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They don't get me I'm part of the union: Trade unions in the German parliament

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They don´t get me I´m part of the union: Trade unions in the German parliament

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Abstract (100 Words)

This article focuses on the role of unionized members in parliament. Unions have not been successful in increasing their monopoly power during the last decades in the US. Similarly, a recent study for Germany comes to the result that union members in the "Bundestag" cannot be seen as the parliamentary arm of the trade unions. However, we present contradicting empirical results by showing that the degree of unionization of parliamentary members has a negative impact on economic growth and increases inflation while unemployment remains unaffected. Thus, at least German trade unions do not seem to be as weak at the parliamentary stage as they often claim to be.

Keywords: trade unions, unemployment, growth, inflation

JEL-classification: J 51

1. Introduction

In 1973 an English folk rock band called "The Strawbs" became famous with the song "Part of the Union". One of the most striking stanzas of this song was: "So though I'm a working man / I can ruin the government´s plan / Though I'm not too hard, the sight of my card / Makes me some kind of superman". And every stanza is followed by the impressive chorus: "You don't get me I'm part of the union / Till the day I die, till the day I die". Those were the days when trade unions in England could put through that former stokers on steam locomotives could travel around on diesel locomotives doing nothing and were even paid for that as before; and from those days there were still several years to come up to the conservative revolution of Maggie Thatcher where the trade unions had to ascertain that "they had been gotten" - from a small blonde lady with a handbag.

Since that time the prevailing opinion about trade unions has been quite unequivocal and might be summarized like this: Trade unions are the lobby of those with a job, and they compete with other "special interest groups" (Olson 1965) for the attention of the political class. Indeed, it is rather different from country to country whether trade unions are perceived as ‘’normal’’ lobbies. In countries with corporatist structures like Germany they traditionally have a very strong position (Hassel 2005b, 1). However, trade unions are also contracting partners: In societies with free collective bargaining certain rituals determine the size of the wages which are valid industry-wide for a certain region and cannot be fallen short of. Since these contracts may also produce external costs, especially in the form of unemployment, trade unions (as lobbies) try to influence government and parliament to shift these external costs to third parties, primarily to the tax-payer which is the dark side of the label ‘’employee-oriented reform policy’’. Union lobbying efforts can come up in quite different forms reaching from power demonstrations in public up to noiseless cooperation with the government and its institutions. In this article we are mainly interested in the influence of unionized members in parliament and their behavior between the poles of lobby orientation and party mandate.

The paper is organized as follows: In chapter 2 we take a closer look at trade unions as institutions and discuss which actions, functions and effects are generally ascribed to them in economics and how this picture has changed over time. In chapter 3 we summarize and discuss a recent study by Hönigsberger (2008) presenting an analysis how far unionized members of parliament in Germany can be seen as ''parliamentary arm'' of German trade unions. Chapter 4 deals with an empirical analysis of this issue. Based on a newly constructed dataset we study whether the degree of unionization of German members of parliament had an influence on macroeconomic outcomes. The paper ends with a summary of the main findings.

2. Trade unions at work

„Most, if not all, unions have monopoly power, which they can use to raise prices above the competitive level" (Freeman and Medoff 1984, 6).[1] In neoclassical economics trade unions have a bad image anyway, and they are said to pose a lot of problems (Tisdell and Hartley 2008, 313). First, it is generally assumed that they exert negative effects on the productivity and efficiency of firms and impede the mobility of labor. Second, due to their monopoly power they can push through higher wages for their members, thereby causing a wage differential to the non-members. Third, their monopoly power is ensured by different practices like access restrictions, closed shops, strike ability and lobbying towards government, parliament and bureaucracy. From the members' perspective trade unions are a special kind of multi-product club (Buchanan 1965; Cornes and Sandler 1999) offering various goods in exchange for a membership fee depending on income: wage negotiations on their behalf, supply of information about job markets, legal advice and representation in labor conflicts, negotiations about terms of employment in organizations, general insecurity reduction ("you do not get me, I'm part of the union") and, of course, lobbying towards government and parliament.

