The story behind the Dutch model: the consensual politics of wage restraint
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The idea of wage restraint has a long history in the Netherlands and has been presented as the recipe for economic recovery for many years now. In times of economic (and political) crisis, wage restraint has been the standard response of the Dutch government, often in cooperation with unions and employers’ organisations. Wage restraint, so the argument runs, will lead to economic and jobs growth by improving Dutch competitiveness and exports. The economic successes linked to the so-called Dutch Polder Model of the second half of the 1990s seemed to prove this point: ever since agreeing on wage restraint in the Accord of Wassenaar of 1982, the Netherlands has arguably performed rather well in international comparison.

The Story behind the Dutch Model analyses this prominent role of the idea of wage restraint in the Dutch Polder politics. Why do we always talk about wage restraint? More specifically, the question is why wage restraint has been presented as the core of the Dutch Model in the second half of the 1990s, and how a near-universal acceptance of this policy idea could develop over this period? As will be demonstrated, the answer to this question is not as simple as the phrase ‘it is good for the Dutch economy’ suggests. This book looks into more cultural and discursive mechanisms that might explain the recurrence of wage restraint in public discourse. Wage restraint needs to be constantly negotiated about, constructed as ‘good and successful’ and legitimised by the political actors supporting this policy strategy. Wage restraint therefore is not just an idea, but involves a whole story on what is economically needed, politically feasible and considered a ‘normal’ outcome in society. This study is about this story of wage restraint – the Wage Restraint Storyline – which constitutes the real story behind the Dutch Model.
The story behind the Dutch Model
The story behind the Dutch Model of wage restraint
THE STORY BEHIND THE DUTCH MODEL

The consensual Politics of Wage Restraint

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad van doctor
aan de Universiteit van Amsterdam
op gezag van de Rector Magnificus
prof. dr. D.C. van den Boom
ten overstaan van een door het college voor promoties
ingestelde commissie,
in het openbaar te verdedigen in de Agnietenkapel
op vrijdag 28 januari 2011, te 12:00 uur

door

Corina Hendriks
geboren te Almelo
How much do you earn? Maybe it is an easy question to answer, but not as common to ask. It is, at least in the Netherlands, not en vogue to ask such a question to friends, let alone, people you do not know. The amount of money people receive on their bank accounts every month is a private matter, and is not something displayed openly. Whereas we do not discuss our own salaries in public, our wages are of prime concern to policymaking circles in the Netherlands. Our wages collectively constitute a key variable for Dutch policymakers to steer the economy towards growth in terms of jobs and income. By restraining wages, as is the predominant idea, the Netherlands can make Dutch products cheaper at world markets, and consequently can sell more, and spend this money on investments, particularly in jobs. By earning less, therefore, we eventually earn more.

This dissertation is about this idea of wage restraint. It is not a very ‘sexy’ topic to discuss with friends and family, it does in general not particularly excite people. At least not until I started talking about how this idea may relate to the Dutch ‘consensus culture’ or the Polder Model. Now we were talking! The way in which the Dutch seemingly talk to each other endlessly to achieve a joint solution, and the way they are expected to behave ‘normal’ in public – act normal, that is crazy enough – was usually...
In writing this dissertation, I have benefited from the insights and help from a large group of people. I took my first academic steps within the so-called smallcons-project, which is a large EU-funded project (2003-2007) that investigated the political-economic developments in six small European countries: Austria, Denmark, Finland, the Netherlands, Sweden and Switzerland. In this project a considerable group of professors, post doc researchers and PhD-students cooperated across borders and disciplines to understand the historical and political-cultural conditions that shape these countries distinctive trajectories revolving around consensual or ‘corporatist’ decision-making. The bi-annual meetings of the smallcons-project offered an inspiring environment to discuss the central ideas of my individual research project. I am grateful to all the participants of this project, who helped me sharpen my ideas, and who offered me a platform to look at my findings from an international perspective. Specifically, I want to thank the ‘younger’ researchers, Franca van Hooren, Natascha van der Zwan, Andrea Strutz, Nora Natchkova, Ulrich Schmidt-Hansen, Adrian Zimmermann, Johannes Lindvall and Mette Anthonson.

In this regard, I am particularly grateful to Uwe Becker, the initiator of this project and my supervisor and co-promotor at the Amsterdam School for Social science Research (ASSR, now AISSR). Despite difficulties of international cooperation in the academic field combined with the complexities of EU-bureaucracy, he continuously tried to make this project to a success. For me at least, it was. And despite my, sometimes, faltering belief in the positive end to my research project, he remained always supportive. Whether it is the rural background we share or attitude to life, I have always appreciated him as a person, as well as a scholar. His critical and sharp mind is refreshing in a, sometimes predictable, academic field. I am looking forward to the car ride we are going to make this Spring!

Though Uwe was involved in my day-to-day supervising, my two promoters Maarten Hajer and Jelle Visser have also substantially contributed to the successful end of my research project. I thank Maarten for his critical comments on discourse theory particularly, and his continuing involvement, even though he in the meantime switched jobs and became the director of the newly found Netherlands Environmental Assessment Agency. I thank Jelle for smoothening the end process, in which he greatly helped me out by ordering and sharpening the parts of the study that still needed substantial work. I wish him all the best with his new ‘job’ in his family.

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My research would finally not have succeeded without the support and help from friends and family. I am particularly grateful to Suzanne for her listening ear, to Michiel for getting me away from my computer now and then, to Erik for his calmness and humour and to Lotte for helping me see things differently in a particularly difficult time. And Frederique, of course, for our good talks about life, and bigger issues. Furthermore, thanks to the girls from my football team, Saskia and Monique particularly, who made every Saturday (and now some weekdays indoor), an enjoyable day. Thanks also to my new colleagues from the scientific office of D66 – Frank, Sven, Joris, Ad, Iris, Gerhard, and also Maartje – for allowing me to talk about and work on my PhD-project, even in busy election times. Special thanks goes to Wilmar Grossouw, designer of ‘my’ D66 scientific magazine Idee, who offered his energy and creativity for the lay-out of my dissertation.

Finally, I would like to thank my parents, sisters, brother and by now five nieces and nephews. Though writing a dissertation seemed a foreign practice to them, they have always supported me on my intellectual journey.

Corina Hendriks Amsterdam, December 2010
The story behind the Dutch Model

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1.1 The Dutch Polder Model

introduction

Discussing comparative economic performance in October 1996, *the Economist* concluded that the Netherlands ‘has a fair claim to be the most successful, all around, in Europe. Which is perhaps why they are so rarely written about’. The lack of attention for the Dutch strategy was about to change radically within a few months time, however, when books and articles on Dutch socio-economic policymaking flooded the political and academic scene. What triggered this stream of attention? Whereas for many years the Netherlands was considered to be ‘the sick man of Europe’ and was suffering from a *Dutch Disease*, it had in the second half of the 1990s seemingly turned into a *Dutch Miracle*: it had been able to create jobs, minimize unemployment and substantially reduce budget deficits while at the same time largely preserving a relatively generous welfare state and maintaining low levels of poverty and income inequality. Moreover, it had achieved this in a consensual way; that is, by talking rather than fighting. According to many, the Netherlands had found a middle-way, a ‘Third Way’, between the harsh reality of Anglo-Saxon
neo-liberalism and the soft utopia of Social-Democracy (New York Times, 16 June 1997). Throughout the second half of the 1990s, foreign policymakers came to admire the Netherlands as a ‘model country, the example for the continent’, as the president of the German Bundesbank Hans Tietmeyer said (The Observer, 12 October 1997). This model image of the Netherlands has become widely known under the term Polder Model, a notion that signifies successful tripartite cooperation and central-level dialogue between employers’ associations, unions and the government on welfare state reform and other relevant socio-economic matters.

This study is about the very heart of the Dutch Polder Model: the policy of wage restraint (in Dutch loonmatiging). The Dutch Miracle was said to be the result of a particular policy mix of cutbacks and reforms, but wage restraint constituted the very core; it became its ‘best-known aspect’ (Visser and Hemerijck 1997: fn12, 21), or its ‘sex-appeal’ (De Volkskrant, 8 March 1997), and determined its image. In fact, the lesson of wage restraint outweighed the fashionable ups and downs of the Dutch Polder Model image itself (cf. Karsten & Van Veen 2008). Around the turn of the century, the Polder Model was frequently declared dead (cf. De Volkskrant, 29 November 1999; Het Financieele Dagblad, 24 November 1999), but the idea of wage restraint still stood strong. In 2002 and 2003, two so-called central agreements were reached between government, unions and employers’ associations on wage restraint. Wage restraint, so it was widely believed, would restore Dutch economic and employment growth, as it arguably had done earlier in Dutch socio-economic history.

