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**The Historical Fragility of Dutch Corporatism
A Dissertation Overview**

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April, 1990**

**A WORKING PAPER
From
THE CENTER FOR INTERNATIONAL STUDIES
Myron Weiner, Director**

**MIT E38-648
292 Main Street, Cambridge, Massachusetts 02139**

"Every social situation is the heritage of preceding situations and takes over not only their cultures, their dispositions, and their 'spirit', but also elements of their social structure and concentrations of power....The social pyramid is never made of a single substance, is never seamless. There is no single Zeitgeist, except in the sense of a construct. This means that in explaining any historical course or situation, account must be taken of the fact that much in it can only be explained by the survival of elements that are actually alien to its own trends....The co-existence of essentially different mentalities and objective facts must form part of any general theory."

Joseph A. Schumpeter

Imperialism and Social Classes: two essays,
(New York: Meridan Books, 1955), p. 111.

The Historical Fragility of Dutch Corporatism

a dissertation overview¹

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1. The Eindhoven Lecture

As a senior in high school - to be specific on the 17th of May 1977 - I was unexpectedly introduced to the contemporary corporatist debate. On this day, shortly before the Dutch General Elections of the same year, I attended a memorable lecture by the then lame duck prime minister Joop den Uyl, a social-democrat whom I greatly admired. Speaking at the Technical University of Eindhoven, Den Uyl insisted at the outset of his address that he was there neither as the prime minister, nor as the leader of the Dutch social-democratic party, the Partij van de Arbeid, but instead as a 'simple economist from Buitenveldert', his hometown. Den Uyl's self-proclaimed economist's 'objectivity' concealed the value-laden

¹ This paper was written during my stay as a Visiting Scholar at CIS/MIT in 1989. I would like to thank Professors Suzanne Berger, Douglas Forsyth and Richard Locke at MIT and Professor Charles Maier at Harvard for their helpful comments and useful suggestions. Amongst my peers I am grateful to Karen Alter, Brian Burgoon and David Miliband for carefully reading the manuscript.

stance of what came to be known as the "Eindhoven Lecture"². The address was perhaps political in a more emphatic sense than would be true of a political party rally. By deliberately distancing himself from the momentary context of the upcoming elections, Den Uyl affirmed his intent to tackle one of the fundamental problems of the political situation in a non-partisan way. Being primarily addressed to students, as a part of a lecture series on the 'power and impotence of parliamentary democracy', the speech did have an academic flavour. Still, rereading the lecture after more than a decade, I suspect Den Uyl spoke at Eindhoven less as an impartial economist than as a frustrated prime-minister and a dispirited Social Democrat, whose progressive commitment to the redistribution of 'wealth, knowledge, and power' in Dutch society was thwarted both by his Christian Democratic coalition partners and by organized private forces in the Netherlands over his three and a half years' in power.

The "Eindhoven Lecture" was the Dutch prime-minister's contribution to the fashionable debate on the 'ungovernability' of Western polities. It was argued that the normal operation of Western political institutions - democratic governance, electoral procedures, parliamentary systems, and interest group politics - had consistently produced ineffective, inefficient, unstable and illegitimate outcomes since the 1960s. Den Uyl's speech was

². Uyl, J. den, 'Die tijd komt nooit meer terug', in Wiardi Beckman Stichting, En toch beweegt het..., Van Loghum Slaterus, Deventer, 234 ff.

primarily directed against the New Right critique of the so-called 'overloaded' welfare state. His address was appropriately published with a translation of the controversial Encounter essay by the American Nobel laureate and neo-liberal partisan Milton Friedman, "The line we dare not cross: the fragility of freedom at '60%"³, in the popular Dutch academic magazine intermediair⁴.

The "Eindhoven Lecture" is best introduced in juxtaposition to the views of Friedman, whose essay was no less emphatically political than Den Uyl's speech. Despite their contrasting assessments of the political paralysis of liberal democracy, there are several striking similarities between the two texts. First of all, both economists claim to render objective empirical diagnoses of the political situation. Secondly, neither makes an attempt to spell out what should be done. Both argue that perverse policies are being pursued, namely: the politicization of economics, following Friedman, and the bureaucratization of politics and society, according to Den Uyl. True to the spirit of the ungovernability debate both men exaggerate these trends and craft apocalyptic scenarios of the demise of democracy.

³ Encounter, November 8, 1976, 7-14.

⁴ Daudt, H., Wolk, E. van der, 'Bedreigde Democratie?', parlementaire democratie en overheidsbemoeyenis in de economie, Intermediair 1/2, Amsterdam, 1978, also published in bookform under the same title by Van Gorcum, Assen, 1978. The special 1978 New Year's issue of the magazine also contained discussions with eight renowned Dutch economists and an extended interview with Den Uyl in which he replied to his critics.

In "The line we dare not cross" Friedman advances the thesis that liberal democracy is irretrievably undermined when the share of public spending in the national income reaches 60%. Where governments cross this critical line, state intervention can only be funded through growing deficits and runaway inflation, which inevitably lead to financial chaos. Ensuing 'market failures' will consequently backfire into the political system, culminating in a takeover of a totalitarian regime from either the extreme Left or extreme Right.

At the heart of Friedman ungovernability argument lies, what he calls, the 'fundamental fallacy of the welfare state'; 'the attempt to do good at somebody else's expense'. The reasons for the declining governability under welfare capitalism are straightforward, as he points out:

First, nobody spends somebody else's money as carefully as he spends his own. That is why trying to do good at someone else's expense leads to financial crisis. Second, if you are trying to do good at somebody else's expense, you have to take money away from him. So force, coercion, destruction of freedom is at the very bottom, at the very source,⁵ of the attempts to do good at somebody else's expense.

By measuring individual freedom in terms of the proportion of state intervention in the economy Friedman's ungovernability thesis stands squarely in the tradition of 'laissez-faire' liberalism. Laissez-faire liberalism discerns individual liberty as deriving directly from economic property rights. Its inherent conception of

⁵ Friedman, Encounter, 11.

'negative' freedom - the absence of coercion - allows no way of reconciling liberty with an interventionist state. Only individuals can judge what they want. The less the state interferes in their lives the more freedom individuals have to set their own priorities. The tradition of 'laissez-faire' liberalism, furthermore, ignores the very fact that economic development itself has made state regulation of economic activities unavoidable, as Karl Polanyi has showed. Moreover, 'laissez-faire' liberalism has no basis for evaluating or distinguishing between forms of state activity with respect to their varying implications for personal freedom. Finally, in contrast to the Social Democratic tradition, to which Den Uyl is attached, it dismisses ownership structures, economic power relationships and concomitant maldistributions of income and wealth.

Friedman's solution to the ungovernability crisis of Western polities lies in the return to the integrity of the market which can only be guaranteed by protecting the operation of markets from politics through a strict separation of economic and political spheres. Politics should be constitutionally prevented from interfering with the market's automatic 'clearing mechanisms'.

At Eindhoven the Dutch prime-minister did not share Friedman's worries. When the 'simple economist from Buitenveldert' delivered his speech there, the Dutch economy had already in 1975 crossed Friedman's budgetary line on the road to economic and political doom. In 1977 the share of the public sector in the national income came to over 62%, an increase of over 27% since 1950. Den Uyl found

the proportion of state intervention in the economy a rather misleading indicator for 'government overload'. The Dutch economist stressed that in the Netherlands this dramatic increase had only led to a relatively small growth in direct public spending. The growth of the ratio of government expenditure to the national income was for most part the result of a sharp rise in transfer payments, from 19.3% of the national income in 1950 to 39.8% in 1977. After transfer payments, which include grants, subsidies, and social security benefits, the part of the national income spent by private institutions and individuals had stayed remarkably constant for many decades at about 78%⁶. Den Uyl viewed transfer payments, through which the welfare state passes on income to private households, in fact as widening the purchasing power of private recipients without expanding the production and consumption of the state⁷. He therefore concluded that the increase in the ratio of transfer payments to the national income should be viewed as an indicator of the level of redistribution attempted by a democratically elected government and not as an allocative figure, as Friedman would have it.

⁶ CPB, De Nederlandse Economie in 1980, De Staatsuitgeverij, Den Haag, 1976.

⁷ Den Uyl could have added to this that the overwhelming majority of direct public investments are commissioned within the private sector. See Oosten, van, in Socialisme en Democratie, 1977.

2. The ambiguous legitimacy of corporatism

After having reproached what he later called Friedman's dubious "ingenious simplicity"⁸, Den Uyl embarked on his own anxiety. The prime-minister saw democratic rule threatened by the growth of what he called the 'clientelistic network around the state'. The bureaucratization of interlinkages between the state apparatus and private organized interests had, according to Den Uyl, critically undermined parliamentary accountability, as the following lengthy passage makes clear:

It is better to focus on the frequently marginal functioning of government in the midst of a multitude of regulating organs and organizations. Here I am returning to the theme of 'power and impotence of parliamentary democracy'. Government exercises its power and authority through its permanent interplay with social interest groups. (...)

