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Government/third-sector relationship in a comparative perspective: the cases of France and West Germany

Abstract

Both the private for-profit and the non-profit (or 'third') sectors provide what economists call public goods. The division of labour between these sectors, however, differs substantially across countries in terms of both qualitative and quantitative dimensions. Such cross-national differences are illustrated in the present paper with respect to France and West Germany. The autonomy of the state, the nature of the dominant actors and their style of interaction are identified as crucial variables shaping the linkage patterns of government/third-sector relationship. The cross-national comparison allows for the hypothesis that different patterns of government/third-sector linkages also shape different degrees of institutional adaptiveness in a changing political and economic environment.

Government/third-sector relationships

Government/third-sector relationships are usually reviewed from three different angles. The first focuses on resource flows between government and third-sector organisations[1] in terms of funding (Salamon, 1987, 1990). The second focuses on inter-organisational relationships between government and, primarily, private voluntary organisations in terms of interaction styles (Lloyd, 1990). The third approach tries to identify the peculiarity of both statutory and third-sector organisations as service providers in terms of mutual competitive advantages (Rose-Ackerman, 1986; Weisbrod, 1988).

Not surprisingly, these approaches have some shortcomings with respect to potential generalisation. Resource flows may indicate that there has been a shifting involvement of the public versus the third sector in the provision of public goods, but they do not reveal the actors involved nor the decisions they made. Analyses of interaction styles necessarily identify

those actors but they usually do not consider the historical evolution of their relationships. Economic models of the mutual competitive advantages of public, private and third-sector institutions implicitly assume competition also to be the general characteristic of the government/third-sector relationship which is, however, not necessarily the case.

This paper emphasises political and administrative culture as a crucial variable explaining different national patterns of government/third-sector relationship. I will try to illustrate that neither government nor third-sector agencies can escape from what is imposed on them in terms of institutional setting and national styles of politics and policy, these having evolved in national history with endorsement by appropriate patterns of ideological justification. Thus far, the government/third-sector relationship is far less flexible in terms of mutual substitution than economic models might make us believe. Moreover, it is not competitive behaviour which characterises government/third-sector interaction in many European countries. We may observe stable group coalitions and strong ideologies supporting the use of a third sector providing public goods as well as governmental ignorance *vis-à-vis* intermediary organisations and a spirit of *etatism*. Within this prefiguration, however, political regimes display different degrees of elasticity once the need for non-governmental provision of public goods appears on the political agenda.

Some basic statistics

We have no reliable data on the scope and dimensions of the French or the West German third sector, nor have we sufficient information about the flows of resources between it and the public sector. Additional difficulty occurs when it comes to cross-national comparative research. If there are any data, they are hardly compatible or comparable. Nonetheless, the available statistics should be mentioned here even if they are to be handled with care.

In France, there are 90,000 *voluntary associations* active in the field of health care and social services. However, only 7,000 (or 8 per cent) of them are service-providing institutions. These 7,000 voluntary associations hold a share of 51.6 per cent of all health and social services, specifically 86 per cent of services for handicapped people; 70 per cent of home care services for sick, handicapped and elderly people; 28 per cent of all old people's homes; 6 per cent of day care for elderly people; 80 per cent of family vacation centres; 68 per cent of all centres of social advocacy and advice; 18 per cent of all child day care; 17.5 per cent of all hospitals, but 50 per cent of hospitals with less than 150 beds, 75 per cent of hospitals with less than 100 beds, and 40 per cent of all spa and recovery hospitals (IGAS, 1984; Thery, 1986).

As far as financial information is concerned, data are only available for the social services delivered by voluntary associations. In 1983, this budget totalled 30 billion French francs or (at today's exchange rates) $6 billion (US). This amount consisted of $2.7 billion public-subsidies (state and local), $2.1 billion social insurance transfers and $1.2 billion fees and charges (Thery, 1986). Thus, 80 per cent of the budget of the social services delivered by voluntary associations comes from public subsidies and social insurance transfers — in other words, public or quasi-public money.

French welfare associations in the social service sector have a total of 230,000 employees. Another field covered by current statistics is the quantitative development of French voluntary associations in general. The birth rate of associations has dramatically increased since the mid-1970s: from 22,000 in 1974 to 47,000 in 1983. While from 1974 to 1983, the general *annual* rate of increase was 20 per cent, it was 29 per cent in the social service sector (Archambault, 1985).