As said, the Dutch Polder Model (or the Dutch Miracle) has received overwhelming academic attention (domestically, cf. Visser and Hemerijck 1997; Delsen 2000; Hendriks & Toonen 2001; Van der Meer 2003; Woldendorp 2005; but also abroad Scharpf and Schmidt 2004). Interestingly though, wage restraint is almost without exception presented as the core of the model, its central role has barely been subjected to analysis. The primary purpose of this dissertation is to fill this gap and to examine the prominent position of wage restraint in Dutch socio-economic policymaking.

1.2 The central role of wage restraint in the Dutch Polder

The idea of wage restraint has a long history in the Netherlands and has been presented for many years now as the recipe for economic recovery (cf. Van Zanden 1997: 33). In times of economic (and political) crisis, wage restraint has been the standard response of the Dutch government. As early as the 1930s for instance, the Dutch government responded to the Great Depression by supporting ‘industry efforts to bring wage levels down’ and by cutting ‘wages in its own public works’ (Windmuller 1969: 67). Cost increases, as was argued by Prime Minister Hendrikus Colijn, would only ‘undermine our exports’ (Passenier 1994: 26) and would not contribute to renewed economic and jobs growth. The idea of wage restraint was also pivotal to the centrally guided wage and price system of the early post-war period to restore the Dutch war-torn economy (Windmuller 1969: 326). At that time it was generally thought that ‘the only hope of providing large-scale opportunities for additional employment through the expansion of home industry seemed to be by keeping Dutch wages deliberately below the West-European standard’ (Shonfield 1965: 212). This centralised system faltered throughout the 1960s, although the government still tried to fight the oil and economic crises of the 1970s by implementing wage controls (Van Bottenburg 1995: 162-165). As from the early 1980s onwards the policy of wage restraint to restore economic growth was again being practiced, although now on a more voluntary basis (Visser and Hemerijck 1997).

Given this historical policy context, it is no surprise that the Dutch ‘miraculous’ economic and jobs growth of the second half of the 1990s were linked to the idea of wage restraint – in politics, media as well as academia (cf. Delsen 2000; Visser and Hemerijck 1997; Bovenberg 1997; Van der Ploeg 1997; Broer and Huizinga 2004). Wage restraint, so it was argued, provided ‘the jobs motor with so much gasoline that recently official unemployment went well below 300,000 persons’ (NRC Handelsblad, 9 September 1998). Wage restraint could do this, so the general belief was, because of its positive impact on business profitability, competitiveness and exports. As Hemerijck, Visser and Unger for instance conclude about the Netherlands in 2000: ‘Looking back on twenty-five years of policy adjustment, one is struck by the ongoing importance of wage restraint for maintaining competitiveness’ (2000: 252). The wage restraint-competitiveness-jobs nexus is at the very heart of the Dutch Miracle story, which also states that the Netherlands came to practice this wage restraint as from 1982, when unions and employers’ associations struck the Accord of Wassenaar, where they agreed upon wage restraint in exchange for jobs. ‘The current Dutch economic successes […] can be traced back to a
wage restraint accord struck as long as fifteen years ago’ (*Financial Times*, 23 October 1997)\(^n\). As the story goes, all relevant political actors at that time came to acknowledge (or learn) that wage restraint was necessary to restore economic and employment growth, which makes this accord ‘the real beginning of the Dutch miracle’, as former Prime Minister Ruud Lubbers said (*NRC Handelsblad*, 16 September 1997)\(^n\).

Though the presentation of wage restraint as the core of the Polder Model might be no real surprise, what was perhaps far more surprising was the sudden and rapid turnaround in the appreciation of Dutch wage restraint and the corporatist institutions supporting it (F. Hendriks 2001: 268). In the early 1990s, nobody thought about characterising the Netherlands as a model (Salverda 2005: 39), and a critical view on the Dutch corporatist economy prevailed. Somewhere between 1995 and 1997, this perception completely and quite rapidly changed. Triggered by international attention, the message about the successes of the Polder Model, the Accord of Wassenaar and wage restraint became widely accepted. It was propagated by government officials and employers’ representative particularly (cf. Tweede Kamer/Miljoenennota 1999: 29; *Forum*, 17 April 1997)\(^n\), but also unions and their representatives came to accept wage restraint as the main cause of the Dutch successes. The praise of wage restraint also extended outside the political arena; in the media, academia and various economic policy experts like those of the Dutch Bank (DNB) and the Central Planning Bureau (CPB) also shared the Polder Model views. Even amongst the general Dutch public at large, the support for wage restraint was considerable (see for example the outcomes of a survey in *Het Financieele Dagblad*, 20 December 2001)\(^n\).

In the Netherlands, therefore, a broad ‘consensus’ about wage restraint as a key instrument to improve the economy and create jobs seems to exist (cf. Bovenberg 1997; Van der Ploeg 1997). Wage restraint ‘was and still is seen as the main macro-economic condition for stimulating labour demand’ (Van Oorschot and Engelfriet 1999: 25), particularly via improving the competitiveness of firms. The benefits of wage restraint have become common wisdom; as a political idea it has a ‘powerful legitimizing impact’ (Cox 2001: 285) and as an instrument to create jobs, it is even said to be ‘undisputed’ (Huizinga and Broer 2004: 489). Why is this? Where does this consensus come from? How can so many different people and organisations, with often different beliefs and interests, support the same idea over such a long period of time?

Posing these kinds of questions presupposes that there is something in need of an explanation. Following the Polder Model line of reasoning, however, the need for such an enterprise seems to be minimal; wage restraint was supported simply because it has been good for the Dutch economy; it leads to more profits, more exports and more jobs. This study questions this, what might be called, ‘economic-determinist’ or ‘functional’ (Mahoney 2000: 519) explanation for at least three reasons. First of all, not everybody is equally convinced of the blessings of wage restraint. Particularly in academia, some minority views question the benefits of wage restraint and its supposed role in the Dutch Miracle (cf. Becker 2001; Salverda 1999; Delsen & De Jong 1999; Van Witteloostuijn 1999; Klein-knecht 1998). And even if it were accepted that wage restraint has been of importance in the past, it has been questioned by others whether ‘politics’ and political agreements such as the famous Accord of Wassenaar had anything to do with it (cf. Delsen 2000; Hartog 1999) or whether it is a policy strategy that should be continued in the longer run (Visser and Hemerijck 1997: 112-113). Given this academic critique, why is (centrally-agreed upon) wage restraint so widely supported in Dutch politics?

Secondly, not all actors or parts of society are said to benefit equally from a policy of wage restraint (cf. Van Oorschot 2002b: Jones 1999). Large groups of people continue to have difficulties in getting these newly created jobs, and despite successes inequality has increased in the Netherlands. Given the distributional consequences of wage restraint, why are these consequences not central to a political discussion? Thirdly, though a certain degree of wage restraint is fairly widespread across OECD countries over the past thirty years (OECD Employment Outlook 2003: 135-137), the Dutch emphasis on long-term and orchestrated wage restraint does not seem to have a peer in comparable countries like, for instance, Belgium, and therefore seems to be truly ‘excentric’ (Hemerijck 2001: 23). Given similar economic circumstances, why was the Netherlands able to adopt wage restraint much earlier and longer than other countries?

These observations lead me to the following central question of this thesis: *why and how has wage restraint become the key recipe for economic and jobs growth in the Netherlands?* Though the idea of wage restraint has a much longer history in the Netherlands, the focus will here be on policy discussions throughout the ‘Polder Model period’, starting from the second half of the 1990s to 2003, when the Polder Model image emerged.
Towards a more cultural approach to Dutch corporatist politics

It might be argued that the Polder Model that became ‘world famous’ in the second half of the 1990s, is only a new ‘fashionable’ word for a much older and well-established Dutch tradition of cooperation and coordination between government, unions and employers (F. Hendriks 2001: 21). This ‘corporatism’ – or in Dutch terminology ‘consultation economy’ – has been a prominent characteristic of Dutch politics for many decades. Its importance has been pointed out in studies on, e.g., the Dutch welfare state (Cox 1993; Van Kersbergen 1995; Visser and Hemerijck 1997), economic policy making (Van Zanden 1997; Griffiths et al. 1980), bureaucracy (Olderma et al. 1999) and, obviously, labour relations (Windmuller 1969; Albeda et al. 1998). When solving economic and social problems, unions and employers’ associations are considered ‘social partners’ in the Netherlands and are as such intensively involved in socio-economic policy making; though the government and the social partners negotiate about and consult each other on a variety of issues, wages and wage-related issues constitute the core of (Dutch) corporatism (Berger & Compston 2002: 328).