When we observe how much government - the state - has to share power, and how it shares it every day, in all imaginable forms of consultation, with private organizations, large corporations, institutionalized interests, it seems rather foolish (...) to evoke the nightmare of an all powerful ruling state. Kafkaesque conditions are not encountered within the government apparatus, but at the interface between the fourth and fifth powers, where the public apparatus and the private organizations meet, interact, confer with one another continually, and where one cannot retrace where decisions are being prepared and where they are reached. Where state power is shared with private organizations (...) that is where twilight areas develop. (...) Bureaucracy is present in many forms in our society, but - and I repeat - predominantly there where private organizations and government share power (translation ACH)⁹.

⁸ Daudt, Wolk, van der, Bedreigde Democratie, 114.

⁹ Ibid., 48-49.

By way of empirically substantiating his 'ungovernability' argument, Den Uyl referred to the 1977 study of the Scientific Council for Government Policy on "External Advice Organs to the Central Government", a survey which had catalogued all the interlinkages between the state bureaucracy and the network of organized interests in the various kinds of consultative bodies¹⁾. The study identified 402 consultative organs, a doubling since 1967. A fair number had been given independent executive powers. Den Uyl, a parliamentarian at heart, abhorred these unofficial, semi-legitimate, and secretive bodies, which made up, what he called, the 'fourth and fifth powers', the 'iron ring' of the state bureaucracy, on the one hand, and private organized interests, on the other. The expansion of this type of back-stage policy-making he saw invading the proper sphere of parliament and subverting the system of checks and balances inherent in Montesquieu's 'Trias Politica'; the separation of the three autonomous judicial, legal, and executive, powers of liberal democratic government.

By focusing on the 'twilight area' of liberal democracy, where state agencies share sovereignty with private interest organizations beyond the reach of parliament, the prime-minister touched on the essence of the debate about modern corporatism. The Dutch politician would undoubtedly agree with the following

¹⁾ Wetenschappelijke Raad voor het Regeringsbeleid, Externe Adviesorganen aan de Centrale Overheid, Den Haag, de Staatsuitgeverij, 1977.

statement by the political scientist Philippe Schmitter, the founding father of contemporary corporatist scholarship:

The key to understanding the various crises of governability lies in the dimly lit arena of functional interest intermediation through highly formalized and specialized organizations in direct relation with the bureaucratic apparatus of the modern state¹¹.

Schmitter, like Den Uyl, recognized that what should have been the open field between state and civil society, posited by classical liberal and pluralist theory, where power and influence upon democratic government are freely competed for, had been replaced or supplemented by a plethora of formal interdependent organizational linkages and processes of political bargaining between state officials and representatives of major interest associations.

Notwithstanding their similar diagnoses, as distinctly different from the one put forward by Friedman, the American political scientist and the Dutch prime-minister part company when it came to evaluating the potential political effect of the blurring boundaries between public and private realms. Whereas Den Uyl viewed the sharing of state power by private groups as the source of ungovernability, Schmitter, on the other hand, argued that the expansion and bureaucratization of the semi-official linkages between public and private power could in fact facilitate

¹¹ Schmitter, P.C. 'Interest intermediation and regime governability in contemporary Western Europe and North America', in Suzanne Berger, Organizing interests in Western Europe, Pluralism, Corporatism, and the transformation of politics, Cambridge, Cambridge University Press, 1981, 288.

regime governability by injecting an element of stability into the political system.

In Den Uyl's view, the sharing of public power by private groups was the central 'political failure' of contemporary public policy-making, a misguided attempt on the part of state officials to supplement their authority by coopting private representative groups to policy-making processes. Where governments pursue corporatist strategies, he inferred, public policy was made dependent upon the approval of private organized interests, which in Den Uyl's scenario would inevitably invite a further encroachment of strong organized forces upon government. Ensuing 'political failures' would consequently lead to subordinating public policy to the most dominant sectional demands in society, culminating in the stifling of the autonomous decision-making capacities of the democratic political center.

Schmitter did not share Den Uyl's vision of political inertia. On the contrary, he welcomed, what he called, 'corporatist interest intermediation' as a positive development which could in fact 'lighten the direct burden of the state'². In Schmitter's opinion the political center could forestall ungovernability exactly by incorporating representatives of large private interest organizations into the public policy-making processes. In return for letting private organizations participate in the formation and implementation of specific policies, governments could widen their

² Ibid, 312.

sources of information, gain expertise, facilitate communication, and employ the executive-organizational capacities of organized interests. By placing the responsibility of policy-making on those immediately affected rather than through mediation of the blunt instrument of parliament government could reinforce and enhance their control over both the policy-making process and its outcome,

Schmitter's quantitative empirical cross-national survey showed a positive relationship between corporatist patterns of interest intermediation and measures of relative regime governability (in terms citizen unruliness, government unstableness and fiscal ineffectiveness)^B. His study accorded that countries which made wide use of corporatist practices, such as Austria and Norway, had proven to be more governable than the more classical pluralist democracies, like the United Kingdom and the United States, in the wake of the economic shocks of 1970s.

The key point of difference between Den Uyl and Schmitter does not so much concern their respective empirical observations, but rather their contrasting notions of the political legitimacy of corporatism. It is this question of legitimation which lies at the very heart of the ambiguous acceptance of corporatism under liberal democracy. Den Uyl judged corporatist practices according to the principles of parliamentary sovereignty and executive autonomy of liberal democratic government. Since corporatist practices operate outside the canons of liberal constitutional orthodoxies, Den Uyl

^B Ibid, 311-318.

judged corporatist arrangements as illegitimate. Schmitter, on the other hand, approached corporatism from the basis of 'value-free' empirical social science. His endeavor involved a comparative empirical assessment of regime governability in terms of quantifiable aggregate outcomes in relation to different patterns of interest intermediation. He discovered a positive correlation between regime governability and the existence of corporatist arrangements. The fact that public policy-making in corporatist countries was a good deal less visible and accountable for did not affect Schmitter's benign assessment of the corporatist political practice.

The invisibility of corporatist policy-making distressed, of course, the lame duck prime-minister and embittered Social Democrat who was running again for parliament, which brings us back to the authenticity of the 'Eindhoven Lecture' as a political speech. To paraphrase Max Weber, Den Uyl and Schmitter's entries into the ungovernability problematique expose their respective 'vocations' as a politician and a social scientist¹⁴. The politician Den Uyl, living 'for' politics as a cause, considered the ungovernability theme from the 'value-standpoint' of the 'procedural legitimacy' of parliamentary politics and democratic decision-making. Schmitter, in embracing the academic virtues of integrity, distance and clarity, living 'for' science and as a political scientist only

¹⁴ Weber, M, 'Politics as a vocation' and 'Science as a vocation, in Gerth, H.H., Mills, C. Wright, From Max Weber, Essays in sociology, 77-156.

indirectly 'off' politics, adopted a perspective of the legitimacy of objective outcomes. He evaluated regime ungovernability in terms of 'value-neutral' quantitative aggregate outcomes. Yet, on the basis of these findings, Schmitter, in the end ironically no less emphatically political than either Den Uyl or Friedman, urged, what he called, the modern conservative ruler to actively strengthen the organized power of private forces vis-a-vis the state to overcome the crisis of ungovernability, as this quote reveals:

Rather than proliferating the 'number of citizens' and the 'spheres of interest', the modern conservative ruler concerned with governability would diminish their number, encourage their centralization and concentration of authority, grant them privileged monopolistic access, and, above all, extend the sphere of governance by licencing or devolving upon them powers to take decisions binding on their members and even on non-members⁵.

Because political legitimacy today is to an unusual degree based on economic success, the choice of effective economic policies has, indeed, become the most important political need in liberal democratic capitalism. Therefore, Schmitter's advice is, perhaps, well taken by contemporary rulers. Still, since corporatism in its modern form is combined with liberal parliamentarism under the dominance of the latter, it should also be stressed, with Den Uyl, that there is a pressing need to draw corporatist arrangements into constitutional analyses to recapture the essence of the Rule of Law upon which liberal democracy is based.

⁵ Berger, Organizing Interests, 312.

3. A conflation of terms

Where the "Eindhoven Lecture" is explicitly devoted to the Dutch political situation, Den Uyl's otherwise theoretically insightful argument becomes unintelligible. Here the political frustrations of the prime-minister get in the way of his general argument. The confusion is particularly salient in Den Uyl's rather general and imprecise application of his 'iron ring' of 'fourth and fifth' powers, comprising all imaginable forms of institutionalized interlinkages between government and private groups, whether social, political, cultural, or economic. By employing a political science vocabulary he further mystified his student audience when he argued that:

(...) concepts like the concerted economy, the coalition model, the cartel democracy, are but so many ways of describing the limited power of government^b.

By lumping these terms together, the "Eindhoven Lecture" obscures important questions about inter-connections between key aspects of Dutch economy and society. It is appropriate to elucidate these concepts as they are crucial to an adequate understanding of Dutch corporatism.

First of all, the concept of the 'concerted economy' has its roots in the Dutch industrial relations literature^d. The term

^b Daudt, Wolk, van der, Bedreigde Democratie, 49.