[1] A quarter of a century before von Hayek (1960, 267) already supposed that „we have now reached a state where (unions) have become uniquely privileged institutions to which the general rules of law do not apply".

This perspective on trade unions changed to a certain degree when Freeman and Medoff published their pathbreaking book „What Do Unions Do?“ in 1984. The leading idea of the book was not to concentrate on trade unions as a "textbook monopoly", but to treat them as „social institutions“ which - in the Hirschman context (1970) - represent the "collective voice". Communication, and as a precondition being able to raise one's voice, is central for this approach as Freeman (2005, 642) points out: "For employee voice to be effective at the workplace, management must listen. For employee voice to be effective more broadly, the state and society must listen." However, because "voice without power (is) too often ignored" (Freeman 2005, 643), a certain degree of power may be justified if there is an economic benefit which can be traced back to the formula of trade unions as social institutions. Even after two decades Freeman is convinced that these advantages - lower fluctuation, better balancing of wages and fringe benefits, reduced dispersion in the income distribution and the general political success of the trade unions in improving the "condition of the working class" (Friedrich Engels) - more than outweigh the disadvantages of the textbook monopoly trade unions at least in the case of the US.

With respect to the factual political power of the US unions Freeman and Medoff (1984, chapter 13) had been quite sceptic. Freeman (2005, 656) argues that this earlier view was substantiated by the development throughout the last 25 years. While US unions have not succeeded in putting through regulations which would have been conducive for them as institutions, they have been more successful in initiating progressive employee-oriented legislation in cooperation with other groups. Freeman and Medoff (1984, 206) state in this respect: „The reality is that unions have considerable political power in some areas. The myth is that they can use this power for the purpose of strengthening unionism and union economic power without general political consent." They attribute this comparatively low success closely to the superiority of the union's opponents, the US trade associations.

In most European countries, the picture is different from the US. As Freeman (2005, 645) admits, the employees are organized in far stronger trade unions. Moreover, trade unions play a much bigger role in macroeconomic politics and overall political developments in

Europe than in the US. Sometimes this may have led to the support of "disastrous populist macroeconomic policies" (Freeman 2005, 648-49) which is also stressed by Pencavel (2005, 81-82) in his symposium contribution. It is thus interesting to study in how far unions' behaviour had an influence on macroeconomic outcomes. However, with the exception of the study of Hirsch (2004) this issue is more or less unexplored.

Which power to influence the political process trade unions factually have, strongly depends on the institutional systems in the different countries. Trade unions are "mutable social institutions that operate differently in different international settings" (Freeman 2005, 649). However, there are various options trade unions have in almost each country: they can make propaganda to choose a certain party, they can support union-friendly candidates in the election and also use their employees for such political activity. However, three conditions must be met as a precondition of union power to be exercised: First, supported candidates must account for a substantial portion of the members of parliament. Second, these union-friendly representatives must - at least with respect to the important subjects - vote in a way the trade unions have in mind. Third, at least some of the unions' legislation plans must also be pushed through by majority vote.

Obviously, trade unions have no interest in uncovering their factual power and political connections. In order to avoid any suspicions that the parliament had been "colonized" by the trade unions they have a strong incentive to understate their influence. An obvious strategy to do so is to argue that a possible conflict between the obligation towards the union and the political mandate is, of course, always solved in favour of the latter. Interestingly enough, a recently published study by Hönigsberger (2008) focuses exactly on this aspect. Before turning to an empirical analysis of the factual macroeconomic influence of trade unions we will summarize and discuss Hönigsbergers main results.