Another indicator of disproportionate growth of the voluntary sector is the counter-cyclic development of employment. Whereas employment was in stagnation in the French public and private sectors in the early 1980s, the average annual increase was 4.5 per cent for all voluntary associations from 1982 to 1984. In 1984, voluntary associations of all kinds (not only welfare associations) had 770,000 full-time employees, or 4 per cent of the employed workforce at the national level (Thery, 1986).

For West Germany there are no fully comparable data yet. According to the survey information compiled by Helmut Anheier (1990), the third sector holds a share of 33 per cent of the hospital industry by hospital units, 37 per cent of the hospital industry by beds, 9 per cent of the schools by unit, and 7 per cent of the schools by students. As to employment, the third sector in West Germany displays a similar counter-cyclic feature to its French counterpart. While general employment slightly decreased, the non-profit sector's share of total employment increased from 1.62 per cent in 1982 to 1.88 per cent in 1985 (Anheier, 1990).

West German *welfare associations* in particular run more than 60,000 units providing health care and social services. This represents, according to Anheier (1990), a share of 70 per cent of all family services, 60 per cent of all services for elderly people, 40 per cent of all hospital beds, and 90 per cent of all employment for handicapped people. The three major welfare associations alone employ approximately 580,000 people full-time (or 2.7 per cent of the employed workforce at the national level). Investment in this segment closely followed the cycles of investment expenditures in the public sector from 1960 to 1984: it increased from 7 to 11.5 billion German marks (public sector: 45 to 103 billion German marks) and slowly but surely fell to 10 billion German marks in 1980 and 9 billion in 1984 (public sector: 101 billion and 74 billion respectively) (Anheier, 1990).

The twin function of third-sector organisations and the nature of government/third-sector relationship

More and better information about the size and dimensions of a given third sector as well as about resource flows between the public and the third sector remains a crucial prerequisite for further comparative research. But however precise the statistical descriptions may be, they tell us only a limited amount about the inner nature of government/third-sector relationships. In particular, the substantial dependency of both French and West German third sectors on public subsidies masks more than it reveals about the important differences in this relationship between the two countries.

It would obviously be misleading to assume the sectors (public, private and third) to be black boxes containing organisations with a given behaviour, such as more or less competitive. Implicitly, this would mean assuming the government/third-sector relationship to be more or less competitive too, and the consumer or voter to be the sovereign decision-maker. Accordingly, the respective importance of the public and the third sectors could be interpreted as an institutional choice, an equilibrium between the competitive advantages of each sector in terms of quality and efficiency.

In a comparative perspective, however, this assumption is hardly justified. In many countries we cannot observe a competitive relationship between government and the third sector. Whereas the government/third-sector relationship in the United States is, indeed, characterised by a relatively high degree of competitiveness in the commodity as well as in the political market (which might explain why American scholars are inclined to assume competitiveness as a basic pattern of organisational behaviour in the third sector), it may be characterised by consensus or coercion in other countries. Furthermore, there are good reasons to assume third-sector organisations to be less likely than other institutional forms to display competitive behaviour in terms of quality and efficiency.

What makes third-sector organisations peculiar in comparison with private firms and public bureaucracies is a special socio-political and economic *twin-function* which, presumably, cannot be decomposed without affecting the *raison d'être* or perhaps the stability of a given third-sector organisation. This twin function is a consequence of the special *resource dependency* of organisations that belong neither to the for-profit nor to the public sector. Third-sector organisations have both an allocative and an integrative function. Since profit-earning as an incentive to 'owners' is absent, as too is regular public finance as a resource generator, *fund-raising* and *volunteerism* are the vital functions of third-sector organisations. Consider private or corporate giving, public subsidies or voluntary workforce: since there is no remuneration of labour in these circumstances and no legal funding obligation, and since funding through fees is often limited, *resource*

mobilisation is heavily dependent on the non-monetary rewards the organisation can provide. These rewards typically consist of reputation, network benefits and a sense of community or similar types of ideological well-being. They are typically provided through membership of boards of trustees or boards of directors and through volunteerism. Consequently, foundations, non-profit hospitals, voluntary associations providing social services and similar organisations are not only providers of goods and services but important factors of social and political coordination.

