boran, Project Coordinator, Small Business Section, NHO, Oslo, 27 September 1996. These insurance savings are limited to the traditional handicraft industries and are connected to a large increase in insurance rates during the 1990s that was brought on by the privatization of the insurance industry, which was itself advocated by NHO. I am grateful to Harald Espeli for clarifying this point for me.

45. Interview with Inge Dolve, former director, Landsforeningen for Bygg og Anlegg (Building and Construction Industry Association), Oslo, 10 October 1996.

46. Boran interview.

47. Boran interview. The possibility that community ties may impede collective action is introduced by Rachel Ida Massey, "Impediments to Collective Action in a Small Community," *Politics and Society* 22 (1994): 421-34.

48. Løvdal interview.

49. Boran interview.

50. Interview with Tron Kleivane, Executive Advisor, Strategy, NHO, Oslo, October 1996.

51. Løvdal interview.

52. In December 1997, NHO and LO agreed that in NHO firms without a collective agreement, organized workers can request an agreement only if they represent at least 10 percent of the relevant workers. In firms that are covered by a collective agreement, workers must represent at least 30 percent of workers in order to demand a new agreement. The 10 percent rule reduces the likelihood that NHO membership will lead to unionization. The 30 percent rule greatly decreases the capacity of non-LO unions to win contracts in firms in the NHO-LO arena (*Klassekampen* [10 December 1997]). The basic agreement between LO and HSH, the independent trade sector employers association, states that unionized workers must represent 50 percent of covered workers before they can request a collective agreement. In this sector, where union density is low, employer association membership can thus help firms to resist unionization. I am grateful to Torgeir Aarvaag Stokke for this information, as well as for drawing my attention to the *Klassekampen* article cited above.

53. Interview with Knut Flotthorp, Director, Wage and Employer Division, Grafiske Bedrifter Landsforeningen (Association of Graphics Industry Enterprises), Oslo, 15 November 1996. I am also grateful to Torgeir Aarvaag Stokke for clarifying this point to me. For a statistical analysis of the relationship between firm-level unionization and employer association membership in Norway, see John R. Bowman and Trygve Gulbrandsen, "Arbeidsgiverorganisering i Norge," *Tidsskrift for samfunnsforskning* 38 (in press).

54. Stokke, *NHO*, 14-15.

55. NHO bylaws, published in NHO, *Hvor hva hvem 1996: NHOs kalendar* (Oslo: NHO, 1996).

56. Petersen, *Norsk Arbeidsgiverforening 1900-1950*, 87-90.

57. Ibid., 66-67.

58. Tone Mørkved, *Fra lønnsnedlag til politisk lockout: Norsk Arbeidsgiverforening og Mekaniske Verksteders Landsforening under jernstriken og storlockouten 1923-24* (Trondheim: Hovedoppgave i Historie, Universitetet i Trondheim, 1978): 20.

59. Sæland, *En "gang maa vi ta en ordentlig kamp,"* 74-80; Mørkved, *Fra lønnsnedlag til politisk lockout*, 194-95.

60. Interview with Olav Magnussen, Oslo, February 1994. Another former NAF official, Lars Aarvig, referred in an interview to "rumors" that the metal industry association supported the dissolution of NAF as a means to weaken the position of administrative director, as a result of dissatisfaction with Pål Kraby, who led the 1986 lockout (Aarvig interview).

61. Hals interview; Kleivane interview.

62. Flotthorp interview.

63. Boran interview; Hals interview.

64. I am grateful to Harald Espeli for providing this information.

65. Opstad interview.

66. Another major recent initiative was a series of conferences modeled on the U.S. White House Conference of Small Business, which involved regional meetings of small employers with the NHO leadership, and culminated in April 1996 in an assembly of small business representatives and parliamentary representatives. As a symbol of NHO clout, the meeting was chaired by the president of the Storting, the national parliament, who adjourned the legislature so that representatives could attend the NHO conference (Opstad interview).

67. Wolfgang Streeck, "Interest Heterogeneity and Organizing Capacity: Two Logics of Collective Action?" in Roland Czada and Adrienne Windhoff-Heritier, eds., *Political Choice: Institutions, Rules, and the Limits of Rationality* (Boulder, CO: Westview, 1991): 161-97.

68. Interview with Erik Hoff, Director, International Employer Relations, NHO, Oslo, 18 December 1996.

69. Rysst interview.

70. As of early 1997, HSH had thirty-three sections, but in January 1998, it announced the formation of a new section that would represent the interests of small convenience stores. HSH's director, Anne Grete Ellingsen, also stated that HSH had plans to organize additional sections in the near future (*Dagens Næringsliv* [5 January 1998]: 4). I am grateful to Torgeir Aarvaag Stokke for bringing this news item to my attention.

71. Interview with Lars Ødegaard, former technical advisor, European Affairs and Trade Policy Section, NHO, Oslo, 9 November 1996.