3. Unionized members of parliament as parliamentary arm of the trade unions?

Lobby groups are nowadays an integral part of the political process. The public is typically well aware of the fact that lobbies strive to attain effortless income in the form of cash

transfers, tax-cuts or competition-limiting regulation from the taxpayer and/or the government. In 'parliamentary group states' (K. Schmidt) like the Federal Republic of Germany lobbies are more or less accepted. However, the advancement of special interests is seen as somewhat delicate when lobbying activities are undertaken by elected representatives who are members of such lobbies or even stand on their payrolls. Article 38 (1) of the German Constitution demands from the representatives in the German Bundestag to be representatives of the whole people, not bound by orders or instructions, and responsible only to their conscience. Of course, one cannot deprive elected representatives of the right of having a biography. It thus became courteous especially in the left party spectrum being a trade union member. But at the same time, neither governments nor governing parties have an interest in being perceived as the 'parliamentary arm' of the trade unions. Similarly, the trade unions have no interest in being suspected sending some kind of 'fifth column' into parliament, eventually forming an all-party 'trade union block'.

Hönigsberger (2008, 26) admits the parliamentary space to be an "interventional field sui generis". However, he claims that there would be an essential difference between normal and trade union lobbyism. He argues trade unions' special interests to be much closer to a society's goals as those of other lobbyists (Hönigsberger 2008, 29). Thus, although trade unions are some sort of lobby, their legitimization would be based on mass and often majority interests. In spite of this obvious prepossession Hönigsberger (2008, 29) emphasizes the different actional logics of trade unions and politics quite clearly: trade unions (as well as other lobby groups) try to direct political power in their interests to fulfill the wishes of their members and to increase their membership. However, different from political parties they do not compete with opponents for members or votes. Furthermore, the concept of solidarity differentiates trade unions from politics in Germany. In the last decades the median voter has clearly moved to the left. German politics is strongly cohesion-oriented and appeals to the social solidarity of the strong with the weak. In contrast, trade unions solely aim at the solidarity of the employees. This should make them powerful to exploit social solidarity to their favor (Hönigsberger 2008, 30).

Hönigsberger's (2008) study concludes that the influence of German trade unions in parliament is quite limited. His conclusion is based on two lines of argument. First, he argues that unionized members of parliament never had a majority in German parliaments. Second, he reports a number of interviews he conducted with unionized members of parliament letting him conclude "the more interviews were conducted, the clearer it became how absurd the insinuation of a trade union block is" (Hönigsberger 2008, 13).[2] We shall discuss both arguments in more detail in the following.

Höngisberger (2008) tries to substantiate his first argument at the numerical example of the 16th legislative period (2005-2009). In his numerical example he focuses on the members of the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, DGB). As table 1 shows, the degree of unionization differs remarkably between the various parties. Most unionists can be found in the left part of the political spectrum (SPD, Left Party). Only 221 of the 614 members of the German parliament (36%) turned out to be members of the DGB throughout the 16th electoral period. Thus, Hönigsberger correctly states that there was no majority of DGB trade unionists in the Bundestag, and that there has not been one even in the ''legendary'' 7th electoral period from 1972-76 where 49% of the representatives belonged to DGB. According to Hönigsberger (2008, 39) these numbers falsify the explicit suspicion or the hidden surmise that there is not only a quantitatively oversized but also centrally controlled trade union block in the Bundestag. However, at least the "oversize" argument is questionable. In the 2002 general elections 48.3 million voters took part in the elections. The DGB members of parliament would have been correctly represented if 36% of all voters were also members of the DGB. However, the DGB trade unions never had more than 11.8 million members (in 1991, an effect of German unification), and afterwards their memberships has decreased rapidly to 6.2 million (2008) which led Hassel (2005a) speak of the ''erosion of the union lobby power''. Thus, without any doubt, the DGB trade unions are overrepresented in the German parliament.

[2] Citations originally in German were translated to English by the authors.