The boards of trustees and boards of directors of these organisations do more than just control the organisational performance. It is even questionable whether performance control is the boards' prime function (Middleton, 1987). They act as the knots within networks of elites with reputation, finance and power. Mutual interests are balanced through this arrangement: from the organisation's point of view, rich, influential and reputable persons on the board of trustees are a prerequisite for successful fund-raising; at the same time, belonging to a board brings an increase in reputation and reinforces old and knits new networks of interpersonal relationship. Therefore, third-sector organisations have a peculiar characteristic — the 'embeddedness' of an organisation, to use the terminology of the sociologist Mark Granovetter (1985).

There are at least two consequences of this special type of embeddedness. First, there is no mechanism (such as profit) linking organisational performance and rewards for board members and volunteers through consumer decisions, endorsement through voter commitment, or hierarchical auditing from outside the organisation. Board members may use their network connections and volunteers may enjoy community life despite organisational inefficiency. Since these rewards are relatively independent of organisational performance, third-sector organisations are unlikely to have a competitive advantage relative to public or for-profit institutions in terms of allocative efficiency.

Secondly, since resources are not primarily mobilised through market transactions but through personal relationships among board members and their reference groups, the nature of social and political coordination exerted by the boards presumably significantly shapes government/third-sector relationships.

Thus patterns of government/third-sector relationship do not necessarily follow the logic of superiority in terms of quality and efficiency. Third-sector organisations provide a broad span of organisational behaviour allowing for efficient provision of public goods as well as for providing structural filters absorbing the pressure of social and political tensions, while being inefficient (Seibel, 1989). Whatever the function of third-sector organisations may be, it is shaped by the structure of their embeddedness in a given social and political environment. Accordingly, it makes sense to assume that the government/third-sector relationship is especially shaped

by this embeddedness structure which, at the same time, is shaping the way third-sector organisations may be used for different purposes under different political circumstances.

The French and West German cases display special patterns of government/third-sector relationship characterised by the different embeddedness structures of their respective third-sector organisations, providing different options for the use of the third sector as a tool of government action. In the remainder of this paper I will briefly describe the historical evolution of government/third-sector relations in France and Germany, how their structure may be generalised, and what impact these structures may have on the current role of the respective third sectors.

Historical roots of government/third-sector relationship in France and Germany

In France, all kinds of 'intermediary organisations' have been under fundamental attack since the revolution of 1789. As has been described by de Tocqueville, the French revolution dissolved the corporation order of the nobility and clergy, already prepared by the absolutism. The famous *Loi Le Chapelier* (1791) and the *Code Penal* (1810) solemnly interdicted any intermediary institution from standing between the citizen and his republic. Accordingly, both the new civic order and historical progress could be identified with the centralised state. The general right of free association in France was enacted only in 1901. However, the political and ideological perceptions of associations remained ambiguous. The Jacobinian tradition in France is still alive, and the suspicion never completely disappeared that associations, most of them still close to the catholic lay movement, might together be a reactionary Trojan horse. This suspicion was sustained through the efforts in the Vichy era during German occupation to rebuild a non-democratic corporatist regime (Passaris and Raffi, 1984; Debbasch and Bourdon, 1987).

In Germany, things developed principally in a complementary sense. The beginning of associational life in the eighteenth century was clearly marked by anti-corporatist elements. The explicit purpose was to assemble people regardless of their rank within society. Until the end of the nineteenth century, however, associations displayed multiple patterns of purpose and political behaviour, especially in regard to their relationship with the state. In many fields where the role of the feudal state as the principal agent of modernisation coincided with the interest of the bourgeoisie in education, free trade and economic development (especially in Prussia), there was early cooperation between the state and associations. On the other hand, in the course of the nineteenth century, associations became the

elementary form of political opposition against the state and, after the failed revolution of 1848, they also became a surrogate for the democracy which had not been achieved within the state order itself. Right up until the present time there was not only a tradition of cooperation between the state and voluntary associations in the provision of public services but also an inclination, especially among the political Left, to identify democracy with an attitude of anti-*etatism* and ignorance about the democratic structure of the state itself (Mueller, 1965; Wurzbacher, 1971).

Consequently, intermediary organisations of all types, including associations as political pressure groups, and especially political parties, are now a crucial element of German polity whereas their role remained contested in France until today. Thus, the government/third-sector relationship is stable and more or less conflict-free in West Germany, but contradictory and sometimes under tension in France. The division of labour between the state and private voluntary associations belongs to the crucial elements of political consensus in West German social policy (Katzenstein, 1987). In France, there is no such consensus at all. Associations and private voluntary organisations — as providers of social services, health care (including hospitals) and private education — are tolerated by government, but this relationship is relatively unstable (Meny, 1985; Goetschy, 1987).