When analysing Dutch corporatism, or other corporatist systems for that matter, the focus has since the 1970s been mainly on organisational characteristics or formal institutions that regulate the socio-economic field (Kenworthy 2003: 26; cf. Molina and Rhodes 2002). Institutions like the Social and Economic Council (cf. Klamer 1990) and the Labour Foundation (cf. Van Bottenvug 1995) symbolise all that Dutch corporatism stands for; dialogue and consultation between organised capital and labour, usually involving the government, on relevant socio-economic matters. Though probably less eye-catching, the Dutch laws on collective labour agreements (1927) or the extension mechanism (1937) are also considered corporatist traits (Teulings and Hartog 1998: 270). Next to these institutions, analyses of Dutch corporatism often also involve organisational characteristics of unions and employers’ associations, such as union density rate which have been traditionally low in the Netherlands (cf. Van Ruysseveeldt and Visser 1996).

Though being essential features of Dutch corporatism, it is argued here that these institutions do not explain all there is to dialogue and consultation in Dutch politics and the policy outcome it generates.
Similar institutions might be founded in other countries that do not motivate unions and employers to enter into frequent dialogue. What is also needed, is a view on how political actors behave, interact and exchange; on the less formalised practices and activities. In the literature on Dutch politics, the suggestion has been frequently made in the past that the Netherlands is characterised by a ‘consensus-oriented culture, in which negotiation plays an important role’ (Delsen 2000: 11). It is generally believed that Dutch politics is about consensus, compromise and consultation (F.Hendriks 2001: 94); an idea that is also widely shared in public debate. The Dutch appear to have an ‘ingrained habit of cooperation and consultation’ often resulting in a ‘cosy consensus’, as the Economist put it (4 May 2002; 2 May 1998).

This research takes issue with this idea that Dutch politics is characterised by this search for consensus, or – more specifically – a consensual mode of regulation or conflict resolution; that is, Dutch political actors seemingly try to solve problems and conflicts by dialogue and negotiation rather than by confrontational competition or etatist imposition, which are important other modes of regulation (cf. Smallcons 2003: 7). However, though many scholars refer to this consensus-seeking tradition, not many analyse ‘how the Dutch play their game’, as Teulings and Hartog (1998) have put it. Why do Dutch actors prefer dialogue and consultation? How does consensus come about? And what does such a consensus mean? The answers to these kinds of questions are perceived to be important for understanding the consensus on wage restraint. If this consensus cannot simply be explained by the structure of the Dutch economy, as was argued above, than ‘politics’ needs to have something to do with it; the way in which Dutch political actors consensually interact, negotiate and exchange. A first goal of this research is to open this ‘black box’ about Dutch consensual politics: how does Dutch corporatism actually work?

By putting the Dutch ‘consensus culture’ central to the analysis, one might think that consensus is either the starting point or an automatic outcome of the consensual process. Neither is implied here. ‘The Dutch have a consensual system not because they always agree about everything, but rather because they often disagree’ (F.Hendriks 2001: 38). As Dutch history shows, there have been considerable periods of dissensus. Although in the 1990s, Dutch unions and employers’ associations did agree on wage restraint, in the 1970s they clearly did not. In order to explain these diverging consensual outcomes, scholars have reverted to purposeful action on the part of actors as well as the (changing) ideas they hold. For instance, the authors of the most well-known book about ‘the Dutch Miracle’, Visser and Hemerijk (1997; 2001), claim that one can explain Dutch welfare state adjustment – and the return to wage restraint in the early 1980s – by looking at learning processes or ‘shifts in mentalities’ (1997: 13) of actors. Their analysis preceded a rapidly burgeoning literature on ‘Social Pacts’ or ‘competitive corporatism’ that focused on learning, dialogue, deliberation and ideas (cf. Hassel and Ebbinghaus 2000; Rhodes 2001).

This ‘ideational turn’ of the 1990s also inspired this research in an effort to understand how in a relatively stable cultural consensual context, political actors need to continuously and actively construct the appreciated consensus. How do they do that? Which ideas are employed to build consensus? And more specifically, how does the idea of wage restraint allow for consensus-building? Rather than assuming that this idea is supported simply because it is the ‘right’ idea, this research focuses on how this idea is viewed and came to be considered as ‘right’ in the first place. An investigation into what the consensus on wage restraint means is the second ‘black box’ this research aims to open.

1.4  The cultural and discursive dimensions of policymaking

outline of the book

The previous section described in brief terms what this study will examine in order to understand the emergence and reproduction of the idea of wage restraint in Dutch socio-economic debate and policymaking. After discussing in more detail various alternative explanations of the prominence of wage restraint – which focus on economic structures, institutions, interests and ideas respectively – Chapter 2 will elaborate on the ‘cultural-discursive’ approach as advanced here. This dissertation builds upon three central analytical pillars: consensualism, coordinative discourse and storylines.

The first analytical pillar revolves around consensualism, as the basic and historical mode of regulation or conflict resolution that makes corporatism effective. That is, corporatism is here understood not solely in terms of formal institutions, but as an essentially ‘political-cultural’ phenomenon where (political) culture should be more narrowly defined as the ‘inter-
connected whole of politically relevant patterns of interaction, norms and values with norms – pointing to what is normal and involving structures of mutual expectations – given more prominence than values’ (Smallcons 2001: 13). Based on insights from sociological-institutional approaches, the suggestion is made that the rule-driven dynamic of Dutch consensual corporatism follows a ‘logic of appropriateness’ (cf. March and Olsen 1989): people behave in a way ‘appropriate’ to the political setting in which they operate. Next to finding an optimal solution to pressing new economic problems, (Dutch) political actors also need to manage their relationships in an appropriate way.

Chapter 3 introduces this institutional and cultural context by looking into the historical roots of Dutch consensualism, and the gradual institutionalisation of Dutch corporatism over the 20th century. This chapter also introduces the key players of Dutch corporatism, and puts Dutch consensual corporatism in comparative perspective. Subsequently, Chapters 4 and 5 analyse in more detail how Dutch consensual corporatism works by examining, and specifying, the consensual patterns of interaction – the appreciation of the search for consensus and the consensual norms of behaviour. The concept of the corporatist policy community is used to describe these norms that govern action and interaction between the main political players. The central question of these chapters is: how does consensus come about? Or, vice versa, how are conflicts resolved?

The second analytical pillar is about the ‘coordinative discourse’ that dominates this consensual political setting. Drawing on insights from what Vivian Schmidt has named ‘discursive institutionalism’ (Schmidt 2002, 2003, 2008), it is suggested that the institutional and cultural settings shape the way in which people discuss and negotiate, which ideas they come up with and to whom they will be talking. A ‘coordinative’ discourse is said to be prominent in corporatist systems, where ideas that facilitate coordination between small groups of established actors are likely to be talked about, and taken seriously. After describing the consensual ‘rules of the game’, the second part of Chapter 4 continues with an analysis of how these rules impact upon the ideas political actors are likely to discuss. What kinds of ideas contribute to consensus building? And how does wage restraint fit into this picture? Whereas this chapter particularly focuses on more normative dimensions of policymaking, Chapter 5 examines the more cognitive dimensions; above all, it looks into how the ideas of experts might facilitate consensus building. The focus of this chapter is on the so-called Central Planning Bureau (CPB)\textsuperscript{18}, an expert institute that has acquired an influential position in Dutch socio-economic policymaking. How did the CPB promote the political acceptance of the idea of wage restraint?

The institutional and cultural context – the consensual patterns of interaction – shapes how actors behave and which ideas they are likely to consider. They provide the ‘outward circumstances’ (Berman 1998: 28) of socio-economic policymaking. However, actors themselves also actively shape the world around them. As the third pillar of the analytical framework this dissertation draws on some insights from ‘discourse analysis’, by employing the concept of ‘storylines’ (Hajer 1995), to understand the constituting process. Chapters 6 and 7 analyse how the so-called Wage Restraint Storyline (WRS) evolved in Dutch socio-economic history. Chapter 6 focuses on how political actors used storylines to reduce uncertainty and order complexity throughout the economic crisis of the 1970s, early 1980s and early 1990s. How did the WRS reduce uncertainty? What aspects of reality did it focus on? And how was this storyline inserted, absorbed and, possibly, contested?

Whereas this chapter focuses on the historical emergence of the WRS since the 1970s, Chapter 7 focuses on its rapid dissemination and reproduction into dominance as from 1995 onwards, when the international appraisal of the Dutch Polder Model started. What story did the WRS tell about the economic successes of the Netherlands? Where did this story come from, and why and how did so many political and economic actors support it? This chapter also considers how the WRS fared when economic downturn became apparent after 2001. To what extent did policymakers support the WRS once the shine of this success story was wearing off?