^d Windmuller, J.P, Labor relations in the Netherlands, Ithaca NY, Cornell University Press, 1969.

explicitly refers to the interactions among organized business, organized labor, and government with respect to macro economic policy-making. Schmitter and other students of modern corporatism have deliberately confined themselves to this level of analysis. Central to their notions of corporatism is that formal representatives of the functional interests of organized capital and labor share authority with public officials in economic decision-making platforms and play important roles in the implementation of economic policies.

Secondly, Den Uyl's concepts of the 'coalition model' and the 'cartel democracy' are directly taken from the debate on consociational democracy in the study of comparative politics. Whereas the concept of corporatism emerged from the study of industrial relations, the concept of consociational democracy originated in the much broader international study of coalition governments^B. Central to consociational democracies is that various party elites co-operate under a spirit of non-competitive acceptance in both government and parliament. The Dutch parliamentary system has long been considered one of the clearest manifestations of a consociationalism.

Den Uyl's failure to distinguish between economic, political, social, and cultural spheres in his analysis of the Dutch malaise appears even more prominent in the extended interview given by Den

^B Lijphart, A., Democracies, Patterns of majoritarian and consensus government in twenty-one countries, New Haven, Yale University Press, 1984.

Uyl to the editors of *Intermediair*¹⁹. Here Den Uyl makes an attempt to elucidate historically the contemporary experience of Dutch politics by situating it in the context of the societal peculiarity of 'pillarization', which, he claimed, has made politics in the Netherlands very different from most other European nations. Most sociologists have understood pillarization as the segmentation of the social structure in pronounced cleavages along ascriptive lines of race, religion, language, and ethnicity²⁰. In the Netherlands Calvinist and Catholic cleavages, and to a lesser extent, socialist and liberal ideological divisions, have been the salient subcultures or 'pillars'. In the first decades of the twentieth century each 'pillar' generated its own subcultural array of social organizations, ranging from political parties, trade unions, employers organizations, schools and universities, health and welfare agencies, mass media, and sports and leisure associations.

Elaborating on the development of the welfare state as the case in point of Dutch ungovernability, Den Uyl emphasized that the welfare state in the Netherlands essentially emerged from the 'private' welfare systems of the different denominational and political subcultures of the early 1900s. Its historical development concerned an evolutionary process in which 'private' welfare arrangements of the respective pillar organizations have

¹⁹ Daudt, Wolk, van der, Bedreigde Democratie, 113-142.

²⁰ See David Martin, A General Theory of Secularization, Oxford, Basil Blackwell, 1978.

gradually given way to 'public' welfare provisions. In due course, former functions of subcultural organizations were taken over by state agencies. However, this piecemeal evolution did not reach its final 'public' conclusion, much to Den Uyl's dismay. There still remain strong remnants of the pillarized past in Dutch social policies. Although practically all social services are today financed by public means, only a few are directly delivered by the state. Instead, independent specialized, professionalized, bureaucratized, neither public nor private, welfare institutions, provide services in the fields of education, welfare, and health care. Having cut themselves loose from their pillars, they make huge claims on the state bureaucracy and finances. These bodies make up the massive independent 'iron ring' of the 'fourth and fifth' powers, in Den Uyl's argument. Dutch politics has fallen hostage to the secular expansion and bureaucratization of these originally pillarized institutions. In his final analysis, Den Uyl stresses that the growth of the semi-governmental bureaucratic network is neither the product nor the result of government intervention. On the contrary, Dutch ungovernability is the direct result of the historical passivity and weakness of the Dutch state in the face of the resilience of the encompassing pillars.

In the Dutch context, corporatism, narrowly confined to the sphere of economic policy-making, is indeed inextricably bound up with the socio-political phenomena of pillarization and consociationalism. However, any exposition of the political situation in the Netherlands that declines to distinguish, as the

'Eindhoven Lecture' does, between the extra-parliamentary practice of corporatism, the parliamentary practice of consociationalism, and the societal dynamic of pillarization, will inevitably fail to understand profound changes in Dutch politics and society from the mid 1960s through to the 1980s. Corporatism, consociationalism, and pillarization cannot be conflated. Only with clear analytical distinctions are we able to trace and account for the significance of the institutional factors of consociationalism and pillarization in the evolution of corporatist policy-making in the Netherlands, which is the principal aim of the present dissertation.

For the purpose of the thesis I wish to define corporatism, in keeping with contemporary political economy scholarship as:

The specific extra-parliamentary political practice of close and highly structured bargained cooperative interaction, under liberal democratic rule, between the formal representatives of trade unions and employers associations in concertation with government, pertaining to issues of economic policy-making at the level of the nation state.

Having defined corporatism in its contemporary form as subordinate to liberal parliamentarism and being voluntarily pursued and agreed to by the three so-called 'social partners', regular prefixes like neo, liberal, societal, and democratic are no longer necessary. This however does not obviate, and indeed may provoke, the kind of tensions, Den Uyl alluded to, between corporatist and parliamentary forms of representation.

In compliance with the theme of consociational democracy in the study of comparative politics, I define consociationalism as:

The parliamentary political practice whereby elites of divided minority parties accommodate divergent interests

and subcultural demands and share power in so-called 'Grand Coalition' governments under an ethos of mutual non-competitive acceptance.

Finally, following Dutch sociological scholarship, I define pillarization as:

The societal dynamic through which particular worldviews or religious expressions (Weltanschauungen) become the focus of social and political participation, resulting in pronounced, internally cohesive and externally separated or segmented, subcultures.

The key theoretical idea of the present study in historical political economy is that modes of social and economic regulation, are shaped less by particular policy objectives, such as balanced economic growth, full employment and price stability, than by the particular historical settings in which regulation takes place. With regulation I mean patterns by which activities and relationships in the sphere of production and distribution of social and economic resources are coordinated and allocated, and real and potential conflicts structured². No matter how similar the economic structures and technological environments of different national economies are, styles of policy-making, social norms and values, institutional arrangements such as administrative and organizational routines, employed in social and economic regulation, vary remarkably from country to country. Even if we keep in mind the plurality policy arenas in single countries, from

² Lange, P., Regini, M., 'introduction: interests and institutions - forms of social regulation and public policy-making', in Lange, P., Regini, M, Public policy and social regulation in Italy, Cambridge, Cambridge University Press, 1989.

a comparative point of view, there remain large measures of coherence and consistence in national forms of regulation.

The thesis, therefore, adopts a so-called 'politics of economics' perspective to the study of Dutch corporatism. This approach to the study of political economy has been developed by a number of American political scientists associated with Harvard's Center for European Studies². The 'politics of economics' perspective is distinctly different from the dominant 'public choice' or the 'economics of politics' approach, which attempts to apply the methodology and analytical tools of neo-classical economic theory to the study of public policy. The 'politics of economics' perspective does not lend itself easily to rigorous hypothetic-deductive modelling and testing. Its programmatic argument concentrates on the institutional context in which public policy is made with a strong focus on the historical factors that have affected state administration, the organization of civil society and the structure of the economy. Its substantive concern

² See for example Peter Gourevitch, Politics in times, comparative responses to international economic crisis, Ithaca, Cornell University Press, 1986, Peter Hall, Governing the economy, the politics of state intervention in Britain and France, Oxford, Polity Press, 1986, Peter j. Katzenstein, Small States in world markets, industrial policy in Europe, Ithaca, Cornell University Press, 1985, Charles S. Maier, In search of stability, exploration in historical political economy, Cambridge, Cambridge University Press, 1987, Michael J. Piore, Charles S. Sabel, The second industrial divide, possibilities for prosperity, New York, Basic Books, 1984, John Zysman, Governments, Markets and Growth, financial systems and the politics of industrial change, Ithaca, Cornell University Press, 1983.

is the effect of processes of mediation between socioeconomic interests through an institutional setting on social and economic regulation. Its main actors are, therefore, collective rather than individual. The methodological hallmark of the 'politics of economics' perspective lies in its comparative bent, highlighting patterns of national distinctiveness as much as the common ground of various political economies. With its special attention for historical and comparative aspects of social and political action the 'politics of economics' approach follows in the footsteps of the historical political economy of Max Weber.

While conducted within the general framework of the comparative approach to corporatism, the dissertation departs from conventional corporatist research in two ways. First of all, the study concentrates on a single political economy - that of the Netherlands. Secondly, it traces the genesis and evolution of Dutch corporatism further back into history than the period of the establishment of corporatist arrangements after 1945 through to the alleged prime time of corporatist crisis-management of the mid-1970s.

The Netherlands is a particularly interesting case to examine from the comparative 'politics of economics' perspective. To many students of European corporatism Dutch economic policy-making seems shot through with corporatist arrangements, so much so that it has been frequently referred to as the 'harmony model' of political economy. Most scholars of modern corporatism agree with Gerhard Lehbruch's observation that the Netherlands is an example of

corporatism 'par excellence': "The most elaborate institutionalization of corporatism is to be found in the Netherlands"³. Yet, from the standpoint of the dominant 'social-democratic' Scandinavian model of regulation, as exemplified by the celebrated Swedish case, which views strong and unified working class power in both party politics and the industrial arena as necessary conditions for the adoption of corporatist practices, the Netherlands is an anomaly⁴. In Dutch history the political left has been generally weak and the trade union movement internally divided along pillar lines.