Table 1: Unionized members of German parliament

	Number of members of parliament (1)	Number of DGB members (2)	Percentage (2) : (1)	Percentage (2): ∑(2)
Christian Democrats (CDU/CSU)	226	10	4,4	4,5
Social Democrats (SPD)	222	161	72,5	72,9
Free Democrats (FDP)	61	1	1,6	0,5
Left Party	54	35	64,8	15,8
Green Party	51	14	27,5	6,3
Total	614	221	36	100,0

Source: Hönigsberger (2008), Tab. 1, p. 41.

However, the group of organized employees in fact is considerable larger than the group of DGB members, as Hönigsberger (2008, 42) admits. Adding the 10 members of parliament belonging to the Christian Trade Union Confederation (CGB), the 16 members of the Confederation of Civil Servants (dbb), the 89 members of the Christian-Democratic and Christian-Social "Arbeitnehmerschaft" (CDA, CSA) and the 10 members of other labor associations leads to a total of 334 representatives (54.4%)[3] after correcting for double counts and thus leads to a clear numerical majority.[4]

One might also question the reliability of the interviews Hönigsberger conducted among German unionized members of parliament. When interviewing them on their primary motivation and goals one might hardly expect admitting a violation of Art. 38 of the German Constitution. One might also not expect them to accuse colleagues to do so. Nevertheless, the four lines of arguments why a trade union block in Germany is neither existent nor relevant stemming from the interviews are worth to be discussed.

[3] Inexplicably, Hönigsberger (2008, 42) counts only 324 representatives (52%) for this case.

[4] This finding holds also true for the parliamentary areas, the committees (Hönigsberger 2008, 68/69). Here, DGB unionists are especially overrepresented if the committees center on questions concerning the labor force. Examples are the Committees for Labor and Social Affairs (44.4%) and for Economy and Technology (41.7%). When adding again the members of other labor organizations these committees are likely to be dominated by employee interests.

First, there is an operative argument: in spite of similarities in the process of political socialization the interests of unionists do not necessarily conform with those of the parties they represent. In order to avoid possible conflicts and to guarantee a functioning political leadership, the parties try to avoid giving mandates to powerful union members. This argument is in line with Hönigsberger's observation that nowadays, in contrast to earlier years, trade union bosses cannot be found among the members of the German parliament any more. So, even if a trade union block would exist in parliament, it would be a complicated task to mobilize this group systematically (Hönigsberger 2008, 64).

Second, from a sociological perspective there is the already mentioned role conflict of unionized members of parliament. Trade unionists, in particular if they are full-time employed by a union, have a mandate of their interest group but are at the same time representatives of a party in parliament (Hönigsberger 2008, 105). But, according to Hönigberger´s interviews, an elected trade unionist mutates in some way when entering the parliament and ascribes considerably more weight to the political than the interest group logic.[3]

Third, from a *historical* perspective, Hönigsberger (2008, 89) argues that a trade union block in the parliament could not arise because of the often heavily differing positions how to reach common goals. Due to the specific debating culture of the left political spectrum in Germany a forceful combination of political and union interests could not evolve.

Finally, there are also *systemic* reasons for the alleged non-existence of a trade union block. Hönigsberger (2008, 94) especially claims that there has been a long-term process in which the power shifted from the legislative to the executive level. He argues that the German parliament has given up its role as a decision center at least as far as the repre-

[3] Hönigsberger (2008, 80) argues that because of exactly this reason German trade unions had not the illusion that the unionized representatives of the parliamentary parties in government would fulfill the role of "combat troops" against the Agenda 2010, an amazingly radical political program of Chancellor Schröder's government to increase incentives to take over even low paid jobs. The program was highly controversial among the members of the governing Social Democrats and was heavily attacked by the German trade unions.

sentatives of the governing parties are concerned. As a consequence the single representative would be much less important than in earlier times.