The final chapter of this dissertation wraps up the analysis about how political actors created and employed the Wage Restraint Storyline in and through interaction in the Dutch corporatist policy community. It does so by pointing out the main empirical and theoretical findings. This concluding chapter also considers some roads for further (comparative) research as well as the prospects and implications for socio-economic policymaking in the Netherlands. Will the Dutch focus on wage restraint last?
2.1 Four perspectives on wage restraint

Introduction

In order to explain the central role of wage restraint in Dutch socio-economic policymaking, four explanatory perspectives come to mind. Loosely following a basic but broad distinction by Peter Hall (1997: 174-207), one might focus on: 1) the structure of the (Dutch) economy; 2) the material and institutional interests of actors operating in that economy (and the power these actors have to pursue their interests); 3) the institutions that regulate actors’ behaviour and organise the economy, and 4) the ideas these actors hold and/or the cultural context in which they act. These four perspectives do not offer ‘ironclad divisions’, as said by Hall (1997: 176). ‘Some scholars have written from more than one of them; and interests, institutions, and ideas figure to some degree in all analyses of the political economy’. Nevertheless, for theoretical purposes it makes sense to examine in detail what insights these respective lines of inquiry offer for the Dutch case of wage restraint.

This chapter starts by discussing the argument that wage restraint is and has been so prominent in the Netherlands because it is good for the
overall Dutch economy (2.2). This line of reasoning dominates political as well as academic debate on the Dutch Polder Model (to name a few: Bovenberg 1997; Van der Ploeg 1997; Broer en Huizinga 2004). Though various scholars also incorporate, e.g., institutions (cf. Visser and Hemerijck 1997) or sometimes cultural variables (cf. Delsen 2000) in their analyses, the bottom line usually is that wage restraint was agreed upon because it was economically necessary to restore economic and job growth in the Netherlands. This chapter rejects this, what might also be called, ‘functionalist’ explanation, as it leaves too many questions unanswered. Above all, it too easily overlooks the contested nature of a policy of wage restraint and the distributional consequences such a policy entails. A more ‘political’ perspective is therefore needed. The middle part of this chapter continues discussing the three other perspectives – institutions, interests and ideas – that consider wage restraint as an essentially political phenomenon (2.3). A large part of the literature on corporatism fits into the first category as well as the most widely accepted explanation of the Dutch miracle, as offered by Visser and Hemerijck (1997). The other two perspectives do not have such a clear representative; therefore the possible contributions of these perspectives for understanding the emergence and reproduction of wage restraint in the Netherlands in more general terms based on existing literature and examples from other cases will be explored.

Though every perspective has its strengths and weaknesses, the proposition will be defended that the last idealational approach is most promising for understanding the case at hand. Such a perspective suggests that certain policy ideas might turn up and diffuse in a political arena for different reasons than their effectiveness determined by given economic circumstances; they might be the most ‘appropriate’ ideas given accepted practices (cf. March and Olsen 1989); the most intersubjectively ‘shared’ by others; they might ‘fit’ fashionable policy doctrines or policy paradigms (cf. Kuhn 1970; Hall 1993); or they might be ‘carried’ by authoritative professional or epistemic communities (cf. Haas 1992). In these idealational approaches, institutions and interests are included in the analysis, though in a different way than usually understood; institutions are more than formal arrangements and interests are more than clearly defined material interests. The last part of this chapter builds upon these insights and sketches the outlines of a cultural-discursive approach used in this study to understand the widespread acceptance of wage restraint in the Netherlands (2.4 and 2.5).

### 2.2 Wage restraint is good for the Dutch economy

A functional explanation

A first, and fairly well-established, explanation of why wage restraint has been so central to Dutch socio-economic policymaking is that it is – and has been – good for the Dutch economy. Wage restraint restores economic growth and creates jobs; and because of these positive effects, wage restraint is supported by so many political and societal actors. This explanatory logic was at the very heart of the discussions of the Dutch Polder Model or Dutch Miracle of the second half of the 1990s. As was mentioned in the introductory chapter, the Netherlands reached model status because of its positive economic and employment development in the context of a somewhat retrenched but still generous welfare state (see Tables 2.1 and 2.2).

**Table 2.1**

Basic employment data for the Netherlands in comparative perspective

<table>
<thead>
<tr>
<th></th>
<th>Employment as % of persons aged 15 to 64</th>
<th>Part-time share</th>
<th>Standardized unemployment rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>.</td>
<td>.</td>
<td>69.3</td>
</tr>
<tr>
<td>Belgium</td>
<td>53.5</td>
<td>56.3</td>
<td>59.7</td>
</tr>
<tr>
<td>Canada</td>
<td>64.6</td>
<td>67.4</td>
<td>73.5</td>
</tr>
<tr>
<td>Denmark</td>
<td>71.8</td>
<td>73.8</td>
<td>76.2</td>
</tr>
<tr>
<td>Finland</td>
<td>72.4</td>
<td>61.1</td>
<td>68.0</td>
</tr>
<tr>
<td>France</td>
<td>62.0</td>
<td>59.6</td>
<td>62.8</td>
</tr>
<tr>
<td>Germany</td>
<td>62.2</td>
<td>65.7</td>
<td>65.4</td>
</tr>
<tr>
<td>Ireland</td>
<td>54.0</td>
<td>52.4</td>
<td>66.3</td>
</tr>
<tr>
<td>Italy</td>
<td>53.6</td>
<td>53.4</td>
<td>57.1</td>
</tr>
<tr>
<td>Japan</td>
<td>71.0</td>
<td>74.2</td>
<td>73.9</td>
</tr>
<tr>
<td>Netherlands</td>
<td>51.0</td>
<td>63.8</td>
<td>72.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>80.2</td>
<td>73.9</td>
<td>75.6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>73.8</td>
<td>79.6</td>
<td>80.1</td>
</tr>
<tr>
<td>UK</td>
<td>*67.0</td>
<td>69.6</td>
<td>74.0</td>
</tr>
<tr>
<td>USA</td>
<td>68.0</td>
<td>73.2</td>
<td>73.7</td>
</tr>
<tr>
<td>OECD</td>
<td>64.4</td>
<td>65.8</td>
<td>67.0</td>
</tr>
</tbody>
</table>

Looking at the OECD countries between 1983 and 1997, Dutch jobs growth was amongst the highest and unemployment declined to one of the lowest levels. Whereas in the early 1980s employment rates had been comparatively low with just over 50%, the Netherlands became a high employment economy with employment rates over 70%. At the same time, standardised unemployment rates substantially declined from a high point of over 13% in 1983, to about 6% in the early 1990s to less than 3% in 2000. Though these employment achievements were remarkable on themselves, what really constituted the miracle was that jobs growth was combined with superior GDP growth rates, low inflation levels, a considerably reduced budget deficit without substantially increased poverty rates and income inequality. The Dutch economy was therefore performing remarkably well on most economic indicators (OECD 1998).

Table 2.2
Basic economic data: GDP growth, labour productivity, labour costs; annual changes in percentages

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Austria</td>
<td>2.2</td>
<td>2.5</td>
<td>1.4</td>
<td>.</td>
<td>.</td>
<td>1.3</td>
<td>3.4</td>
<td>2.0</td>
<td>0.7</td>
<td>-0.3</td>
<td>-0.1</td>
<td>-0.9</td>
</tr>
<tr>
<td>Belgium</td>
<td>2.3</td>
<td>2.1</td>
<td>1.5</td>
<td>.</td>
<td>.</td>
<td>1.2</td>
<td>3.5</td>
<td>2.7</td>
<td>0.7</td>
<td>0.2</td>
<td>0.4</td>
<td>0.6</td>
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<tr>
<td>Denmark</td>
<td>1.4</td>
<td>2.2</td>
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<td>1.2</td>
<td>3.3</td>
<td>2.0</td>
<td>-0.1</td>
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<tr>
<td>Finland</td>
<td>3.2</td>
<td>3.2</td>
<td>2.3</td>
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<td>2.7</td>
<td>3.8</td>
<td>0.4</td>
<td>0.8</td>
<td>0.2</td>
<td>-1.9</td>
<td>-1.2</td>
</tr>
<tr>
<td>France</td>
<td>2.5</td>
<td>1.3</td>
<td>1.8</td>
<td>1.7</td>
<td>2.0</td>
<td>1.4</td>
<td>3.2</td>
<td>0.5</td>
<td>1.1</td>
<td>0.1</td>
<td>-0.7</td>
<td>-0.4</td>
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<tr>
<td>Germany</td>
<td>2.2</td>
<td>1.6</td>
<td>0.7</td>
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<td>1.5</td>
<td>3.3</td>
<td>2.0</td>
<td>-0.1</td>
<td>0.0</td>
<td>0.2</td>
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<tr>
<td>Ireland</td>
<td>3.7</td>
<td>3.7</td>
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<td>4.7</td>
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<tr>
<td>Italy</td>
<td>2.4</td>
<td>1.6</td>
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<td>-1.7</td>
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<tr>
<td>Japan</td>
<td>3.9</td>
<td>1.3</td>
<td>1.0</td>
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<td>3.5</td>
<td>2.4</td>
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<td>4.4</td>
<td>0.9</td>
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<tr>
<td>Netherlands</td>
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<td>2.9</td>
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<td>1.2</td>
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<td>0.9</td>
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<td>-0.1</td>
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</tr>
<tr>
<td>Sweden</td>
<td>2.1</td>
<td>1.7</td>
<td>2.1</td>
<td>1.2</td>
<td>2.0</td>
<td>2.8</td>
<td>2.1</td>
<td>0.0</td>
<td>3.2</td>
<td>0.0</td>
<td>-0.2</td>
<td>-0.9</td>
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<tr>
<td>Switzerland</td>
<td>2.1</td>
<td>0.9</td>
<td>0.8</td>
<td>1.0</td>
<td>0.4</td>
<td>1.3</td>
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<tr>
<td>UK</td>
<td>2.7</td>
<td>2.3</td>
<td>2.5</td>
<td>1.9</td>
<td>2.2</td>
<td>2.1</td>
<td>2.5</td>
<td>0.9</td>
<td>2.4</td>
<td>0.1</td>
<td>-1.1</td>
<td>0.2</td>
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<tr>
<td>USA</td>
<td>3.2</td>
<td>3.2</td>
<td>2.3</td>
<td>1.2</td>
<td>1.6</td>
<td>2.5</td>
<td>1.5</td>
<td>0.7</td>
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<td>0.4</td>
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</table>