The thesis oscillates between two objectives: that of examining the historical-empirical effect of consociationalism and pillarization on the pathway of Dutch corporatist regulation, and that of developing a comparative perspective to corporatist theory, beyond the peculiarities of Dutch history. It is in this sense that the dissertation can be labeled a 'theoretical country study'. The constant tension between the historical-empirical and comparative-theoretical poles of interest can be harmful to the overall endeavor. There is the danger of doing injustice to historiography by making too superficial an analysis of the case. On the other

³ Gerhard Lehbruch, 'liberal corporatism and party government', in Schmitter, P.C., Lehbruch, G., Trends toward corporatist intermediation, London, Sage, 1979, p. 165.

⁴ Gosta Esping Anderson, Politics against markets, the social democratic road to power, Princeton NJ, Princeton University Press, 1985.

hand, there is the risk of succumbing too much to description of minute particulars with the resultant of undermining the study's general theoretical purpose. The present study is bound to do some injustice to each of the two objectives. I strive for a reasonable balance. The thesis is divided into four parts. Part I is chiefly comparative-theoretical. Parts II and III are mainly historical-empirical.

4. Historical preconditions of corporatist political exchange

There is a distinctive lack of a serious historical dimension in modern corporatist scholarship. In chapter 2, I will take a critical stand against the dominant foci of corporatist research on, first, cross-national quantitative surveys relying on correlational methods merely covering recent decades, second, vacuous synoptic theories of socio-economic development, and, third, qualitative single case studies of solely postwar developments. The chapter is especially critical of the second type of theories, which have tried to explain corporatism with reference to structural exigencies, imposing evolutionary schemes of socio-economic development in terms of successive stages, each with their own leads and lags. It is my contention, that there is a high degree of indeterminacy in social and economic regulation. The structure of the economy, the state of technology, the location in the international economy, changes in the relations of production, etc., do not determine ultimate policy choices but demarcate the range of regulatory options. Regulation between the collective

actors of the state, organized capital and labor, is shaped by politics, broadly defined, and cannot be reduced to some apparent socio-economic logic that discounts conscious intentions of historical agents. I, therefore, argue for a less reductionist, a more dynamic and historical approach to the study of corporatism, which leaves room for evaluating the many different non-economic, social and political, forces that shape economic policy-making.

In an attempt to free corporatist theory from some of its explicit structuralist and implicit teleological foundations, I will, in chapter 3, develop a theoretical perspective on the historical inter-connections of different institutional factors to social and economic regulation across different nations. In it I offer an analytical and conceptual framework that is conducive to comparative-historical study of the different ways and various degrees to which European political economies have adopted or resisted corporatist arrangements. The overall exercise of the chapter is geared towards a systematic effort to isolate a limited number of preconditions, with the a view of laying out a set of analytic tools necessary for historical-empirical analyses of particular forms of regulation. The typology will be brought into focus through a brief and cursory examination of recent experiences in a number West European political economies.

The ideal-type method, expounded here, combines hypothetic-deductive theories of how collective actors might 'rationally' be expected to engage in corporatist arrangements in a given situation, with emphasis on the historical insistence that what is

rational depends to a large extent on the institutional context of that specific empirical situation. The political theorist Allesandro Pizzorno has aptly described the corporatist practice as a form of 'generalized political exchange' through which the formal representatives of the producer groups of capital and labor trade their capacity to mobilize constituent membership in exchange for participation in the formation of social and economic policies of the national state²⁵. Any empirical exposition of corporatist arrangements under liberal democratic rule has to address the question of how, in the absence of state coercion, the main actors - organized labor, capital and state officials - voluntarily decide to enter into such bargained co-operative relationships. Of interest here are the institutional circumstances that allow the corporatist type of political exchange to be pursued by each actor alike. Empirically, Pizzorno's trade-off is dependent on both the objective capacity and the subjective willingness of the three collective actors to engage in corporatist practices. Building on a variety of insights of corporatist theory and the vast accumulation of empirical knowledge of corporatist experiences in Western Europe, I will extract a generalizable typology of three institutional, necessary but not sufficient, preconditions fundamental to the initiation and sustenance of the corporatist

²⁵ Allesandro Pizzorno, 'political exchange and collective identity in industrial conflict, in Crouch, C.J., Pizzorno, A., The resurgence of class conflict in Western Europe since 1968, London, Macmillan, 1978, vol 2, 277-298.

type of 'political exchange'. Since, empirically, these institutional co-ordinates are the products of history, I will consider them as the 'genetically relevant co-ordinates' or 'historical preconditions' of corporatism.

It is appropriate briefly to specify the three historical preconditions, which pertain to the institutional capacities of the state and the functional organized interests, and the subjective willingness, ideological dispositions, normative goals and purposes of the respective collective or 'corporate' actors to engage in corporatist bargaining processes.

The first historical precondition designates the institutional capacity of state actors to 'share political space' with organized groups from civil society. Colin Crouch has defined political space as:

(...) that range of issues over which general, universal decisions are made within a given political unit, particularly decisions which are seen by political actors to affect overall social order^x.

Crouch's notion of shared political space captures the reciprocity of the relationship between functional organized interests and the state in corporatist arrangements. By sharing political space a state devolves part of its most distinctive resource - legitimate coercion - to organized groups in civil society which it does not administratively control.

^x Colin Crouch, 'sharing public space: states and organized interests in Western Europe', in John Hall (ed), States in Societies, Oxford, Blackwell, 1986, 179-180.

The second historical precondition specifies the institutional capacity of the societal actors of organized capital and labor to represent workers and employers in corporatist arrangements, and the ability of the leadership to discipline members to comply with the agreements reached at the decision-making center. This precondition revolves around three related organizational exigencies: associational mobilization, associational centralization, and associational concentration²⁷. Associational mobilization refers to the extensive ability of organized interests to aggregate large numbers of workers and producers in trade unions and employer associations. Associational centralization pertains to the intensive ability of functional organized interests to organize tightly, to integrate vertically local and sectoral affiliates in one federal national center or 'peak' organization, with high levels of affiliate commitment to the center. Associational concentration centers on the institutional capacity of organized interests to integrate horizontally or unite producers and workers into unified class-wide organizations.

Besides the necessary institutional capacities that enable societal and state actors to engage in corporatist political exchange, we also have to address the subjective willingness of the social partners to pursue corporatist practices and agree and stick to the trade-offs reached. Since objective situations are hardly

²⁷ See Jelle Visser, In search of inclusive unionism, a comparative analysis, Amsterdam, University of Amsterdam, Phd dissertation, 1987.

ever clear, they admit different interpretations. Here embark on the realm of ideology. Weber has argued that historical development can in part be attributed to the effect of ideas on the action of individuals and groups. He showed that subjectively intended meaning is a centrally important component of socioeconomic reality⁸. Next to Weber, Durkheim emphasized that norms, social values of how people act morally in their relations with others, are necessary for sustained social cooperation⁹.

Because corporatist arrangements require consensus and trust among the 'social partners' at the decision-making center, and between corporate actors and their respective social bases, the third precondition encompasses ideological dispositions and normative goals and purposes, ideal interests, which are able to support corporatist regulation and bolster the precarious legitimacy of corporatism under liberal parliamentarism with respect to the overall polity. This precondition includes a horizontal, inter-organizational or Weberian, and a vertical, intra-organizational or Durkheimian, dimension. At the horizontal level it essentially revolves around the relative convergence of notions of 'class interdependence' among the three corporate actors to increase mutual trust. This includes labor's recognition of the

⁸ Weber, M., The protestant ethic and the spirit of capitalism, New York, Charles Scribner, 1958 (1904-6).

⁹ Durkheim, E., The division of labor in society, London, Macmillan, 1984 (1893).

prerogative of private ownership and the acceptance of employers' control over crucial economic decisions, especially investment. It also pertains to capital's recognition of working-class organization as the legitimate representative of labor in collective bargaining procedures. Finally, it touches on government's commitment to high levels of employment and the rights of workers. At the vertical Durkheimian level it is linked to normative expressions which intensify collective identities, social cohesion and intra-organizational morale. A social group that can increase mutual trust on the basis of ideology has a greater capacity to strengthen membership loyalty and leadership authority over rank-and-file. The formation of an autonomous and cohesive collective identity depends to a large extent on an ideology and a set of values for the definition a collective interest and the selection of a course of collective action. Ideologies are not 'free floating' but the product of real social circumstances.

The suggested theoretically grounded typology of the three historical co-ordinates of corporatism contains three distinct advantages for interpreting various trajectories of economic policy-making across advanced political economies. First of all, because the preconditions are not defined exclusively in corporatist terms, the typology permits systematic comparisons of both corporatist and non-corporatist patterns of economic policy-making. Secondly, it allows for variability and heterogeneity in social regulation in terms of outcomes, as possible states of a dependent variable, which can be accounted for by variation among

the theoretically grounded independent variables of the three historical preconditions. Thirdly, historical factors peculiar to individual countries are allowed to explain for the respective degrees of institutionalization of the three preconditions.

In terms of individual cases, the typology thus enables us to assess the relative strengths and weaknesses of corporatist arrangements in single countries in terms of the extent to which these preconditions are met. From a comparative point of view, the typology helps us to adequately account for much of the variation of corporatist practices across Western Europe in terms of the variation of the degree of institutionalization of the historical preconditions.