While agreeing in principle that a unionized member of parliament might face a loyalty conflict, the severity of this conflict seems to be somewhat overstated by Hönigsberger from our point of view. One might suspect this to be a consequence of the fresh experiences with the Agenda 2010 of Chancellor Schröder´s second term in office which caused a strong alienation process between the unions and the SPD. Anyway, we have shown that the group of German employees had at least temporarily comfortable majorities in parliament – even though there never was a numerical majority of DGB members in the German parliament. Moreover, even strong minorities might have an influence on factual policies. How far unionized members of the German parliament have in fact influenced macroeconomic outcomes is essentially a question which should be answered on empirical grounds.

4. More influence than expected: Empirical results

4.1 Estimation approach

In order to judge whether the share of unionized in total members of the German parliament has an effect on macroeconomic outcomes we employ a simple econometric approach concentrating on those outcome variables which are in the center of public interest: economic growth, unemployment and inflation. Instead of constructing a complex structural model for these variables we follow the example of Eckstein and Tsiddon (2004) and employ a Vector-Auto-Regression approach (VAR). In VAR estimations every endogenous variable is estimated on its own lags and the lags of all other variables in the model. Thus, a VAR estimation has the structure

$$X_t = \overline{X} + \alpha_1 \cdot X_{t-1} + \ldots + \alpha_n \cdot X_{t-n} + \varepsilon_t$$

where X denotes a vector of endogenous variables (in our case economic growth, unemployment and inflation), t is a time index, ε denotes the unexplained residual and n is the lag order of the endogenous variables. The optimal lag structure can be determined on the basis of the well-known information criteria (Akaike, Schwarz or Hannan-Quinn). The VAR approach has the advantage of capturing the dynamic features between economic growth, unemployment and inflation without the necessity to set up an explicit structural model of the German economy.

In order to study the influence of the degree of unionization of the members of the German parliament we follow the Eckstein/Tsiddon approach and add this variable as an exogenous regressor to our VAR estimation. Since German Unification likely has caused a structural break we constructed a dummy variable U which is defined as

$$U_t = \begin{cases} 0; & for\ t < 1991 \\ 1; & else \end{cases}$$

and add it to the VAR system. Altogether, we end up with the following estimation model:

$$X_t = \overline{X} + \alpha_1 \cdot X_{t-1} + \ldots + \alpha_n \cdot X_{t-n} + \alpha_{n+1} \cdot Y_{t-k} + \alpha_{n+2} \cdot U_t + \varepsilon_t$$

where Y denotes the exogenous variable, i.e. the degree of unionization of German members of parliament, and k is the relevant time lag with which the exogenous is affecting the endogenous variables.

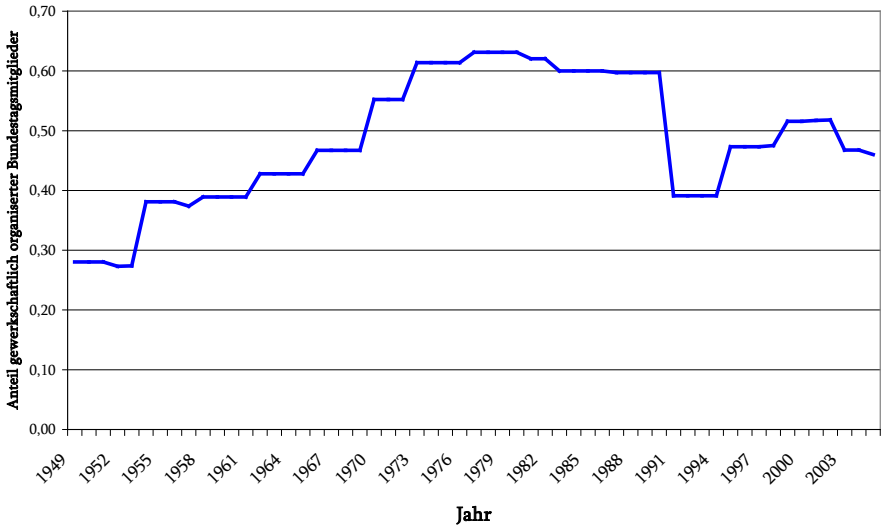
4.2 Data

For our empirical analysis we are in need of time series data of the inflation, unemployment and real growth rates. Moreover, data on the degree of unionization of German parliamentary members are necessary. Due to data availability reasons we make use of annual frequency data.