A scheme of government/third-sector relationships: state autonomy, dominant actors and styles of linkage

In order to systematise government/third-sector relationships I use a scheme of different linkage patterns. This scheme is based on the distinction between different degrees of state autonomy (Nordlinger, 1981; Skocpol, 1985), different types of dominant actors and different styles of interaction between these actors. The dominant actors may be differentiated along a continuum from local to nationwide scope of action, and the style of their interaction may be differentiated along a continuum from non-competitive to competitive behaviour (Richardson, 1982; Wildavsky, 1987).

Consider the board of trustees or board of directors of a given third-sector organisation as the starting point for an analysis of its respective 'embeddedness'. On the one hand, the behaviour of board members is shaped by the mere affiliation to the board. Simply as board members, these people form what William Ouchi (1980) calls a 'clan': a system of mutual dependence in terms of power and/or expert knowledge and/or reputation. On the other hand, within the board, members may represent other types of so-called corporate actors (Mayntz, 1986). This is significant for the French and West German situations.

In both countries, the 'association' is a general legal form for any type of

civic or commercial activity (*eingetragener Verein* [e.V.] or *association declarée* [AD]). What is peculiar to French and German welfare associations, however, is their twofold character as service-providing organisation and peak association (in France: *L'union nationale interfédérale des oeuvres privées sanitaires et sociales* [UNIOPSS]; in West Germany: *Caritas, Diakonisches Werk, Arbeiterwohlfahrt, Zentralwohlfahrtsstelle der Juden in Deutschland*). The local organisation, close to the service-providing units, consists of a legally independent 'association'. Within its board of directors board members act as both controller of the staff and representatives of the peak association.

Whereas the 'clan' as one constituent of the embeddedness structure of third-sector organisations has a limited scope of action, organisations as peak associations have a nationwide scope of action. They coordinate service provision in terms of general policy and they are recognised as lobbyists *vis-à-vis* the government.

Whereas the clan and association-pattern of embeddedness is common both to French and West German welfare associations, the German situation is especially characterised by the strength of both peak associations and political parties as dominant actors. To a large extent the government/third-sector relationship in West Germany means a relationship between parties and welfare associations. The autonomy of the state itself is relatively weak. In general, the micro-organisational embeddedness of a given third-sector organisation at the local level, including the clan structure of the board network, is dominated by the interaction between associations and parties at the national level. However, without the party system as a sort of political booster, the welfare associations would be mere lobbyists and therefore relatively ineffective.

The strength of parties and peak associations as dominant actors in the West German welfare state also shapes the style of interaction in government/third-sector relations. The pervasive role of the party system in West Germany does not mean that there is a competitive style of interaction. On the contrary, the West German political system systematically exempts important policy fields from political competition (Dyson, 1982). This is especially true for the fields of industrial relations and social policy. The parties, especially the two most important ones, the Christian Democrats and the Social Democrats, are the principal coordinators of an arrangement between the state, all kinds of associations (including the unions) and the parties themselves.

Accordingly, West Germany is a prominent example of what is being called a *neo-corporatist* regime. However, neo-corporatism, as a sort of pre-liberal or post-liberal model of political stabilisation (depending on the point of view) is not based on competition but on what has been called in German political language 'concertation' as the dominant style of interaction (Lehmbruch, 1984). 'Concertation' means a non-competitive, concerted repartition of tasks and competences through permanent bargain-

ing. Social policy in particular is a prominent field of non-competitive 'concertation' between state authorities, the parties and the welfare associations. The result is a balanced division of labour between government and welfare associations which is endorsed, if not sacrosanct, through legal approval (especially the basic Social Help Act, *Bundessozialhilfegesetz*) and high-court judicial decisions. The concertational style itself is supported by a strong consensus on social welfare as belonging to the grounding ideas of West German statehood.

Unlike its German counterpart, the French welfare state really deserves its name (Ashford, 1986, pp.78–100). *Welfare etatism* is the dominant pattern. Unlike the German welfare associations, the French associations are not only independent of government but live in a certain *competition* with government in terms of both politics and service provision. Government exerts general legal control over all private institutions providing social and health services, but there is no organised repartition of tasks and competences as in the West German case. Like their German counterparts, French welfare associations have a consultative status *vis-à-vis* government, especially since a para-public *Conseil national de la vie associative* was set up by government in 1982. But, unlike West German peak associations, the French ones do not belong to the permanent system of governmental decision-making. In other words, there is no neo-corporatism in France but a relatively high degree of state autonomy.