Wage restraint is widely considered to be crucial for explaining these remarkable economic and employment performances (cf. Scharpf 2000: 61). Wage restraint arguably started in the early 1980s – when unions and employers’ associations agreed upon it – and continued well into the 1990s. Table 2.2. indeed shows that real wages as well as real unit labour costs have developed relatively favourable in the Netherlands, at least until 1995. According to many, this development was good for the Dutch political economy for many reasons: it restored profit levels of firms, boosted job investment (cf. Broer and Huizinga 2004), helped reduce the budget deficit (cf. Hartog 1999: 463), kept inflation under control and, improved competitiveness and exports (cf. Visser and Hemerijck 1997: 26; Don 2003). It was particularly this last effect that was highlighted in the discussion about the Dutch Miracle. The Dutch economy is one of the most open economies in the world. Exports (and imports) are of key importance to Dutch economic growth – international trade accounted for 70% of GDP in 2007. Wage restraint was considered essential for a country that ‘relies heavily on highly competitive world markets’ (Hartog and Teeuws 1997: 38; cf. Dullien 2003: 144). Wage restraint improves price competitiveness, and hence stimulates exports, boosts profit levels, creates economic growth, and eventually also results in jobs growth, or so this explanation runs.

This first explanatory perspective suggests that the political choice for wage restraint is dictated by the structure of the Dutch economy (cf. Van Dyk 2005; 2006), particularly by its smallness and openness. It is a ‘necessary strategy’ (Van der Toren 1996: 191); there are ‘no alternative policy options open to economies exposed to international competition (Hemerijck, Unger and Visser 2000: 252). Actors support it because they realise that wage restraint is beneficial for the Dutch economy and, as a spillover effect, therefore for themselves. It has been argued for instance that in the early 1980s, when the Netherlands experienced a deep economic crisis, Dutch unions and employers’ associations agreed upon wage restraint because they came to realise that ‘improving the profitability of Dutch industry was a sine qua non for whatever strategy of recovery and jobs growth’ (Visser and Hemerijck 1997: 81). The underlying logic of this perspective is largely a functionalist one. The acceptance of specific policies (wage restraint) is explained by the consequences these policies have for the overall (economic) system. The policy of wage restraint is accepted and reproduced because ‘it serves a function for the overall system’ (Ma-
honey 2000: 517): it is essential for economic survival and/or economic adaptation. Indeed, Dutch socio-economic history shows that the government, unions and employers’ associations usually come to agree on wage restraint when the Dutch economy is in a perilous state, as was the case just after the Second World War, in the early 1980s, early 1990s and at the beginning of the new millennium (cf. Visser and Van der Meer 2010). An economic recession seems to work as ‘an exogenous shock that puts pressure on the overall system’ (Mahoney 2000: 521), triggering a change in policies towards the required ones; in the Dutch case wage restraint.

The idea that wage restraint is widely accepted because of its positive effects for the Dutch economy dominates political and academic debate in the Netherlands. However, this perspective is unsatisfactory for two related reasons. First of all, it insufficiently recognizes ‘politics’ in the explanatory equation. Government, unions and employers’ associations never quickly nor easily agree on wage restraint; it usually takes long and hard bargaining. If the benefits of wage restraint were that straightforward, we would expect more easily reached agreements. Conversely, many policy measures that are also considered ‘functional’ are nevertheless not always politically adopted; therefore whether or not a policy is ‘objectively good’ for the Dutch economy is not a sufficient explanation for its political acceptance and implementation. Secondly, the evidence base for the benefits of wage restraint is too quickly glanced over in such a perspective. Economists do not agree on this issue amongst themselves (see various issues of e.g. Economisch Statistische Berichten in particularly 2004; 1993; cf. Trouw, 30 August 1993). It is not my intention to ‘solve’ this debate amongst (political) economists on the pros and cons of wage restraint nor to offer an alternative explanation of the Dutch Miracle. Nevertheless, the existing critique on a policy of wage restraint – in the past and present – casts serious doubts on the applicability of the explanation that wage restraint has become so widely politically accepted because of its positive economic effects.

A first line of critique states that wage restraint might be beneficial in the short run, but has negative consequences in the long run. This critical perspective has since many years been put forward by Alfred Kleinknecht, professor of Economics of Innovation at the University of Delft. According to him, wage restraint has indeed created many new jobs over the 1980s and 1990s, but only at the expense of productivity growth and the innovative capacity of firms both of which have been lagging in international comparison (Kleinknecht 1998; Kleinknecht & Naastepad 2002; see also Table 2.2). Low(er) wages diminish the need to innovate, and to realise growth by working smarter (higher productivity) rather than working harder (more hours). Kleinknechts views are highly controversial in the Netherlands (see a discussion in Economische Statistische Berichten 2004), although his critique is more commonly shared by economists like Van Schaik (2004), Jacobs (1996), De Jong (1999) and Van Witte-loostuijn (1999). A related critique is that wage restraint is only a partial and/or temporary solution to various problems of the Dutch economy. Wage restraint is a partial solution because it is ‘no panacea for all ills’ (Visser and Hemerijck 1997: 112-113); there are still more important problems in the labour market to solve. And wage restraint is a temporary solution because it is particularly suited to solve the problems of the 1980s and 1990s, but not the problems of the new millennium (cf. Nuys and De Gier 2002: 401). Wage restraint of the 1980s was only an one-time affair and/or a ‘catch-up’ effect (Van Ark et al 1997: 2-5). In the long run other policies are required.

A second line of critique contends that wage restraint might have been beneficial for some groups of people, but definitely not for all (cf. Lathouwer 2000: 57; Becker 2000: 228; Krätke 2001); that is, wage restraint has substantial political distributional consequences. It has been argued that wage restraint has been especially beneficial for Dutch employers because it allowed them to raise their profits. Employees by contrast had to settle for lower wages in return for jobs (cf. Cox 2001). But also when considering the jobs created as a result of wage restraint, the benefits are not equally distributed; particularly women entering the labour market benefited from many newly created small part-time jobs, whereas some other less privileged groups of people remained structurally unemployed. Moreover, the argument has been made that jobs and economic growth were accompanied by increased social fragmentation and income inequality (cf. Van Oorschot 2002b: 123; Kool, et al. 1998). Finally, although wage restraint might have been beneficial for the Netherlands, it might be viewed as a ‘beggar-thy-neighbor’ strategy at the expense of jobs creation abroad (Economics Professor Theeuwes in Trouw, 5 September 2000; cf. Dullien 2003).

A third line of critique questions the fundamental relevance and benefits of wage restraint for the Netherlands on its own account, particularly for explaining the Dutch Miracle. Various scholars have
questioned whether wage restraint has indeed created many new jobs. Kool et al. (1998: 319) have demonstrated that investments in jobs have not been particularly high in the Netherlands, though business profitability has risen sharply as a result of wage restraint (see also Jones 1999: 764). Others cast doubt on the importance of wage restraint by pointing out that unemployment only began to fall after 1994, whereas wage restraint had already started in the early 1980s (Van Oorschot 2002b: 107-123). In addition, a relatively large group of scholars point out that there is no convincing evidence that exports – stimulated by wage restraint – are the driving force behind Dutch economic and employment growth over the past two decades. Consider for example Salverda (2005: 46-47): ‘if we look at economic performance in more detail [...] we find amazingly little relation to exports, in spite of the fact that these are often considered the stronghold of the Dutch economy’. Salverda claims that the Dutch export position has not improved relative to the other countries in the comparison. In fact he maintains that it has only deteriorated throughout the period of wage restraint (Salverda 1999: see also Kleinheekht & Naastepad 2002).