72. Ulvin interview.

73. Petersen, *Norsk Arbeidsgiverforening 1900-1950*, 98-99.

74. Ibid., 100.

75. Interview with anonymous former NAF executive board member.

76. Flotthorp interview.

77. According to the terms of a recent revision of the basic agreement between LO and NHO, LO will have to give equal treatment to non-NHO firms and NHO firms during conflicts (NHO-LO, *Protokoll fra forhandlingene om revisjon av Hovedavtale LO-NHO* [Oslo: NHO-LO, 1997]).

78. Ulvin interview.

79. Flotthorp interview.

80. Høgsnes, *Collective Wage Bargaining and the Impact of Norms*, 603-23.

81. Marie Smith-Solbakken, *Oljearbeiderkulturen: Historien om cowboyer og rebeller* (Stavanger: Rogalandsforskning og Historisk Institutt, 1996): 263.

82. Quoted in ibid., 260.

83. NHO, *En avslutning*, 58.

84. Norway's average unemployment rate during the 1970-1995 was 3.0 percent, compared to 7.0 in Europe as a whole. Sweden's average unemployment rate during this period was 2.7 percent, but while Swedish unemployment averaged 9.1 percent during 1993-5, Norway's average rate during the same period was 5.4 percent (Asbjørn Rødseth, "Why Has Unemployment Been So Low in Norway? On the Potential of Macroeconomic Explanations," in Jon Erik Dølvik and Arvild H. Steen, eds., *Making Solidarity Work? The Norwegian Labour Market Model in Transition* [Oslo: Scandinavian University Press, 1997]: 157); NOS, *Statistisk årbok 1996*, 416.

85. Quoted in Erling Petersen, *Norsk Arbeidsgiverforening 1950-1975* (Oslo: NAF, 1975): 78.

86. Quoted in ibid.

87. NHO, *En avslutning*, 7.

88. Interview with Gunnar Flaat, Director, Negotiation and Wage Policy Section, NHO, Oslo, 2 October 1996.

89. Svein Dahl, *Kleppepakkene: Feilgrep eller sunn fornuft?* (Oslo: Solum Forlag, 1989).

90. Aarvig interview. Aarvig recalled a meeting in which a metal firm announced a local wage increase, only to be told by one of the country's leading food manufacturers that the eventual consequence of such a local metal industry increase would be to drive the food firm out of business.

91. NHO, *En avslutning*, 23.

92. Frøland, *Korporativt kompromiss*; Dahl, *Kleppepakkene*.

93. Quoted in Dahl, *Kleppepakkene*, 146.

94. Glad interview.

95. Løvdal interview.

96. In particular, the parties agree to a frame for local negotiations that contains four elements only: the firm's financial condition, labor productivity, the firm's future outlook, and the firm's competitiveness.

97. NHO, *Tariff-90 nytt* (Oslo: NHO, 1990).

98. Kleivane interview.

99. Løvdal interview.

100. Spilling interview; Løvdal interview; interview with Knut Sørlie, Assistant Director, European Affairs and Trade Policy Section, NHO, October 1996.

101. Løvdal interview.

102. Ibid.

103. Ødegaard interview.

104. Glad interview; Aarvig interview.

105. Ulvin interview.

106. Flaat interview.

107. It is commonly understood that the employers committed a disastrous tactical misjudgment by staging an "offensive" lockout in 1986, and it is unlikely that they will repeat their mistake in the future.

108. Spilling interview.

109. Ibid.

110. NHO bylaws, printed in *Hvor hva hvem 1996: NHOs Kalendar*.

111. Aarvig interview.

112. Løvdal interview.

113. Petersen, *Norsk Arbeidsgiverforening 1900-1950*, 233-4. Fines were assessed, but probably not collected, against several firms that reached independent agreements with workers during the 1924 lockout (Morkved, *Fra lønnsnedlag*, 122). The paper industry employers association was fined 150,000 kroner in 1920 for reaching a settlement with workers who were engaging in what NAF believed was an illegal strike (Per Maurseth, *Gjennom kriser til makt: Arbeiderbevegelsens Historie i Norge, Vol. 3* [Oslo: Tiden Norsk Forlag, 1987]: 79). Lars Aarvig, a former NAF official and the principal author of the most recent volume of its official history, could recall only two other instances of recent fines besides the assessment against Norsk Hydro. In both cases, firms granted wage increases in violation of solidarity during a conflict (Aarvig interview).

114. Mørkved, *Fra lønnsnedlag*, 122.

115. Norwegian employers have only rarely attempted other forms of coercion to secure cooperation during conflicts. On three occasions during NAF's early history, there is evidence that the organization mobilized blockades against noncooperating firms, all in the building industry (Petersen, *Norsk Arbeidsgiverforening 1900-1950*, 232; Arne Brovold, *Norsk Arbeidsgiverforening og storlockouten i 1931* [Oslo: Hovedoppgave, Universitetet i Oslo, Historisk Institutt, 1972]: 44). Organized employers have also tried to pressure nonmember firms into honoring NAF policy during conflicts. In 1931, NAF embarked on a campaign to publicize a list of nonmember firms who were willing to sign a statement pledging their support to NAF (Brovold, *Norsk Arbeidsgiverforening*, 43). A few years earlier, in 1927, shipbuilders in Bergen sought the support of local banks to force nonmember firms to follow the NAF line. The banks agreed to "jawbone" their customers, but not to apply material sanctions (Sæland, *En "gang maa vi ta en ordentlig kamp,"* 404-5).