There is, however, the so-called *tissu associatif* (Palard, 1981). What is meant here is the network of elites who have reputation and power, sociologically belonging to the middle class, with the associations as structural basis, which exert a remarkable influence on local politics. Moreover, a particular feature of French policy is the accumulation of offices and parliamentary seats along the levels of state and municipal administration. Members of the national assembly, the national parliament, as well as acting state ministers, insist on becoming or remaining mayors (even in the tiniest villages) and/or members of the parliaments or quasi-parliaments at the regional level. The combination of municipal and state government offices and parliamentary seats, and a personal embeddedness in the local *tissu associatif*, is the basic resource of individual political influence. In addition, the leading circles of the national peak association of private voluntary social and health services, close to the catholic milieu, have always had a solid place in this network.

The government/third-sector relationship in France differs substantially from the German situation. The relationship principally remains within the clan pattern. The dominant actors linking government and welfare associations are dignitaries in a traditional sense rather than rational networkers or sober bargaining partners. Despite the vertical linkage of local networks and central government the influence and scope of action of those dignitaries (*les notables*) is especially important only at the

local level but does not play a decisive role at higher levels of the government/third-sector relationship. A simple reason is that, in the province, these multiple office-holders are representing Paris, but in Paris, however, they belong to the crowd of provincials. A more substantial reason can be explained by comparison with the German situation. Whereas the strength of the West German party system compensates for the disadvantages of a decentralised public administration, the linkage of central and local government through the accumulation of offices and parliamentary seats in France compensates for the disadvantages of a centralised state structure (Gremion, 1974). Nevertheless, the natural advantage of centrality in terms of coordination capacity and power, which strengthens the position of the parties in West Germany, is the natural strength of the state in France. Whereas West German political parties are the crucial coordinators within the trilateral arrangement between the state, the peak associations and the parties themselves, the party system in the French Fifth Republic is relatively weak.

Accordingly, French representatives of the private voluntary sector, even when they are recognised by government as influential 'big shots' (*grosses têtes*), usually do not enjoy the additional advantage of strong party support which would make them really powerful. In West Germany, by contrast, one could hardly imagine any powerful association leader without these strong party connections. And whereas any major German non-profit organisation has its party representative on the board of trustees, these boards in France are usually intended to represent the local dignitaries without regard to party membership (Heran, 1988), or they even have an ideologically homogeneous composition (for example, in the case of church-run organisations).

These differences are due to the different embeddedness structures between the two countries. In France, the dominant actors linking private voluntary organisations with their socio-politico environment are 'clans' and peak associations both having a limited, basically local scope of action. In West Germany, peak associations and political parties as dominant actors have a national scope of action. Consequently, the vertical linkage between the local and the central levels of government/third-sector relationship is based on individual actors in France — dignitaries as cumulative office holders — but on *corporate actors* in West Germany — associations and parties. Accordingly, the institutional autonomy of the state is strong in France but weak in West Germany. The style of government/third-sector interaction is slightly competitive but mainly, as far as government behaviour is concerned, manipulative in France, but based on conflict-free 'concertation' in West Germany. Finally, the ideological patterns of justification are different too. In France, a high degree of state autonomy and the weak position of any intermediary organisations between the individual citizen and government is justified, according to the Jacobinian state

Table 1: Third-sector embeddedness structures in France and West Germany

	France	West Germany
General pattern	Etatism	Neo-corporatism
Dominant actors	Clans	Peak associations, parties
Scope of action	Local	National
Vertical linkage	Through individual actors	Through corporate actors
Degree of state autonomy	High	Low
Style of government/ third-sector interaction	(Competition) manipulation	Consensus, concertation
Justifying ideology	*La république une et indivisible*	*Soziale Marktwirtshaft, Subsidiaritätsprinzip*

tradition, through the constitutional formula of the one and undivided republic (*la république une et indivisible*). In West Germany, the exemption of social policy from political competition is justified as a compromise of classic capitalism and a collective social welfare system, denoted by the formula of a social market economy (*soziale Marktwirtschaft*). The role of intermediary organisations as providers of social services and health care and a merely 'subsidiary' role for the state are historically routinised and legally approved.

Government/third-sector relationships in France and West Germany and the dynamics of the welfare state

Much of the political and scholarly interest devoted to the third sector has been stimulated by the economic and ideological challenges to the welfare states of the Western democratic type since the mid-1970s. From this normative point of view, the third sector appeared as a means to reduce the overload of government while mitigating the less desirable effects of simple

privatisation. To what extent are the French and German cases of government/third-sector relationship likely to endorse this assumption?