This analysis is to some extent supported by a study of the Central Planning Bureau (CPB) into the structural deterioration of Dutch export position of domestically produced products, which is masked by a sharp increase in re-exports (Kusters and Verbruggen 2001). Moreover, Becker and Schwartz (2005: 234) have argued that, in comparative perspective, wage restraint offers no guarantee for either (increasing) economic or employment growth or export market growth. Other countries have achieved comparable growth rates without reverting to wage restraint (cf. NRC Handelsblad, 14 February 1998). Wage restraint is therefore not necessarily the most important weapon in international competition. At the end of the day, the Netherlands will lose the competition on pricing to low-wage countries (Nuyss and De Gier 2002: 401; Milberg and Houston 2005).

What these three lines of critique share is a certain degree of scepticism on the benefits of wage restraint in the Netherlands. By implication, these critics suggest that it is too simple to explain the prominence of wage restraint in terms of its supposed economic necessity or benefits. The cause-and-effect relationship is not that straightforward. In fact, if the benefits were that straightforward, why did unions and employers’ associations for example ‘only’ agree upon wage restraint in 1982, and not at an earlier stage of the economic crisis? Moreover, why did unions and employers in comparable open economies – like for example Belgium – not agree upon wage restraint? Another explanation of the Dutch prominence of wage restraint seems required, one that focuses on the ‘politics’ involved in socio-economic policymaking.

### 2.3 Institutions, interests and ideas

Following Hall (1997: 174-207), three different approaches might be used to analyse the politics of economic policymaking, focusing on three different elements: institutions, interests and ideas. What explanations do these three perspectives offer regarding the emergence and reproduction of wage restraint in the Netherlands?

#### 2.3.1 Corporatism: institutions

The analysis of wages and wage-setting processes has been a major academic industry and is at the very heart of the study of corporatism. In general terms, the concept of corporatism refers to a ‘system of interest representation’ (Schmitter 1974), where organised interests – unions and employers’ associations – are continuously involved in the ‘process of policymaking’ (Lehmbruch 1979). For understanding the Dutch case of wage restraint, a focus on corporatist institutions seems to be a logical starting point. In fact, corporatist institutions like the Social and Economic Council (Sociaal Economische Raad, SER) and the Labour Foundation (Stichting van de Arbeid, StvdA) figured prominently in academic and political discussions on the Polder Model. The Netherlands is widely considered to be a medium-to-highly corporatist country (cf. Sieroff 1999; Kenworthy 2003; see Chapter 3). Cooperation and concertation between the ‘social partners’ (as unions and employers’ associations are called in some countries like the Netherlands) and government appears to be of continuing importance; rather than corporatism, in the Netherlands one speaks of the ‘consultation economy’ (overlegeconomie).

During the 1980s and 1990s, the study of corporatism was burgeoning, particularly in the political-economic field (Molina and Rhodes 2002). This academic interest was triggered by substantial differences in economic performance between countries in response to the economic crises of the 1970s, differences that appeared to be related to whether countries were
corporatist or not and their subsequent institutional ability to achieve wage restraint. This dominant strand in corporatist studies (Kenworthy 2003: 26) primarily focused on organisational characteristics and wage bargaining structures/institutions (cf. Bruno & Sachs 1985; Calmfors & Driffield 1988; Soskice 1990; Nickell 1997; Golden et al. 1997; Hicks and Kenworthy 1998). In the 1990s, the emphasis shifted from more macro-level corporatism to overall coordination throughout the economy (cf. Soskice 1990; Siaroff 1999) combined with a new interest in the role of, e.g., employers’ associations, firms and central banks (cf. Hall and Franzese 1998; Iversen et al. 2000).

Wage restraint figures prominently in this literature on corporatism and coordination. In terms of the central question of this dissertation, this corporatist-institutional perspective may argue that wage restraint emerged and was reproduced in the Netherlands because existing corporatist institutions helped overcome collective action problems on the part of unions and employers’ associations to achieve the most optimal economic outcome for all (see Table 2.3: p. 44). Although this perspective has generated important insights into the comparative performance of economic systems, it has not been very helpful for understanding how institutions actually facilitated wage restraint (Traxler & Kittel 2000: 1156), nor why it came to be politically accepted and institutionalised in the first place. The benefits of wage restraint for economic systems are usually assumed, and by doing so the corporatist literature basically falls back on the functionalist explanation as rejected in the first part of this chapter. As Molina and Rhodes have argued, most of these studies have a ‘functional and systemic’ and/or an ‘institutional deterministic’ bias, because of which they largely fail ‘to focus on the role and characteristics of corporatist politics […] lacking precision on the process and outcome of bargaining amongst interest groups’ (2002: 312; emphasis added; cf. Traxler and Kittel 2000: 1156). Moreover, a focus on corporatist institutions does not inform us about the causes of policy change within countries, as well as diverging policy responses across countries with similar institutional frameworks. To counter these shortcomings according to Molina and Rhodes, it is time to revive the now neglected view on corporatism of Lehmbuch as a ‘process of policymaking’ (2002: 319): as a complex ‘process of political exchange’ (2002: 321), in which perceptions and preferences of actors (cf. Therborn 1992: 39) as well as the way actors interact, struggle and negotiate, have explanatory priority.

2.3.2 Learning under corporatism: institutions revisited

Important steps have been made in line with this suggestion. In fact, the most well-known explanation of Dutch economic successes of the 1990s – the book The Dutch Miracle by Jelle Visser and Anton Hemerijck (1997) – tried to improve (corporatist) institutional theory by focusing on strategic and purposeful action on the part of policy actors as well as the policy preferences these actors hold (1997: 56). Rather than institutional structures alone that offer no ‘passe-partout’ (cf. Visser and Hemerijck 2001: 238), Visser and Hemerijck tried to explain changes in policymaking by focusing on learning processes and ‘shifts in mentalities’ (1997: 13) that are informed by policy failure and the urgency of a deep crisis. The book of Visser and Hemerijck offers a new and deeply informative account of Dutch socio-economic policymaking and Dutch corporatism. Though these scholars in fact aim to answer a broader set of questions regarding Dutch welfare state reform, they also offer relevant insights into why wage restraint came to play such a central role in Dutch socio-economic policymaking. In particular, they try to answer the question of how Dutch political actors arrived at wage restraint in 1982 (and afterwards), when they were apparently unable to do so throughout the 1970s? They do so by pointing out the importance of institutionalised learning processes that made political actors, above all unions, realise as from the early 1980s onwards that ‘improving the profitability of Dutch industry was a sine qua non for whatever strategy of recovery and jobs growth’ (Visser and Hemerijck 1997: 81).

This explanation based on learning processes has become widely accepted in the welfare state literature, where the Netherlands served as the prime example of successful reform, ending the vicious circle of ‘welfare without work’ of the 1970s (Levy 1999). The Netherlands became a paradigm of learning through dialogue, resulting in so-called ‘Social Pacts’ on wage restraint and competitiveness (cf. Pochet and Faeretag 1996; Hassel and Ebbinghaus 2000: Hassel 2003) – political agreements such as the Dutch Accord of Wassenaar of 1982 between organised capital, labour and the government. Indeed, ‘the best illustration [of this] is the Netherlands in the early 1980s, when the Dutch social partners having learned the bitter lessons of the 1970s when escalating labour conflict and spiralling inflation had devastated the economy, hit on the ‘right’ policies of labour flexibility and wage restraint’ (Schmidt 2003: 133; but see also Scharpf and Schmidt 2000: 135).
By focusing on learning and dialogue, Visser and Hemerijck have made an important contribution to a more dynamic understanding of how corporatism might work as a political process rather than as a given institutional structure. However, this learning perspective also falls short on some accounts and for three reasons it is unsatisfactory for explaining the prominence of wage restraint in the Netherlands. First of all, although Visser and Hemerijck pay attention to less tangible aspects of policymaking like ‘mentalities’ or the ‘rules of the game’, these aspects are basically pushed to the margins of a largely rational-institutional analysis. That is, ‘ideas matter’ to the extent that they help instrumentally to achieve a set of goals and interests of political actors that are exogenously given, affected by objectified external economic conditions. However, a shift in ideas after policy failure – which defines the learning process – is basically reduced to learning the right ideas given economic circumstances and (collective) interests; it suggests an ‘ongoing rational process of discovery’ of better ideas that might help solve collective action problems (Woods 1995: 166-167). As said earlier, according to Visser and Hemerijck, in the early 1980s this right idea in the Netherlands was wage restraint. By making such an argument, these scholars (again) largely fall back on the above-questioned functional perspective, where wage restraint is widely accepted because of its positive consequences.