5. The historical co-ordinates of Dutch corporatism

The historical-empirical second part of the thesis provides an understanding of the origins of Dutch corporatism. The basic objective is to demonstrate the extent to which the Dutch post-1945 'harmony model' of political economy evolved out of a far longer and contingent process of institutional change than generally has been thought relevant in modern corporatist research. Looking backward for the roots of Dutch corporatism, chapter 4 through 6, offer analytical examinations of the historical legacies which cumulatively have given rise to institutional and cultural settings in which it was easy for corporatist arrangements to take root after 1945. They include historical reconstructions in terms of the

historical development of the relevant historical preconditions in Dutch politics and society in three separate chapters.

Chapter 4 traces the emergence of a state that is institutionally capable and subjectively willing to share political space with organized groups of civil society in Dutch history. Following Hans Daalder and Jacques van Doorn, it argues that the absence of absolutism, persistent presence of political factionalism, and regional and religious diversity in Dutch society, permitted the survival of pre-parliamentary traditions of elite accommodation³⁾. These traditions encouraged the formation of a nation state with a policy legacy of shared political space and the rise of a public policy-making elite committed to the sharing of public space with representative groups. The survival of these policy legacies, subsequently, eased the formation of orthodox Calvinist and Catholic social and political associations at the 'modernizing' turn of the 20th century. In turn, the piecemeal segmentation of Dutch social and political life along the ascending 'pillar' lines permitted the establishment of the consociational model of parliamentary politics in the Netherlands.

Contrary to Arend Lijphart's vision of consociational politics as the outcome of deliberate elite efforts to counteract the

³⁾ Daalder, H., 'the Netherlands, Opposition in a segmented society', in Dahl, R.A. (ed), Political Opposition in Western Democracies, New Haven, Yale University Press, 1966, 188-236, Doorn, J.A.A., van, 'schets van de Nederlandse politieke traditie', in Beus, J.W., de, Lehning, P.B., Doorn, J.A.A., van, (eds), De ideologische driehoek, Nederlandse politiek in historisch perspectief, Meppel, Boom, 1989.

immobilizing and destabilizing effects of cultural fragmentation³, Daalder and van Doorn's developmental analyses suggest that the older policy legacy of living together with many divided minority-groups facilitated a peaceful and gradual transition towards forms of political mobilization and organization along denominational lines in the closing decades of the 19th century. In this perspective, consociationalism is viewed not as a response to the perils of subcultural splits, as Lijphart would have it, but rather as the outgrowth, institutionalization, and formalization of an older legacy of sharing political space.

What is important to underscore with Lijphart that the political practice of consociationalism positively embraces the sharing of political space as a rule of procedure. Through the introduction of consociational politics major public activities of both state and civil society are compartmentalized and run separately by and for different subcultural cleavages. Once institutionalized, the commitment of government to the sharing of public authority with private groups can in due course be transmitted to other areas of public policy, such as to the sphere of social and economic regulation.

Chapter 5 examines the historical foundation of the Dutch pillarized or subculturally segmented system of industrial relations. It focuses on the institutionalization of the

³ Lijphart, A., The politics of accommodation: pluralism and democracy in the Netherlands, Berkeley, University of California Press, 1968.

organizational co-ordinates of the corporatist exchange; associational mobilization, centralization, and concentration of functionally organized interests.

In the latter half of the 19th century two issues emerged on the political agenda which shaped Dutch politics and society thereafter: the 'school-issue' and the 'social question'. The late 19th century opposition to the latitudinarian liberal government over the subject of religious schooling by orthodox Calvinist and Roman Catholic minority groups induced the pillarization of Dutch society. Religion hereby became both a divisive and a consolidating force. Whereas it split mixed religious localities horizontally, it fostered vertically integrated, strongly hierarchical, associational linkages among like-minded believers across the nation. The organizational build-up of Calvinist and Catholic organizations and the consociational political practice further encouraged the segmentation of Dutch society into separate subcultural communities with cohesive collective identities. Once firmly institutionalized, these very divisions nationalized and, through consociationalism, further integrated and consolidated Dutch social and political life².

Because the 'school-issue' preceded the take-off of industrialization in the Netherlands after 1895, the 'social question', the advent of working class protest, came to be tackled

² See Knippenberg, H., Pater, B. de, De Eenwording van Nederland, schaalvergroting en integratie sinds 1800, Nijmegen, SUN, 1988.

and defined in terms of the already ongoing process of subcultural segmentation. The politics of organized interests were consequently shaped along the ascending ideological cleavages. The emerging two-fold divided Calvinist-Catholic and religious-secular subcultural geography of the Netherlands, consequently, cast the Dutch pattern of industrial relations. This had two important consequences, one favorably disposed to the emergence of corporatist regulation and one harmful to corporatist political exchange. It encouraged, on the one hand, the formation of solid, vertically integrated or strongly centralized, 'peak' federations. On the other, it led to an exceptionally horizontally segmented system of industrial relations. Calvinist and Catholic trade unions emerged alongside a socialist trade union movement and Calvinist and Catholic employer associations next to secular liberal employer federations. In short, with respect to the horizontal level of organizational capacities of Dutch industrial relations associations, the emerging system was inherently weak, far removed from the corporatist ideal type of integrated and unified class-wide organization.

Chapter 6 considers the historical institutionalization of the ideological and normative precondition of corporatism. In a very modest way this chapter provides a contribution to the illustration of the historical effect of ideas in shaping Dutch corporatism. It concentrates on the movement towards ideological reconciliation between Catholic and Calvinist intellectuals on issues of economic and social organization and the shift from Marxism towards

revisionist planism in social democratic circles during the interwar parenthesis.

While the subcultural cleavage structure widened and tightened after the First World War, Calvinist, Catholic and Social-Democratic normative dispositions with respect to economic order and industrial organization, underwent a remarkable convergence. Under the experience of the Great Depression the ideological distances between the Calvinist, Catholic, and Social Democratic pillars narrowed dramatically. In the 1930s the Social Democratic party and the social democratic union federation abandoned Marxism. The Catholic party and its affiliated unions, afraid of losing their large proletarian constituencies to the Social Democrats, gradually came to accept more state interference in the overall economic order. The Calvinist and Catholic principles of 'sovereignty in private circles' and 'subsidiarity', remainders of the 19th century State-Church struggle, sanctioning an interventionist role of the state solely where private initiative was lacking, were reinterpreted and renegotiated in favor of a more prominent role of the state in industrial organization. In due course, the two Christian-Democratic principles came to neatly coincide with the newly adopted Social-Democratic conception of 'functional decentralization'. Together, the three ideas laid the normative foundation of the overall ideological umbrella of 'class-interdependence' of post-1945 corporatist framework. This ideological reconciliation had hardly any lasting effect on the solidly pillarized organizational space and the 'frozen' highly

structured political system in which subcultural loyalties still determined the vote of the greater part of the electorate.

Before the outset of the Second World War the three historical preconditions for Dutch corporatism were virtually in place. First of all, we find an institutional setting and a frame of mind of shared political space of on the part of state actors. Secondly, we encounter a pattern of industrial relations that is vertically integrated, but not sufficiently horizontally integrated. The industrial relations system continued to be divided along pillar lines. Yet, this horizontal segmentation was about to be bridged to promote 'social peace' by the ideological congruence with respect to national political economy issues among the different pillar elites, when the Nazi-Germans marched into the Netherlands on the first of May 1940.

Although it is generally believed, with some reason, that Dutch economic policy-making made a clear break with the past in 1945, I have attempted to tone down the alleged watershed in these historical chapters by underscoring the importance of the effect of the survival of the pre-existing legacy of sharing political space in the process of the nation-state building in the Netherlands, and the timing and handling of the 'school issue' and the 'social question' in shaping the three historical genetically relevant co-ordinates of Dutch corporatism.

The experience of the Nazi-occupation and socio-economic chaos left behind by the Germans after the Liberation undoubtedly encouraged the willingness and ability of leaders of the organized

interests of capital and labor and state authorities alike to pursue policies of mutual accord in managing the war-stricken Dutch economy. Still, the innovative and seemingly unproblematic institutionalization of a vast complex of corporatist structures, and the ready approval of state intervention in the spheres of the economy and industrial relations, especially with regards to wholesale acceptance of the 'Roman-Red' - Catholic and socialist coalition - government's policies of wage restraint were the corollary of political and social developments already at work before the onset of the Second World War. The origins of the 'harmony model' of political economy were built on prewar forms of organization and regulation.

6. Corporatist institutional change

The historical-empirical part 3 of the thesis offers a dynamic explanation of the transformation of corporatist regulation in the Netherlands in the postwar period. There is a peculiar neglect of institutional change in the contemporary studies of European corporatism. Corporatist policy-making may predominate in certain countries, but if we keep in mind the drastic changes in economy and society since 1945, it is hard to imagine single and static patterns of corporatist regulation in these economies. The chapters 7 and 8, therefore, move from the heuristically fixed assessment of the emergence of corporatist polities in terms of the relative strengths and weaknesses of the three historical preconditions to

a dynamic examination of the transformation of Dutch corporatism over the postwar era.