In France since 1981 the socialist government has fostered the third sector's role through general rhetoric (*économie sociale*) and the establishment of, significantly enough, governmental and para-governmental offices concerned with the third sector: an under-secretary for this so-called 'social economy' (which includes cooperatives, mutual insurance companies and welfare associations) attached to the prime minister, and the already-mentioned National Council for the Associational Life, both founded in 1983. The official justification for what, relative to the French tradition, was new governmental policy *vis-à-vis* the private voluntary sector was to accentuate the general efforts of the socialist government to decentralise French public administration. Other governmental initiatives included two major reports on behalf of the ministry for labour and social affairs and the newly-established under-secretary for the social economy on the role of welfare associations in the French system of social welfare (IGAS, 1984; Thery, 1986).

Beyond rhetoric and symbolic action, the socialist party tried to alter government/third-sector relations, especially at the local level, in response to the financial crisis of the municipalities which was threatening social services. Conservative and liberal local governments often did not hesitate to cancel social services, and communist municipalities tried to maintain public control over service delivery, if necessary through deficit spending. Socialist local governments, however, often subsidise private voluntary associations providing social services. An example is the effort to control unemployment of young unskilled workers (Marchal, 1986), where socialist local governments are eager to carry out employment policy in close collaboration with voluntary associations. However, these associations are often more or less artificial creatures, animated by the local socialist party and their clientele, and financed through state money organised by socialists belonging to those multiple-office holders which, in the French polity, are connecting local and central government.

On the other hand, by far the most important effort of the socialist government in terms of institutional innovation was the decentralisation of French public administration. Contrary to the official version, state decentralisation as performed in France in recent years is apparently not consistent with the pronounced policy *vis-à-vis* the private voluntary sector. As the report on the role of welfare associations in the French social security system reveals (Thery, 1986), the strengthening of governmental authorities at the regional level of the *départements* is likely to increase rather than alleviate state control over private voluntary organisations. Significantly enough, especially when compared with the German situation, the report criticises government for refusing a real 'concertation' between state authorities and welfare associations. It also reveals another nice detail from

the realm of perverse effects in government/third-sector relations. It deplores, more or less explicitly, the fact that the decentralisation has straightened, to the detriment of the welfare associations, a rather chaotic structure of public subsidies which had enabled the associations previously to milk several public authorities at the same time.

Although French socialists, obviously, are determined to enhance the third sector's role within the French welfare state, they cannot escape from the general patterns of political and institutional culture. Attempts to improve the elasticity of the given institutional setting of the government/third-sector relationship have been distorted by the intrinsic *etatism* of French political culture, deeply rooted in the mentality of political decision-makers and top-level bureaucrats, and the incapacity of both the party system and the third-sector agencies themselves to transform political rhetoric into effective governmental action. The resulting tension between rhetoric and reality is likely to generate perverse effects. Since there is no stable tradition nor routine pattern in arrangements between the state and associations, nor active participation of political parties in administrative affairs, the attempt to promote such arrangements through party activism may reinforce *etatism* and manipulation as the prevailing style of linkage between government and the third sector.

Generally, the West German pattern of government/third-sector relations seems to be more elastic. However, whereas the strength of the state seems to be the crucial weakness of French politics and polity, the strength of the West German party system, though it had been the cornerstone of political stability for many years, is meanwhile going to reveal some intrinsic weaknesses too. Political stability through party systems is principally dependent on more or less stable voter alignments. In addition, in the special case of West German neo-corporatism, the capacity of the party system to maintain and control the trilateral relationship between parties, the state and the third sector is of crucial importance. The institutional elasticity which is provided through this arrangement works optimally when new issues on the political agenda can be processed by existing combinations of parties and the third-sector organisations as has been the case with the welfare associations.

On the other hand, the role of the party system in West Germany principally encourages the formation of new parties and not the search for alternative institutional solutions, in case of a strong political issue not being treated adequately by the existing parties. Nevertheless, political stabilisation through the party system worked relatively successfully in West Germany until recently. Especially, the new left-wing political party, the so-called 'Greens', turned out to be a factor of successful political integration. This party also has its ideological counterparts within the third sector, especially self-help groups and a so-called 'alternative economy' (small firms with no hierarchy and no personal profit-acquisition as ideological guide-

line). This arrangement absorbed a lot of frustration and potential political protest among the relatively well-skilled and educated young people who had been the main beneficiaries of the previous enhancement of the West German education system but who, then, were hit by the repercussions of the economic crisis since the mid-1970s.