Secondly, the question arises as to what extent the shift towards wage restraint – as politically agreed upon in the Accord of Wassenaar of 1982 – can be attributed to learning processes. Learning is said to take place when political actors adjust their preferences on the basis of past mistakes or failure, with the goal to improve performance (Visser and Hemerijck 1997: 58; Hall 1993: 278). Though Dutch political actors obviously tried to improve economic conditions and tackle problems in the Dutch economy in the early 1980s, the empirical question is whether they knew (or learned) what the ‘right’ policies were. There was substantial disagreement on the proper diagnosis of the crisis as well as on the necessity of wage restraint (cf. Becker 2001; see also Chapter 6). As Visser and Hemerijck themselves also acknowledge: ‘the policy of wage restraint did not begin with a consensus, but produced a consensus’ (Visser and Hemerijck 1997: 109). The ‘rightness’ of the idea of wage restraint can only be attributed to it post hoc when it was widely perceived to be successful in the 1990s. That is, ‘the year 1982 is given the status of turning point, although only in hindsight can it be dressed up as yielding a coherent program; with wage restraint, government retrenchment, welfare reform, work sharing, and flexibility’ (Hartog 1999: 482). Given the absence of a consensus on the ‘right’ policies, it is questionable whether the emergence of wage restraint in the early 1980s should be considered a result of a learning process.

In politics, identifying learning as a mechanism of change is not easy; it is a rather murky environment (Pierson 2000: 26-29) where accidental circumstances, ideology, struggle and misunderstandings are equally, or perhaps even more important, than learning. Ideas enter the political arena for various reasons other than learning after empirical failure. In fact, Visser and Hemerijck also seem to make such a claim when they hypothesise two ways in which ‘paradigmatic learning’ (1997: 78) might take place: 1) as a result of a ‘shadow of hierarchy’ of the state actor that threatens to undermine the privileged status of the social partners or 2) as a result of a shift in the balance of power between organised interests. Political struggle therefore enters the analysis again via the backdoor as ‘those who lose power must learn’ (1997: 78). When explaining wage restraint as a result of learning, such an analysis leads to (and thirdly) some unresolved tensions. Learning the benefits of wage restraint through consultation and dialogue or tempering wage demands because of the loss of power are basically incompatible conclusions (Cox 1999: 209-211). Choosing ‘the least of two evils’ (Visser and Hemerijck 1997: 100) by unions does not sound much like learning because of conviction.

To summarise, because of their focus on learning the ‘right’ economic ideas through social dialogue, Visser and Hemerijck effectively remove ‘politics’ from the explanatory equation. The idea of wage restraint is largely reduced to a policy political actors will support if they are acting sensibly and rationally. In this rather de-politicised and efficiency-driven view on Dutch corporatism ‘[…] our capitalist and worker form coalitions and cross-class alliances without regard for ideology, misunderstandings, past and present violence, local politics, or even the institutional context of action’ (Blyth 2002: ix). An obvious way to introduce elements of power and politics into the equation is by explaining the prominence of wage restraint in the Netherlands in terms of the interests and power of organised capital and labour.

2.3.3 The power of capital & labour: interests

A second way to explain the prominence of wage restraint is by focusing on the interests of the principal actors, the power they have and the
coalitions they form in order to pursue their goals. Interests of actors are predominantly understood as real, material interests (Hall 1997: 176) derived from the main socio-economic position of actors in the economy. Particularly when wage restraint is understood as in the direct (or indirect) material interests of both unions and employers, this focus largely takes us back to the first functionalist perspective discussed in this chapter, where wage restraint is viewed as beneficial for the overall economy. The interests of actors might also be understood as institutional interests, derived from the main position of actors in politics. By centrally agreeing on wage restraint, organised capital and labour might, e.g., both guarantee their continued involvement in socio-economic policymaking, exchanging their commitment for other policy promises. As compared to the above institutionalised-learning perspective, this interest-based explanation offers a very politicised explanation of Dutch wage restraint and emphasises conflicting interests, uneven distribution of costs and benefits and (ideological) domination.

When explaining the emergence and reproduction of wage restraint in the Netherlands, this interest-based perspective might argue that powerful actors successfully imprinted their policy preference (wage restraint) on Dutch socio-economic policymaking (see Table 2.3: p. 44). Although this might involve unions, scholars like Cox (1999), or – in the past – Therborn (1986) or Van Ewijk et al. (1980) have mainly focused on the power of organised capital. Therborn (1986) argued, for instance, that the passive Dutch policy response to the crisis of the 1970s revolving around wage restraint mainly reflect the power of the business elite. ‘Dutch business has had a political chance which few, if any, of its equivalents in other democratic capitalist countries have had’ (Therborn 1986: 162). The power of Dutch business combined with government support ‘forced unions to temper their wage demands’, as is also argued by Cox (1999: 106-107). To some extent, Becker (2001) shares this analysis where Dutch unions became so weak in the Netherlands in the early 1980s that they had to conform to employers’ wishes and views.

This explanation intuitively makes sense when looking at (shifts in) the power positions of organised capital and labour. Since the 1970s, the balance of power within Dutch corporatism has shifted from labour to capital. Rising unemployment rates, the decline of union density (from 40% in the 1970s to about 25% in the 1990s in the Netherlands) and continuing processes of individualisation and globalisation seem to have undermined union power in the Netherlands and in various (though not all) European countries (Wallerstein and Western 2000). And wage developments have indeed seen a downward trend across Europe (OECD Employment Outlook 2003: 135-137). It seems that unions increasingly lack the bargaining power to push for substantial wage demands or enforce concessions when employers can easily relocate business activity to low-wage countries. However, whereas this power or interest argument might have explanatory leverage at the meso- and micro-levels of wage bargaining, at the aggregate macro-level three reservations have to be noted.

First of all, defining what is in the interest of ‘capital’ or ‘labour’ is not as easy as it appears to be at first glance. Interests are not plainly given (Blyth 2002: 27) and usually are defined in a particular way in advance by the researcher. As such, interest-based approaches are ‘highly sensitive to the economic theories used to specify the material interests of the relevant actors, and those theories might be controversial even among economists’ (Hall 1997: 178). Although it is plausible to link the basic interests of profits versus wages to the socio-economic position of the main economic players (employers versus employees), linking these fundamental interests unequivocally to specific policy orientations has no reasonable basis (Becker and Hendriks 2008: 844). There might be various roads to achieve one’s (often not one-dimensional) goals and interests. As Woods (1995: 177) argues: ‘the uptake of either set of ideas cannot be explained solely in terms of […] power and interests. To do so deprives the analyst of the capacity to comprehend why “A-think” would prevail over “B-think” in a situation where each set of ideas could be said to embody similar or equal interests’.

For example, there is no apparent best way to raise profits. What might be in the interest of an individual firm does not necessarily have to be in the long-term interest of the business community as a whole. Wage restraint seems to be particularly beneficial for firms in the exporting sector of the economy, which are unable to raise their prices without losing their competitive position and sales. Firms in the closed sector feel this price pressure less, and companies in for example retail might even be negatively affected by wage restraint because of its consumption effects. At the end of the day, most firms have to compete on quality (and productivity) rather than on prices (cf. Carlin et al. 2001: Milberg and Houston 2005). Moreover, do employers as a whole benefit from orchestrated or negotiated wage restraint agreed upon on the central level? Is decentralised
bargaining not to be preferred? Or, as industry bargaining is the rule in the Netherlands, is lower level bargaining in need of a surplus central level accord that engenders compromises as well? Organised labour is in a similar position; state workers’ interests might be different from those of mass production industry workers, which in their turn are different from those of high-quality production or service workers and so on.

However, even if one assumes that (orchestrated) wage restraint is directly in the interest of organised capital (or indirectly in the interest of employees), do employers have the power to bring about the nationwide acceptance of this policy, and did they have this power, particularly in the 1990s? Is it the result of powerful action of capital whether or not in coalition with labour, particularly in the exporting sector? A second reservation when considering this interest-based perspective is that it is rather implausible that a powerful actor/coalition would have the reservation when considering this interest-based perspective that is it rather implausible that a powerful actor/coalition would have the resources available to achieve and sustain such policy dominance over a longer period of time. It has been argued before that the claim that policies dominate because it is in the interest of some powerful actors suffers from a post hoc propter hoc fallacy (Trentmann 1998: 219-220; or consider Blyth 2002: 27 on ‘tautological/circular reasoning’), where what has come next (policy) is directly explained in terms of what preceded (interests). Macroeconomic reality is too complex for that and authority that depends solely on coercion cannot extend very far (Stone 2002: 25). The fact that a large group of different people come to accept a particular policy idea or theory is the result of a combination of factors of which powerful action might be one. To complete the picture, other factors seem necessary.