Since there is no official data on the degree of unionization of German members of parliament, the data had to be extracted from various sources. In order to construct an annual time series we employed the documentations by Hirche (1961,1965,1969,1973), Hönigsberger (2006), Pege (1996,1999,2002,2003) and Richter (1983,1987). To be able to calculate the degree of unionization, a proper definition of the term "union" is necessary. A wide definition covers all organizations which are concerned with negotiating working conditions and wages for their members. A narrower definition covers only those organizations which have the right to enforce their claims with strikes. For the case of Germany, the latter definition excludes certain public service unions such as Gewerkschaft der Polizei (police) or Beamtenbund. (civil servants) With respect to the focus of this study the wider definition seems to be more appropriate. However, to control for the sensitivity of the presented results we repeat all estimations for the narrower definition of unions.

The above mentioned sources allow constructing a time series of the degree of unionization among German members of parliament for the period of 1949 to 2007. Figure 1 shows the constructed time series over the whole sample period.

Figure 1: Degree of unionization of German members of parliament (wide definition)



Source: Own calculations based on Hirche (1961,1965,1969,1973), Hönigsberger (2006), Pege (1996,1999,2002,2003) and Richter (1983,1987)

The time series for unemployment rates, inflation and real gdp growth were extracted from the time series database of German Bundesbank. Originally, the unemployment rates come from the Federal Employment Agency (Bundesagentur für Arbeit). The employed time series[6] is not seasonally adjusted and was initially only available in monthly frequency. We transformed the time series in annual frequency by calculating average values per year. The time series of inflation originates from the German Federal Statistical Office (Statistisches Bundesamt) and was available on an annual basis.[7] The same holds true for the time series of annual real gdp growth rates.[8]

Employing the Augmented Dickey-Fuller-Tests we first studied the stationarity properties of the time series (see Table 2). The null hypothesis of the existence of a unit root could be rejected on a 90% confidence level for the inflation and growth time series when including a constant. With respect to the unemployment series the inclusion of a time trend was necessary to be able to reject the null hypothesis of a unit root. Thus, in order to avoid problems of spurious regression we decided to detrend the time series of unemployment rates before using it in the VAR-estimations.

Table 2: Stationarity properties (Augmented Dickey-Fuller-Test)

Endogenous variable	Inflation	Real gdp growth	Unemployment
Exogenous variables	Constant	constant	constant, trend
ADF-statistic	-3,708656	-3,594155	-3,305526
Critical value (p = 0,1)	-2,595565	-2,595033	-3,173943
Level of significance	0,0065***	0,0089***	0,0757*

4.3 Estimation results

In a first step we detected the optimal lag-structure of the VAR model employing the well-known information criteria. As Table 3 shows, the Akaike-, the Schwarz- as well as

[6] Time series code: UUCC02.
[7] Time series code: UKFB99.
[8] Time series code: JJ5000.

the Hannan-Quinn-criterium propose the inclusion of one lag of the endogenous variables. In the light of the fact that we deal with annual data here, this results seems to be reasonable.