The process of institutional change will be analyzed in a two-by-two model. The aim of the model is to provide a fairly simple and parsimonious framework for the analysis of institutional change wherein the respective preconditions can be studied together, synthetically. The principal theoretical notion behind the model is that institutional arrangements take on a specific life of their own. Once corporatist practices have become institutionalized patterns of regulation, variation among the genetically relevant preconditions are not directly translated into shifts in regulatory policies.

It is appropriate to briefly specify the dynamic model. Corporatist institutional change is here understood in terms of two properties: (1) the degree of institutional integration of organized interests into the public policy-making process; and (2) the degree of societal support for corporatist policies offered by the organized interests of capital and labor. The hypothesized variation of combinations of high and low degrees institutional integration and high and low levels of societal support identifies three different patterns of corporatist regulation, which I will call 'innovative', 'responsive' and 'immobile' corporatism, and one related non-corporatist form of regulation, which I will call 'corporatist extrication'.

The vertical axis represents the degree of institutional integration. It concerns the degree to which private and public

interests are locked into each other, the extent to which the two invade each other and enlarge their domain at each others' expense. Institutional integration involves what Claus Offe had called 'public status attribution'³. Public status attribution concerns the extent to which organized interests are recognized by the state, accorded with privileged status in the public policy-making framework and endowed with regulatory authorities. In practice, institutional integration revolves around the capacity of a relatively independent public/private interest framework for social and economic regulation. Where there is a low level of integration, where, for instance, bi- and tripartite bodies are non-existent or only poorly developed, political economies will lack the institutional capacity for stable corporatist political exchange over time. Conversely, institutional integration is increased with increased public status granted to bi- and tripartite structures.

Since corporatist arrangements require the exercise legitimate authority, it is postulated that the state has the final control over the level of institutional integration. State actors lend authority to administrative rulings and agreements reached by private actors in corporatist arrangements, as to make them binding for specific sectors and sometimes whole economies. They have the decisionist ability to draw organized interests in and out of

³ Offe, C., 'the attribution of public status to interest groups: observations on the West German case', in Suzanne Berger (ed), Organizing Interests in Western Europe, Cambridge, Cambridge University Press, 1981, 123-158.

corporatist regulation. Private interests can only integrate themselves into corporatist structures with the active compliance of the state. The vertical axis hereby underscores the relative importance of the state among the corporate actors in corporatist bargaining processes. It can be viewed as a combined indicator of institutional capacity and subjective willingness of the state to share political space in social and economic regulation.

The postulated 'relative autonomy' of the state does not suggest that state actors can change the level of integration as they see fit, as if they were operating a lever. Institutional arrangements are sticky, as economists say of wages, which tend to move up more easily than in a downward direction. Once given, a wage increase is hard to take away. A similar downward stickiness can be argued with respect to institutional integration, especially since it concerns the incorporation of private interests into legislative and administrative provisions.

While the state is posited to have final control over the level of institutional integration, it has little control over the degree of support coming from organized interests for corporatist regulation. It is definitely not the case that the more organized interests are integrated into the public policy-making process, the more supportive they will be. The horizontal axis, therefore, represents the degree of societal support for corporatism in the political economy. It can be viewed as a combined indicator for the institutional capacity and subjective willingness on the part of the organized interests to engage in corporatist bargaining in

concert with the state. Societal support include interest representation, interest regulation, and consensus over the national economic interest. Interest representation refers to the extent to which organized capital and labor transmit membership demands to the decision-making center. Interest regulation touches on the ability to deliver rank-and-file, to ensure compliance with the agreements reached at the decision-making center. The need to represent membership and the need to regulate rank-and-file are in a constant dynamic tension. When this tension is not successfully managed by the social partners, it can destabilize the corporatist exchange. This is one of the two reasons why the horizontal axis is a great deal more fluid than the institutionally sticky vertical axis.

Alongside effective interest representation and regulation, societal support also touches on the ability to achieve consensus between the organized forces of capital and labor over the national economic interest. Consensus over the national economic interest is perhaps even more elastic than the associational anxiety of representation and regulation. Capital and labor each pursue their own versions of the national economic interest, which are influenced not only by their respective ideologies, but also by their perceptions of their specific functional roles and their self-interested concerns with organizational survival and growth, re-election, etc. Therefore, rather than assuming consensual attitudes and effective representation and regulation as being

endogenous to corporatist regulation, societal support is taken to be variable in the model.

The suggested dynamic model contains two distinct advantages for the interpretation of corporatist institutional change. First of all, it treats institutional integration and societal support as two relatively independent variables. The state is posited to have sufficient primacy over constitutional forms and institutional structures which cannot be inferred directly from the configurations of organized interests. Secondly, it also admits an institutional element in its dynamic, which is typically phrased without reference to any particular social agent. Once institutionalized and routinized, corporatist practices have a logic of their own. Institutional arrangements affect policy-making by constraining choices, facilitating some and excluding others. The dynamic model allows institutional and economic conditions and the goals of the corporate actors to interrelate over time.

It is rather surprising that modern corporatist scholarship, which has situated itself somewhere between 'society-centered' and 'state-centered' approaches to the study of political economy has paid so little attention to the variability of institutional integration and societal support and their interrelation, given the nature of the corporatist practice as a form of political exchange between government and organized interests, whereby capital and labor receive privileged influence over public policy-making in return for guarantees that their membership will behave in ways considered to adhere to the overall national economic interest.

While recognizing the so-called 'relative autonomy' of the state in corporatist practices, many scholars have declined to understand how its main components interrelate, this especially with respect to the changing position of the state in corporatist exchange.

Conditions of high societal support for corporatist regulation and low integration induce 'innovative' corporatism or corporatist institution-building. Here exceptional political and economic conditions allow national policy-makers, who are historically willing to share political space, to set up corporatist structures with the strong support of organized interests, which are also historically, both organizationally and ideologically, predisposed to corporatist exchange. Corporatist innovation usually concerns a period where bi- and tripartite structures are built into the political economy as a stable set of institutional arrangements for the mutual advantage of public and private interests in the management of social stability, balanced growth, price stability and high levels of employment.

High societal support combined with high institutional integration lead to 'responsive' corporatist regulation, where the corporatist exchange runs smoothly and is successful in achieving the above goals. This situation concerns the time when corporatist structures have become solidly institutionalized, organized interests heavily incorporated in the formulation and implementation of public policies, together with a high degree of consensus between the bargaining parties over the national economic interests. Most corporatist scholars have studied corporatist

regulation in its 'benign' variant. Peter Katzenstein found that small European political economies blessed with corporatist institutions did successfully wither the crises of the 1970s. From this experience he, subsequently, inferred that corporatist countries are best able to thrive in a globalizing world economy³⁴. I think it is a priori implausible that a particular set of institutions would generally be favorable to economic performance. The suggested dynamic model, therefore, contains next to the benign variant, a malignant version of corporatist regulation. The malign variant of 'immobile' corporatist regulation concerns a situation where low social support is coupled with high integration. Under these conditions corporatist institutions are posited in fact to form barriers to effective social and economic regulation. Manfred Schmidt has aptly referred to 'immobile' corporatism as a situation of 'concertation without consensus'³⁵.

The condition of 'immobile' corporatism reveals that corporatist political exchange is driven by a paradoxical tradeoff. This is best understood by focusing on the state among the regulatory actors. When state policy-makers engage in corporatist regulation, they essentially choose to make themselves more dependent on organized interests, by integrating them into the

³⁴ Peter J. Katzenstein, Small States in World Markets, Industrial Policy in Europe, Ithaca, Cornell University Press, 1985.

³⁵ Manfred Schmidt, 'the politics of unemployment: rates of unemployment and labor market policy', in Western European Politics, vol. 7, 5-24.

regulatory process, seeking in return a greater control over the policy-making process and their respective outcomes. This tradeoff is linked to the two main components corporatist regulation, the extent to which policy-makers find societal support from organized interests for their policy objectives and the degree to which organized interest are formally integrated into the policy-making framework on the other. Immobile corporatism shows that when societal support wanes, state actors become imprisoned in an institutional setting that no longer functions, resulting in corporatist policy inertia. The dynamic model posits that state policy-makers can chose among two options in case of corporatist immobility. Either they can attempt to reinvigorate societal support and try to move back to the more responsive variant of corporatist regulation. Alternatively, they pull back from institutional integration by breaking out of the standard corporatist arrangements and attempt to disengage the state from its dependence on societal support. The latter strategy is here referred to as 'corporatist extrication'. It combines low levels of societal support and a low degree institutional integration since state actors here actively disconnect institutional integration. Corporatist extrication indicates a authoritative style of policy-making on the part of the state within a corporatist setting, in which state policy-makers set policies more autonomously, as societal support for corporatist bargains wanes.

While having the autonomy to deal with economic problems in an authoritative fashion, the state officials will most likely

believe themselves to be in need for overall consensus when societal support begins to decline. The alternative option of 'corporatist extrication' is severely constrained by heavily institutionalized corporatist administrative and organizational routines. At first, the state will try to pursue the avenue of reinvigorating societal support by increasing the degree of institutional integration.