Things may substantially change when neither voter alignment nor the availability of party-controlled third-sector organisations is guaranteed any longer. Because of the general effects of modernisation, especially regarding the vanishing role of religious confession and a growing new middle class with a high degree of social mobility, voter alignment to political parties is increasingly unstable in West Germany. This is an additional incentive for the formation of new parties.

The situation is even more difficult when a social problem becomes a political issue without finding its adherents in the party system and the third sector. Due to a high level of endurable unemployment and a wave of immigration unknown in West German history, housing with all its side aspects is just such a problem today. This issue was not sufficiently well addressed by the existing parties. Consequently, the political system again responded with the formation of a new political party this time, however, one on the extreme Right. However, the upcoming threat to political stability, at least in terms of governability, does not exclusively stem from the newly-established political radicalism with its historical precedents. One reason is the partial incapacity of the third sector to respond to the housing issue. The most important, union-owned non-profit housing corporation *Neue Heimat* had been involved in a corruption scandal (*Deutscher Bundestag*, 1987). The conservative-liberal government did not hesitate to exploit the scandal during the national election campaign of 1986/87 as an example of socialist mismanagement. This was clearly an offence against the basic rules of the corporatist consensus protecting the third sector against the risks of political competition. It was possible because no one, at that time, expected housing to become a central issue of domestic policy again. As a result, the position of the non-profit housing industry was generally shattered. However, the blurring of the housing industry's corporatist embeddedness was immediately punished. Only a few years later, government itself has to react in response to the housing crisis with its incalculable risks in terms of legitimacy.

Conclusion

Welfare associations in France and West Germany deliver an important share of health care and social services, and in both countries they heavily depend on public subsidies. Despite this similarity, the different histories of the state and intermediary organisations in France and West Germany

have shaped different patterns of government/third-sector relationship. Whereas the autonomy of the state is considerable in France, it is slight in West Germany. Whereas in France linkage between government and the third sector is based on actors with limited scope for action — these actors are primarily local elites with personal linkage to the central government — in West Germany those actors — primarily peak association and political parties — have a wide scope of action, linking the vertical levels of interaction as corporate actors. Whereas the style of interaction between government and welfare associations in France is slightly competitive or, with respect to the government's behaviour, manipulative, this style is non-competitive, concertational and consensus-oriented in West Germany.

Structural weaknesses of the two national patterns of government/third-sector relationship are caused by the relative strength of the state (France) or by the relative strength of the party system (West Germany). Whereas French state-centred society impedes a balanced government/third-sector partnership, the party system in West Germany impedes institutional innovation through third-sector agencies beyond party control.

In general, the capacity of political regimes to rely on a *third* sector as an alternative to government apparently depends on the stability of group coalitions interested in the mere existence of intermediary organisations and on the strength of ideologies justifying a non-statutory form of social welfare production. In the West German case both prerequisites are existing; in France, however, they are only partially guaranteed.

West German parties and welfare organisations as peak associations form a stable coalition to their mutual benefit through the integration of the third sector in public policy-making. As to welfare associations, these benefits consist of public subsidies and a party-controlled mutual permeability of the career ladders in the third sector, public administration and the ranks of a respective party. The parties, for their part, may use the welfare associations as a logistical backyard for both external and internal political conflicts. As the West German case shows, any offence against the basic patterns of coalitions and consensus may be punished by a loss of the third sector's reliability as a buffer zone for social tensions.

In France, both the weakness of the party system and the personalised style of vertical linkage between the hierarchical levels of political and administrative decision-making impede the formation of stable coalitions interested in a strong third sector. Due to the *corps* system in French public administration (Suleiman, 1974), career patterns in the public and third sectors are separated. Apparently there is no incentive for the state apparatus itself to concede a special treatment to service-providing associations relative to other private interest groups. This may be the reason why governmental rhetoric insisting on the third sector's special quality is likely to generate perverse effects. If this sector is generally expected to perform what it is, basically, unable to do, the relationship between the state

apparatus and third-sector agencies may escape from the resulting dilemma by adaptating to the prevailing institutional routines. So the French third sector may be in even greater danger of absorption by the state since the state itself is emphasising the third sector's importance through political rhetoric.

