

---

# The Economic Performance of Different Bargaining Institutions: A Survey of the Theoretical Literature

Karl Ove Moene, Michael Wallerstein

---

## 1. Introduction

Until the 1970s, the effects of the structure of union organization and collective bargaining on economic performance attracted little attention outside of the field of industrial relations. While researchers puzzled over why some countries had higher rates of industrial conflict than others, or why union cooperation with voluntary incomes policies seemed easily achieved in some countries and impossible elsewhere, there were relatively few attempts to connect differences in labor market institutions with differences in aggregate economic performance (1). The reason was simple. In the halcyon days of the 1960s, there was little variation in economic performance to explain among advanced industrial societies. Full employment and real wage growth was achieved throughout Western Europe. From an economic point of view, the differences between the institutions of wage setting of different countries seemed relatively unimportant.

In the past two decades, the comparative study of wage setting practices and institutions in advanced industrial societies has become a growth industry within the disciplines of economics, political science and sociology. This increased attention to cross-national variations in labor market institutions reflects both the general decline and the greater variance of macroeconomic performance since the mid 1970s. In particular, a remarkable divergence between members of the European Community (EC) and members of the European Free Trade Association (EFTA) appeared. While average unemployment in the nine EC members since 1973 rose in two jumps, first to over 6 per cent in 1973-75 and then to