Table 3: Determination of the optimal lag-structure of the VAR-model

Lag	Sequential modified LR statistic	Final forecast error	Akaike-criterium	Schwarz-criterium	Hannan-Quinn-criterium
0	NA	1,85e-07	-6,987275	-6,643111	-6,856215
1	189,9588*	3,56e-09*	-10,94452*	-10,25619*	-10,68240*
2	6.382109	4,40e-09	-10,74018	-9,707690	-10,34700
3	9,447201	5,00e-09	-10,62879	-9,252136	-10,10455
4	8,297578	5,82e-09	-10,50587	-8,785046	-9,850568
5	2,755558	8,00e-09	-10,23198	-8,166993	-9,445619

Endogenous variables: detrended unemployment rate, inflation, real GDP growth, exogenous variables: degree of unionization of parliamentary members, Reunification dummy

The results of the VAR-estimations are summarized in Table 4. The dummy variable covering German Reunification is significant for all three performance indicators of the German economy. Unsurprisingly, the unemployment rate and inflation were on a lower level before German Reunification while the opposite is true for real GDP growth. However, in the focus of our interest are the results of the coefficients of the variable measuring the degree of unionization of members of parliament. We find no significant effect for the unemployment rate. While the coefficient has a negative sign the effect is not significantly different from zero on conventional confidence levels. However, for the remaining two performance indicators we find significant effects. While the inflation rate is positively affected by the degree of unionization, the opposite holds true for real GDP growth. Both effects are significant on a 99% confidence level. The estimation results remain almost unchanged when using the narrower definition of trade unions outlined earlier.[9] Altogether, the empirical evidence points into the direction that unionized members of par-

[9] The estimation results are available from the authors on request.

liament are quite ineffective in organizing higher employment, but at the same time contribute to higher inflation and lower economic growth.

Table 4: VAR estimation results

	Detrended unemployment rate	Inflation	Real GDP growth
Constant	0,140975 (1,11865) [0,12602]	-0,047276*** (0,01439) [-3,28421]	0,105360*** (0,03214) [3,27791]
Detrended unemployment rate (-1)	0,909545*** (0,03934) [23,1195]	-0,002375*** (0,00051) [-4,69080]	0,001181 (0,00113) [1,04511]
Inflation (-1)	19,26968*** (4,97303) [3,87484]	0,551428*** (0,06399) [8,61694]	-0,238976* (0,14289) [-1,67244]
Real GDP growth (-1)	-10,93391*** (4,34137) [-2,51854]	0,207048*** (0,05587) [3,70622]	0,286882*** (0,12474) [2,29980]
Reunification dummy	0,471044* (0,27048) [1,74154]	0.011263*** (0,00348) [3,23602]	-0,031858*** (0,00777) [-4,09930]
Degree of unionization of members of parliament	-1,144421 (2,10944) [-0.54252]	0,104963*** (0,02714) [3,86881]	-0,143418*** (0,06061) [-2,36619]
Adj. R-square	0,943917	0,796796	0,600496
F-statistic	179,4070***	42,56437***	16,93287***

Standard errors in round brackets, t-values in curly brackets

4.4 Partisan effects

In Germany, the degree of unionization varies considerably from party to party. One might therefore suspect that the unionization variable is not more than a proxy of the political orientation of the governing party. If this line of argument would hold, the presented results would be misleading and in fact would indicate the existence of some sort of partisan effects. As Hibbs (1977) and Alesina (1987) argue the political orientation of the governing party might have an influence on macroeconomic outcomes whenever monetary policy is under the control of the government. For example, rational partisan theory predicts inflation rates to be significantly higher under left-wing-governments while un-

employment rates or economic growth are the same over most of the terms of office. Only in the aftermath of unexpected election results the real economy might be temporarily affected by the government's political orientation.

In order to test the relevance of this argument we expanded our VAR estimations by an additional exogenous variable, measuring the political orientation of the current government. We therefore constructed a partisan dummy P and added it to the estimation equation:

$$X_t = \overline{X} + \alpha_1 \cdot X_{t-1} + \ldots + \alpha_n \cdot X_{t-n} + \alpha_{n+1} \cdot Y_{t-k} + \alpha_{n+2} \cdot U_t + \alpha_{n+2} \cdot P_{t-k} + \varepsilon_t$$

The partisan dummy was coded as follows:

$$P_t = \begin{cases} 0; & \textit{for governments headed by a Social Democrat } (SPD) \\ 1; & \textit{for governments headed by a Christian Democrat } (CDU / CSU) \end{cases}$$

Whenever the political orientation of the governments changed within a year, the coding of the dummy variable referred to the party which headed the government most of the respective year.