State autonomy, therefore, may be identified as a crucial variable. However, even if the French and the German cases seem to be more or less clearly complementary in terms of state autonomy, any generalisation has to be carefully considered. Corporatism and therefore a low degree of state autonomy seems to be a general phenomenon in what was West Germany as is *etatism* in France. But autonomy of the state does not mean strong government, and corporatism does not imply weak government. In terms of governability, West German corporatism is relatively successful. French government, on the other hand, obviously fails not only when it tries to strengthen but also when it tries to weaken the stable linkage patterns between the state apparatus and private intermediary organisations (Suleiman, 1987). However, autonomy of the state is a meaningful concept if an autonomous 'logic of the state' (Birnbaum, 1982) is acknowledged, meaning that the state apparatus itself is autonomous in terms of maintaining its own style of behaviour regardless of changing governments or changing interest groups. It is that statist style which exists in France but was never developed in Germany.

In general, mutual substitution of the for-profit and the third or non-profit forms is subject to more or less substantial institutional inertia and is therefore far less flexible than economic models of institutional choice presume. This is due to that very socio-political embeddedness of third-sector organisations allowing for a broad span of organisational behaviour, including 'permanent failure' (Meyer and Zucker, 1989) in terms of performance, manipulation of performance criteria, ideological protection against public criticism, and so on. So we have to assume the existing flexibility of institutional choice to be dependent on different patterns of third-sector embeddedness which can be revealed especially through cross-national comparative research.

Future research, therefore, should continue to take the third sector seriously. There are good reasons to assume an alternative to for-profit enterprises and public administration to be a prerequisite for balanced provision of goods and services as well as to social integration and political stability. However, the rationale for the third sector's persistence in all Western democracies is not necessarily based on competitive advantages in terms of quality or efficiency, nor on superiority in terms of pluralism and democratic decision-making. There is also a symbolic use of institutions, and the third sector, in many cases, may serve as a structural filter enabling market economies and democratic regimes to cope with social and political problems which are hard to solve (Seibel, 1989, 1990).

On the other hand, although it makes sense to acknowledge a special 'sector' different from private economy and public bureaucracies, its boundaries are blurring and its organisational constituencies are in a state of permanent development. To assume different 'embeddedness' patterns within the third sector also means to acknowledge different patterns of potential adaptation in terms of organisational behaviour (Powell and Friedkin, 1987). With respect to government, third-sector organisations may maintain their autonomy only through commercialisation. This seems to be the case in many areas of the American third sector (Salamon, 1987). Or they may survive only by being publicly subsidised — and bureaucratised — which seems to be the prevailing pattern in both France and Germany. Finally, there is sustaining supply to the third sector through grass-roots initiatives and all kind of voluntary associations, many of them vanishing after a short while, but some of them persisting and evolving with peculiar patterns of organisational behaviour and adaptation to their environment. In short, one may conceive the third sector as a sort of *amoeba*, undoubtedly a species in itself, but continuously changing its phenotype.

Notes

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1 A note is needed on terminology. Although it is widely agreed that organisations located between the market and the state represent an institutional universe on their own deserving appropriate scholarly treatment, descriptive terminology for those organisations and their sector is still diverse and inconsistent. Concepts such as the 'non-profit sector', the 'private voluntary sector', the 'non-governmental' or 'non-statutory sector' are used as if they apparently cover more or less the same type of institutions, but they do so, however, with different connotations. 'Non-profit' and 'non-governmental' implicitly mean emphasising the difference relative to either private enterprises or public bureaucracies. 'Private voluntary' or 'non-statutory' implicitly means emphasising, respectively, a peculiar rationale of organisational constituencies or a peculiar regulatory environment. For both pragmatic and theoretical reasons it might be helpful to escape from this puzzle by using the term 'third sector' (Etzioni, 1973; Levitt, 1973) as a terminological rescue and, at the same time, as an appropriate analytical concept. Terminologically, denoting a group of organisations as a third institutional type means to avoid problems of cross-national comparison, at least as long as the organisational composition of the intermediary zone between the market and the state in different countries is still more or less unexplored. Analytically, this means to insist on the assumption of a third type of organisation with a different style of organisational behaviour in comparison to private business or state bureaucracy. Therefore, the 'third sector' seems to be an appropriate denotation, especially for a comparative analysis of the institutional segment located between the market and the state, thus being conceived as a special institutional form common to all Western democracies but substantially different in terms of organisational constituencies and relationship with government.

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