Favorably past experiences with well established organized interest with administrative and executive abilities and capacities to represent and regulate membership and previous legacies of negotiation, consultation, and cooperation, form 'exit' barriers against uncoupling the corporatist exchange. The more institutionalized and routinized corporatist regulation, both in terms of its institutional interdependence and in terms of the subjective commitment on the part of the state to share political space, the harder it will be to abrogate corporatist regulation. As Peter Hall has suggested, state actors will often need a learning process to change embedded political attitudes and institutional arrangements. The extent and length of policy inertia and the concomitant learning process in part depend on the degree of dependence - the 'exit' barriers - corporatist arrangements have previously developed. In the dynamic model, declining social support is implicitly the prime mover in the transition away from responsive to immobile corporatism. The cause of immobilism, however, and the length of the period of policy inertia, i.e. reluctance of the state to disengage itself from corporatist

bargaining procedures is intimately linked to the degree of institutional integration.

The interrelation between institutional integration and societal support within a corporatist setting can be traced in the following matrix:

institutional integration	immobile corporatism	responsive corporatism
	corporatist extrication	innovative corporatism
	societal support	

7. The paradox of the 'harmony model' of political economy

The contemporary historical part of the dissertation examined the transformation of the Dutch 'harmony model' from its establishment in the late forties to its 'Golden Age' in the 1950s and early 1960s through to its fragmentation in the 1970s and early eighties.

The exercise is centered around wage regulation, which has been generally been recognized as the core of Dutch corporatism. The chapters 7 and 8 take on a 'state-centered' bent³. The focus is on how the relative autonomy of the national state among the corporate actors in corporatist arrangements changes over time. The overall examination is geared towards an understanding of why and how the government initiates corporatist arrangements, how it behaves within the corporatist setting, and how, why and under what conditions it, sometimes, steps outside corporatist practices.

The postwar transformation of Dutch corporatism can be interpreted in terms of the dynamic interrelation between its main components of institutional integration and societal support. Corporatist regulation in the Netherlands evolved from a short 'innovative' period of institution-building from 1945 to 1950, through to the celebrated 'responsive' pattern between 1950 and 1963, which gradually gave way to radicalizing and decentralizing tendencies on the societal front after 1965 to induce an 'immobile' form of corporatism from 1972 until 1982, the year government sidetracked the corporatist framework to set public policies authoritatively.

Chapter 7 sketches an almost ideal-typical period of swift institution-building followed by the long term success of the

³ See Peter B. Evens, Dietrich Reuschmeyer, Theda Skocpol (eds), Bringing the state back in, Cambridge, Cambridge University Press, 1985, Eric A. Nordlinger, On the autonomy of the democratic state, Cambridge, Mass., Harvard University Press, 1981.

policies of corporatist wage restraint until the mid-1960s. Within less than a decade, Dutch corporatism became institutionalized under the legal framework of the 1945 'Extraordinary Decree on Industrial Relations' or BBA, which remained in effect until 1969. Immediately after the Liberation government vigorously sought to share political space with the representatives of the organized interests of capital and labor. Organized capital and labor, on their part, were exceptionally eager to collaborate and negotiate with each other in concertation with the state on behalf of their membership within the newly established exemplary corporatist framework of the institutions of the bipartite Foundation of Labor (Stichting van de Arbeid) and the Social Economic Council (Sociaal Economische Raad). The central federations had almost absolute regulative control and administrative and executive power over their respective affiliate associations and rank-and-file membership in the late 1940s and 1950s.

The erection of the Foundation of Labor and the Social Economic Council in respectively 1944 and 1950 did mark a new era for the Dutch political economy with respect to the level of corporatist institutional integration. Together the two institutions played prominent roles in the long-term success of consensual wage regulation during the age of hardship and economic reconstruction from the end of the Second World War to 1963. The Foundation of Labor arose from resistance contacts under the Nazi-German occupation between leaders of the Dutch trade unions and important employers. The Foundation was established as a

consultative institution on issues of industrial relations. Its main objective was to ensure good and permanent organizational cooperation between business and trade unions. While intended only as a private advisory council to government, the Foundation came to be closely involved in economic policy-making. In due course, the Foundation evolved as the principal forum for collective bargaining over annual wage accords.

The Social Economic Council, unequivocally the pinnacle institution of Dutch corporatism, was inaugurated under the Organization of Industry Act of 1950 as a tripartite counseling institution for government. The Bill stipulated that government was obliged to consult the Council before introducing social and economic policies to parliament. The Council included 30 official representatives of organized labor and business, and 15 independent experts, so-called 'crown-members', appointed by government. Representing the national economic interest in the compromise, the 'crown-members' to the Council were routinely professors in economics or law of the major Dutch universities and the respective directors the Dutch central bank (De Nederlandse Bank) and the Central Plan Bureau (Centraal Plan Bureau). The Central Plan Bureau of 1945 was initially intended as the public agency of economic planning, but got underway as the official economic forecasting institute of the Netherlands. At least until the first half of the 1960s the unanimous reports and recommendations of the Council were seldom ignored by government, to the extent that questions arose

in parliament as to whether government has retained its executive independence vis-a-vis the Council.

By the early 1950s, Dutch corporatist regulation could rely on a high degree of institutional integration coupled with high levels of societal support for corporatist incomes policies. The 'responsive' system generally functioned smoothly up until the early 1960s. Most remarkably was the participation and consent of the Dutch trade unions to the stringent system of wage determination. Throughout the 1950s the central federations continued to allow for reductions in real wages in favor of industrial growth. The policies of wage restraint encouraged the Dutch 'economic miracle' of the era of postwar growth. Charles Maier has aptly referred to this period as the era of the 'politics of production', of class-conflict moderation through economic growth and the de-ideologization of issues of political economy into questions of productivity and efficiency. Strike activity was concomitantly exceptionally low. In short, the Dutch corporatist formula proved remarkably successful in stabilizing liberal capitalism in the first decades of the postwar era.

The 1960s were dominated by a gradual breakdown of societal support for corporatist regulation. As labor markets tightened in the late 1950s, both labor and capital began to favor decentralized collective bargaining. Unions saw their membership decline and came to realize that they were left free to fend for themselves. Three years of wage explosions followed. After two decades of centrally guided incomes policy real wage jumped 9%, 15% and 10.9% in

respectively 1963, 1964, and 1965. Government asked the Foundation of Labor to advise on a better system of wage determination to be formalized under a new Wage Law, to replace the BBA of 1945. The new Law of 1970 prompted the most conflictual episode in the Dutch system of industrial relations after 1945.

In the latter half of the 1960s the 'harmony model' started to crumble. During what has generally referred to as the era of the resurgence of class conflict in European industrial relations, Dutch corporatism moved from the 'harmony' to a so-called 'conflict' model of concertation. Chapter 8 examines the ascending political immobility of corporatist regulation from the late 1960s onwards in terms of government's response to the waning of societal support for corporatist wage regulation. The corporatist political practice was on the retreat with respect to all of its conditional historical dimensions. Next to decentralizing trends in the overall system of industrial relations, we encounter substantial divergence in ideological outlook of the respective social partners, both rejecting, for altogether different reasons, the state-led incorporation of organized interests in 'responsible' incomes policies. Radicalizing tendencies at the union base made it difficult to regulate affiliate unions and rank-and-file membership from the top by the national centers. It brought a more assertive posture on the part of the leaders vis-a-vis government and employers, reflecting the need to channel unrest as well as to represent the radical demands of the base at the decision-making center. Socialist and Catholic union federations withdrew from the

Foundation of Labor's centralized bargaining processes, while also boycotting the Social Economic Council, in order to apply political pressure on government. The frequency of wild cat strikes increased dramatically. While the union movement came to adopted a more radical stance, employers turned to 'laissez-faire' neo-liberalism.

Between 1970 and 1982, despite annual efforts, no successful incomes accord was reached, except for the failed 1972 settlement. The 1982 accord concerned an unusual agreement which should not be mistaken for a conventual 'social contract', stipulating wage guidelines and working conditions. The 1982 compromise proposed a reduction of working hours through the renegotiation of collective bargaining agreements in order to create jobs and encourage various forms of work-sharing when the rate unemployment reached 12%.

The performance of the Dutch economy over the last decade and a half points to a critical paradox in accepted corporatist theory. Given that the Netherlands were, - and still are -, furnished with an exceptional and firmly institutionalized concertative apparatus of bi- and tripartite corporatist bodies, accommodating employers, workers, and government interests, this framework should, have incited a flexible response, reducing the vulnerability of the Dutch open economy in the face of the multifold recessions since the early 1970s. Yet, the Dutch experience of the late 1970s and early 1980s bluntly refutes this benevolent vision of corporatist success. Since the foremost blessing of corporatism is said to be good labor market performance, the abominable employment record of the Netherlands from the mid-1970s onwards throws into question

the proficiency of corporatist arrangements as a device for crisis management. The same elaborate and solidly institutionalized corporatist framework, which had so successfully contributed to the recovery, reconstruction and modernization of the Dutch political economy after 1945, was no longer able to curb the economic crisis, to arrest the massive rise in unemployment, peaking at 14,2% in 1984, and contain the deterioration of social services.