The estimation results are summarized in Table 5. While we find no significant partisan effects for economic growth or inflation, detrended unemployment was larger under governments headed by Christian Democrats. However, the estimation results with respect to the unionization variables remain almost unchanged. The same holds true when using the narrow definition of trade unions.[10]

[10] The estimation results are available from the authors on request.

Table 5: VAR estimation results with partisan dummy

	Detrended unemployment rate	Inflation	Real GDP growth
Constant	-1,096587 (1,31525) [-0,83375]	-0,045282*** (0,01743) [-2,59752]	0,122377*** (0,03868) [3,16358]
Detrended unemployment rate (-1)	0,908257*** (0,03859) [23,5370]	-0,002373*** (0,00051) [-4,63885]	0,001199 (0,00113) [1,05654]
Inflation (-1)	20,80067*** (4,95887) [4,19464]	0,548961*** (0,06573) [8,35218]	-0,260030* (0,14585) [-1,78291]
Real GDP growth (-1)	-9,013789** (4,40381) [-2,04682]	0,203955*** (0,05837) [3,49420]	0,260480** (0,12952) [2,01111]
Reunification dummy	0,698658*** (0,29693) [2,35298]	0.010896*** (0,00394) [2,76868]	-0,034988*** (0,00873) [-4,00648]
Partisan dummy (-1)	0,373006* (0,21868) [1,70573]	-0,000601 (0,00290) [-0,20732]	-0,005129 (0,00643) [-0,79745]
Degree of unionization of members of parliament	0.655169 (2,32219) [0.28213]	0,102063*** (0,03078) [3,31599]	-0,168163*** (0,06830) [-2,46218]
Adj. R-square	0,946063	0,792662	0,597442
F-statistic	155,9383	34,77027	14,10969

Standard errors in round brackets, t-values in curly brackets

4.5 Endogenous unionization

In our empirical analysis we treat the degree of unionization of members of parliament as an exogenous variable. However, the theoretical and empirical literature on trade union membership has revealed various possible factors determining the actual degree of unionization (see e.g. Riley (1996) or Calmfors et al. (2001) for a review of the related literature). Various studies (e.g. Bain and Elsheikh (1976), Pedersen (1978), Carruth and Disney (1988), Carruth and Schnabel (1990), van Ours (1992) or Bodman (1998)) found the share of workers being part of a trade union to depend on the business cycle. Thus, the actual rate of unemployment, economic growth and inflation possibly has influenced the degree of unionization in Germany, too. In the light of this reasoning one might argue that the degree of unionization should be treated as endogenous variable in our VAR estimation.

In order to take this argument into account, we estimated the VAR again, this time with the degree of unionization as endogenous variable. However, the degree of unionization shows no patterns of endogeneity. It neither depends on the unemployment rate, economic growth nor inflation but only on its own past history. Since we deal with the degree of unionization of members of parliament here and not with the degree of unionization of the whole labor force, this result is not too surprising.

5. Summary

This paper focuses on the role of unionized members of parliament. It is argued that these parliamentarians are likely experiencing a particular role conflict: on the one hand they have to fulfill their legal duties as independent parliamentarians, on the other hand they are expected to support policies in favor of labor. Various researchers like Freeman and Medoff (1984), Freeman (2005) or Hönigsberger (2008) came to the result that unionized parliamentarians failed to support trade unions' special interest goals. However, none of these studies presented convincing empirical evidence in favor of this hypothesis. Based on a newly constructed dataset for Germany we show that trade unions are not as weak as they claim. The empirical evidence we present clearly points into the direction that unionized members of parliament are quite ineffective in organizing higher employment, but, at the same time, contribute to higher inflation and lower economic growth.

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