116. Sæland, *En "gang maa vi ta en ordentlig kamp,"* 434-56.

117. Røsjø interview.

118. Larsen interview.

119. Odd Aukrust, *PRIM I. A Model of the Price and Income Distribution of an Open Economy* (Oslo: Central Bureau of Statistics, 1970).

120. There are exceptions. In 1981 and 1996, public sector agreements were reached before private sector agreements. In 1981, this occurred as the result of a conscious strategy by LO to achieve retirement concessions in the more favorable environment of the public sector, thereby making it easier to gain the same policies in the private sector. In 1996, the public sector reached agreement before the leading private sector branches as the result of strikes in the metal and restaurant branches, which delayed the private sector negotiating process. I am grateful to Torgeir Aarvaag Stokke for clarifying this point.

121. I am grateful to Geir Høgsnes for bringing this letter to my attention. Torgeir Aarvaag Stokke informs me that such joint pronouncements are routine components of the environment of public sector bargaining.

122. The fact that centralized bargaining exists should not be taken for granted. The centralization of bargaining was an early NAF goal and throughout the NAF's history, it has used sympathy lockouts to cobble together agreements in separate industries. It has also tactically exploited the centralizing potential of compulsory mediation and arbitration (Petersen, *Norsk Arbeidsgiverforening 1900-1950*; Sæland, *En "gang maa vi ta en ordentlig kamp*"; Frøland, *Korporativt kompromiss*. For a comparative analysis of the politics of centralization in Scandinavia, see Swenson, "Bringing Capital Back In.")

123. The choice of which of these bargaining frameworks will be employed rests traditionally with LO. NAF-NHO always prefers coordinated bargaining, since this tends to produce lower wage increases. In recent years, this preference has been shared by the LO leadership. In both 1996 and 1998, however, LO's leadership was unable to convince the rank and file members of its constituent unions to support coordinated bargaining, and negotiations proceeded on an industry-by-industry basis.

124. Kleivane interview.

125. Høgsnes, *Collective Wage Bargaining*, 339-40. During the interwar period, the question of which branch would lead negotiations was much less determinate and was an important dimension of NAF's tactical planning. The situation was complicated by the fact that wage agreements did not expire at the same time. By the early 1920s, there were two clusters of industries: the "spring branches," whose agreements expired at the end of March, and the "fall branches," whose agreements expired at the end of September. For an analysis of NAF strategy during the 1920s, see Sæland, *En "gang maa vi ta en ordentlig kamp*."

126. Ulvin interview.

127. Løvdal interview.

128. Ulvin interview.

129. Magnussen interview.

130. Ulvin interview.

131. Løvdal interview.

132. Ulvin interview.

133. Ibid.

134. Løvdal interview. These principles include the importance of involving top managers in negotiations, the importance of wages as a tool of competitive strategy, a preference for agreements that have fewer rules and cover a greater number of workers, and the recognition of foreign competition as a benchmark (Løvdal interview).

135. Streeck, "Interest Heterogeneity."

136. Ibid., 179-80.

137. Ibid., 185-86.

138. Bowman, *Capitalist Collective Action*.

139. In fact, Streeck is well aware of this fact. In a chapter published during the same year as his critique of Offe and Wiesenthal, he emphasizes the collective goods aspects of job training (Streeck, “On the Institutional Conditions”).

140. See Richard Swedberg, “Markets as Social Structures,” in Neil Smelser and Swedberg, eds., *Handbook of Economic Sociology* (Princeton, NJ: Princeton University Press, 1994) for a review of sociological accounts of the market. Interestingly, the notion that competition is impossible in the absence of a cooperative foundation seems to be prevalent at the Harvard Business School. See Michael Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: Free Press, 1980): 17, 90; also Robert Kuttner, *Everything for Sale* (New York: Knopf, 1997): 205.

141. There are exceptions. For instance, a recent issue around which small business mobilized was opposition to a tax on employers. NHO had to dispatch its top economists to explain that the abolition of this tax would cause revenue shortfalls that inevitably would be made up through the imposition of other, more onerous taxes and fees (Opstad interview).

142. Glad interview.

143. Also, see Bowman, *Capitalist Collective Action*, 218.

144. Mark Granovetter, “Economic Institutions as Social Constructions: A Framework for Analysis,” *Acta Sociologica* 35 (1993): 6.

145. I have argued elsewhere (Bowman, *Capitalist Collective Action*, 14-15) that it was extremely unlikely that such strategies, which aim to transform prisoner’s dilemma preferences into those of an assurance game, are likely to succeed among capitalists. Also see Sara Singleton and Michael Taylor, “The Communal Resource: Transaction Costs and the Solution of Collective Action Problems,” *Politics and Society* 21 (1993): 194-214.