The collapse of the centralized system of wage determination seriously reduced the scope of the Foundation of Labor in the Dutch political economy. This, together with growing inability of the Social Economic Council's to arrive at consensual recommendations, brought government in the end to bypass the corporatist framework and to heed the advice of the Scientific Council of Government Policy, whose technocratic recommendations, based on independent expertise rather than corporatist representation, urged state actors to pursue more independent policies. With its publication of the 1980 inquiry into the 'Place and Future of Dutch Industry', the Scientific Council issued a biting critique of Dutch corporatism³⁷. The study affirmed that corporatist institutions actually hindered the necessary readjustments facing Dutch manufacturing in the eighties and nineties. This and other reports of independent committees have since added to the reduced

³⁷ Wetenschappelijke Raad voor het Regeringsbeleid, Plaats en toekomst van de Nederlandse industrie, Den Haag, Staatsuitgeverij, 1980.

willingness of government to help accommodate divergent interests in a corporatist manner.

From the early 1970s onwards, the state became gradually imprisoned in an institutional framework that no longer functioned. The continued desire for policy-control over wage determination on the part of the state prompted government to impose wage measures on the social partners in 1971, 1974, 180 (twice), 1981, and 1982, which induced a vicious circle of social conflict and concomitant policy inertia.

Since the decentralizing tendencies in the industrial relations system at large and the radicalization of the trade union movement are well documented for the Dutch case, I wish to concentrate in the contemporary part of the thesis on the extent to which the state had made itself increasingly dependent on corporatist regulation over the long period of postwar growth, and how it, after many authoritative impositions, reluctantly untied itself from a corporatist stalemate in the early 1980s. It is my contention that the alleged radicalization and decentralization in the Dutch corporatist system at the societal axis should be studied in connection with the state's dependence of societal support for corporatist regulation at the axis of institutional integration. The central tenet of chapter 8 focuses on the intra-cabinet splits over concertative or induced versus authoritative or state imposed wage regulation under a condition low societal support and a severe unemployment and ensuing fiscal crisis. Viewed in this light, the transformation of Dutch corporatism is best described in terms of

fragmentation, rather than in terms of the prevailing picture of greater decentralization in the sphere of industrial relations.

8. corporatism, consociationalism and pillarization revisited

The paradox of the precipitous fragmentation of corporatist regulation in the Netherlands can be illuminated with reference to the realms of the social and political under which the 'harmony model' functioned after 1945. The corporatist era of extremely successful reconstruction, rapid industrialization, sustained economic growth, full employment, and industrial peace, from the late 1940s until the mid-1960s, went along with two important social and political corollaries. On the one hand, it concurred with what political scientists have labeled the high period of consociational democracy. On the other hand, it coincided with what sociologists have referred to as the prime era of pillarization. The collapse of the 'harmony model', evident from the political immobility of the corporatist system of wage determination and the waning of the influence of the bi- and tripartite corporatist institutional framework in social and economic regulation from the late 1960s onwards, ran parallel to the congruent process of depillarization, the swift erosion of the segmented cleavages, and the corresponding crisis of consociational democracy in the Netherlands.

The unanticipated coincidence of the innovative triumph of the Dutch 'harmony model' of political economy and the long-term success of the policies of wage restraint, the permanence of

consociational accommodation in the political arena, and the persistence of the segmentation of organizational space and traditional loyalties along pillar lines, suggests a complex historical interconnectedness between pillarization, consociationalism and corporatism during the initial postwar decades. Conversely, the unforeseen parallelism of the recent immobility of corporatist regulation, the crisis of consociational democracy, and the decomposition of the pillars and erosion of subcultural loyalties, thereafter, intimates a similarly complex relationship between depillarization, the declining viability of consociational rule, and the fragmentation of corporatism.

In order to, finally, theoretically disclose the internal dynamics of these two contrasting parallelisms and the interrelated unintended consequences they produced in the postwar period, chapter 9 will re-examine the main theories of the extra-parliamentary political practice of corporatism, the parliamentary political practice of consociationalism, and the societal dynamic of pillarization. The objective here is to elucidate some of the theoretical interconnections between the three analytically and empirically distinct socio-political practices in terms of 'adequate' and 'inadequate' correspondences or, to use a concept employed by Max Weber, 'elective affinities'. In this final return to theory I seek to identify similarities in the respective theoretical 'modus operandi' of the three related socio-political phenomena, which may help to illuminate the particular strength the responsive 'harmony model' in the 1950s and the exceptional

weakness of the immobile corporatist framework from the late-1960s onwards.

The principal objective of the thesis is to disclose, both historically and theoretically, how the unique and indeterminate path of Dutch corporatism originated, developed, and ultimately dispersed. It examines the extent to which this peculiar experience of corporatism has been molded by the political and social synchronic conjunctures of the ascent and demise of the political practice of consociationalism and the related societal dynamics of pillarization and depillarization. I maintain that the intimate historical links of Dutch corporatism to consociationalism and pillarization can only be made comprehensible if traced, diachronically, to the formative moments of political accommodation and subcultural segmentation in Dutch history. The study examines the legacies of the 17th Century Republic of the United Netherlands and the revealing period of religious conflict and working class protest in the last quarter of the 19th Century, moments which induced the establishment of consociationalism and the institutionalization of pillarization at the turn of the 20th Century. In their initial historical materializations consociationalism and pillarization were consequential in shaping the origins of Dutch corporatism in the first two decades of the 20th century and the subsequent tentative establishment of corporatist ideas, procedures and structures during the interwar years, through to the formal creation of the celebrated bi-and tripartite institutional framework of the 'harmony model' after

1945. Conversely, in their simultaneous downfalls, consociationalism and pillarization, prepared the precipitous dislocation of Dutch corporatism from the late 1960s onwards.

While the recent breakdown of the 'harmony model' is not the primary focal point, the thesis' historical endeavor is ultimately to advance an explanation of the recent 'political immobilism' of Dutch economic policy-making. It could be argued that the extra-parliamentary political practice of corporatist concertation faltered as a device for crisis management in the 1970s, because it was based on a fragile institutional foundation, which, for as long as it lasted, depended heavily on the historical, nationally specific societal dynamic of pillarization and parliamentary practice of consociationalism. As the institutional basis of the 'harmony model' had been raised on a pillarized cleavage structure and the stable operation of consociational politics, this supportive underpinning fragmented, before the 1970s setbacks, when the crisis of consociationalism of erratic party politics and unstable coalition governments and the process of depillarization dawned in Dutch politics and society. The crisis of 'concertation without consensus' only became apparent in the late 1970s, when it provoked 'political immobilism' in economic policy-making, especially with regards to severe and intricately related unemployment and fiscal crises. Dutch politics and society have since failed to generate a new support basis to sustain viable corporatist policies.

The same set of social and political forces that supported the original success of the 'harmony model' after 1945, in retrospect, had, in a sense, also sowed the seeds for its recent demise. The consociational pillarized elites saw their peculiar pattern of corporatism gradually being subverted by the 'secularizing' force of the success of the socio-economic order they had helped to create, by bringing about material welfare, social security and full employment. Or as the Dutch historian E.H. Kossmann put the ironic consequence of Dutch reconstruction and economic prosperity:

If the men who after 1945 exerted themselves to reconstruct the ruined economy had retained their prewar (pillarized, ACH) political organization and continued to profess their belief in pluralistic stability (consociationalism, ACH) - perfectly suited they discovered, to serve a framework for economic expansion on an unprecedented scale - the young men and women of the 1960s, after economic success had been achieved, felt embarrassed by those relics^B.

Most ironical is the present counterintuitive reality that in an era where long-term subcultural loyalties have been replaced by increasingly secular public policy concerns, among which prevail economic goals such as full employment and low inflation, the Dutch 'harmony model', contrary to textbook assumptions, no longer proves a viable instrument in delivering these secular material demands.

To conclude, Dutch corporatism came into being under 'transient' preconditions, which are no longer available. The historical preconditions of Dutch corporatism were, for the most

^B Kossmann, E.H., The low countries 1980-1940, Oxford, Oxford University Press, 1978, p. 683.

part, shaped by the institutionalization, formalization, and routinization of the parliamentary political practice of consociationalism and the societal dynamic of pillarization. Consociationalism encouraged the institutionalization of earlier traditions of sharing political space as a rule of procedure in Dutch modern politics. Pillarization motivated the formation of centralized however segmented functional organized interests. Together the two socio-political phenomena stimulated the diffusion of normative conceptions of rank-and-file loyalty and congruent ideological dispositions of class-interdependence. As these the two practices lost their institutional clout from the 1960s onwards, so did corporatism.

The illustrious 'harmony model' lived on the borrowed time of consociationalism and pillarization. Behind this historical dependence on the two social and political forces beyond the original reach and scope of the economic interests and power and authority relations of the corporate actors in the corporatist game, - i.e. the democratic state and the 'peak' representatives of the functional organized interests of capital and labor -, lies what I have coined the 'historical fragility of Dutch corporatism', a title which conjures up an image of history haunting Dutch economic policy-making to this day.

The Historical Fragility of Dutch Corporatism

On the origins, establishment, and fragmentation
of the 'harmony model' of concertation

A study in historical political economy

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