A third reservation is that in international comparison the interest-based perspective is difficult to maintain. Unions have seemingly lost power in various countries since the 1970s, but not all unions throughout Europe show the, in some eyes remarkable, Dutch willingness to moderate wages and wage costs in order to improve competitiveness (Slomp 1993: 78). Some evidence exists that the objective decline of union power is not that dramatic all over Europe (Golden, Wallerstein and Lange 1999; cf. Ebbinghaus and Visser 1999), suggesting that unions have an (material or institutional) interest themselves to agree on wage restraint with employers. In a more recent study, Jelle Visser and Marc van der Meer (2010) have looked into the various inter- and intraorganisational interests of organised capital and labour in order to explain the occurrence of social pacts (on e.g. wage restraint) in Dutch socio-economic history.

To summarise, the interest-based perspective intuitively makes sense, but is still unsatisfactory for understanding the Dutch case of wage restraint; it does not explain why interests are defined as such in the first place and why this idea generated so much support. That is, this interest-based approach does not specify why certain policy ideas are supported and by whom (Trentmann 1998: 219). By directly linking the emergence and reproduction of certain ideas to the power position of actors (particularly in the exporting sector), it wrongfully excludes the possibility that even the powerful might be dominated by the policy ideas accepted in a specific political setting.

2.3.4 Focal points, epistemic communities & legitimate action: ideas

A third and final approach towards the prominence of wage restraint focuses on the ideas held by political actors. Ideas-oriented approaches have become widespread in political science throughout the 1990s, although less so in the political-economic field (Hall 1997: 183). Scholars making an ‘ideational’ (Blyth 1997) or ‘cultural’ turn (Jessop and Sum 2001) all acknowledge in one way or the other the importance of notions ideas, but also ideology, discourse, culture and even identity for understanding policy outcomes. Most ideational analyses aim to explain institutional and policy change – an issue which traditional rational-choice or historical institutional explanations have problems accounting for (cf. Blyth 1997) – but a focus on ‘ideas’ or ‘culture’ might also help understanding the relatively stable prominence of wage restraint in the Netherlands (cf. Notermans 1999).

Few ideational studies aim to explain Dutch socio-economic policymaking in general or the prominence of wage restraint in particular. Some attempts have been made to analyse how and why ideas matter in corporatist societies more generally; scholars have pointed out, e.g., a ‘logic of information’ to understand negotiated reform under new corporatism (Culpepper 2002), the ‘discursive logic’ underlying corporatist political systems (Schmidt 2002), the impact of ‘shared understandings’ for persisting broad corporatist policy concertation (Compton 2002) and – as also discussed above – the role of ‘social learning’ in (Dutch) corporatism (Visser and Hemerijck 1997). Most of these studies give priority to an instrumental use of ideas to fill some leftover explanatory holes in interest-based or rational-institutional explanations (Blyth 1997; but see
for an exception Van Dyk 2005). At best, ideas supply a ‘focal point’ for coordinated action to converge on.

Scholars who move further down the ideational line have suggested that ideas might have a more independent role in policymaking; that is, ideas are not simply the epiphenomenon of pre-given interests, determined by the structure of the economy, or institutions (Berman 1998; Campbell 1998), but are relatively autonomous from these factors, and have some ‘power’ of their own (cf. Hall 1989). Although external economic circumstances – like globalisation, the requirements of the European Monetary Union (EMU), employment developments – are accepted as important for policymaking (Hay and Rosamond 2002; cf. Molina and Rhodes 2002: 315), it also matters how actors interpret (cf. Blyth 2003), talk and communicate (cf. Schmidt 2008), or strategically use (cf. Hay 2001) these constraints for understanding what political choices they make. Politics is essentially understood as a ‘struggle with and about ideas’ (Stone 2002: 32).

There are two lines of ideational inquiry that assign higher (causal) priority to ideas (cf. Hall 1997: 184). First, there is a burgeoning literature that focuses on the role of experts or ‘epistemic communities’ (cf. Haas 1992) in economic policymaking. Various scholars have argued that ideas enter and are institutionalised in the political arena because of the influence of experts or thinktanks on conceptions of good policymaking (cf. Sikkink 1991; Goldstein and Keohane 1993). Particularly in periods of uncertainty, policymakers turn to experts for advice that help ‘states to identify their interests, framing the issues for collective debate, proposing specific policies, and identifying salient points for negotiation’ (Haas 1992: 2). With the Dutch case at hand, it has indeed been suggested that expert bodies like the Dutch Central Planning Bureau (CPB) has been important for consensus-building around a policy of wage restraint (cf. Van Zanden 2002: 289; Donders and Graafland 1998: 344-346: cf. Zalm 2000; Passenier 1994).

Secondly, still another strand of ideational – or in fact more cultural – analyses focus on broader worldviews, national policymaking styles or culturally specific orientations deeply rooted in national history to explain the diverging policy reactions of countries (Dobbin 1994; Jordon and Richardson 1982; Shonfield 1965). In these kinds of approaches, policy ideas are adopted and reproduced because they are considered legitimate, appropriate or ‘fit’ into a given historical political setting (Mahoney 2000: 523; cf. March and Olsen 1989). In the Dutch case, this would entail an analysis of the ‘consensus-oriented culture, in which negotiation plays an important role’ (Delsen 2000: 11). This Dutch consensus-culture has often been referred to in studies of Dutch politics in general (cf. Andeweg and Irwin 2002) and the Polder Model in particular (cf. De Liagre Böhl 1999), but how this culture would effect socio-economic policymaking has not frequently been the object of study.

Though the fact that ‘ideas matter’ has inspired many scholars, ideational approaches are also said to suffer from various problems and weaknesses (cf. Campbell 1998). Above all, it is not easy to make a plausible argument that ideas or cultural variables have a truly independent role in policymaking, separate from institutions, interests or other structural variables. Moreover, policy outcomes can often be more parsimoniously explained by referring to the interests of political actors, or the structure of the economy (cf. Hall 1997: 185). Nevertheless, ideational analyses have contributed to our understanding of the broader context in which socio-economic policymaking takes place, opening the ‘black-boxes’ of the decision-making process (Berman 1998: 14) and reconsidering the ‘obvious’ that usually is taken for granted.

2.3.5 Comparing the approaches

All of the approaches discussed above contribute in different ways to our understanding of the emergence and reproduction of wage restraint in the Netherlands (see Table 2.3 for an overview). The institutional perspective focuses on how certain corporatist institutions might help solve collective action problems, and might direct the attention of actors towards wage restraint. The interest-based perspective argues that wage restraint is in the material and/or institutional interest of the principal actors. And the ideas-oriented approach considers wage restraint as a policy idea held by actors because they are ‘appropriate’ given the broader cultural context or accepted by others, above all experts. The argument presented here is that this last approach offers the most promising starting point for understanding why Dutch political actors from all over the political spectrum have come to support wage restraint over such an extended period of time.

As compared to both other perspectives, the ideational approach is first of all best suited to absorb the rejection of a functionalist approach towards wage restraint, where its widespread acceptance is explained by
the benefits wage restraint has for the overall Dutch economic system. The first section of this chapter showed that these benefits cannot be taken for granted, suggesting that, at a minimum, a political discussion/struggle should be expected about the distributional and long-term consequences of wage restraint. Although the institutional and interest-based perspectives move away from a purely ‘functionalist’ perspective, they basically also assume the benefits of a policy of wage restraint; wage restraint is either facilitated by certain institutions or follows from the interests of actors. The starting point of most ideational perspectives, however, is that, in the first place, these benefits need to be constructed as such, leaving room for political struggle, domination, ideology, misperceptions, etc.

**Table 2.3**
The Perspectives Compared

<table>
<thead>
<tr>
<th>Functionalist</th>
<th>Institutions</th>
<th>Interests</th>
<th>Ideas</th>
</tr>
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<tbody>
<tr>
<td><strong>Emergence</strong></td>
<td>Wage restraint is accepted because it is good for the Dutch economy</td>
<td>Wage restraint is accepted because it is in the material/institutional interest of (powerful) actors, particularly in the exporting sectors</td>
<td>Wage restraint is accepted because it fits accepted policy ideas and/or is put forward by experts</td>
</tr>
<tr>
<td><strong>Reproduction</strong></td>
<td>Wage restraint is reproduced because of its positive benefits for all</td>
<td>Wage restraint is reproduced because institutions affect/shape the preferences of actors</td>
<td>Wage restraint is reproduced because it is considered appropriate, a social normal outcome</td>
</tr>
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</table>

Secondly, and more than the institutional perspective, an ideational perspective draws our attention to the role of political actors and the possible changes they can bring forth themselves. An institutional perspective would predict similar behaviour over time, as actors operate within an given setting of institutional ‘carrots and sticks’. A focus on (corporatist) institutions does not explain, however, why in some years actors might come to agree on wage restraint and why in other years much more political struggle is involved. Moreover, it does not explain why actors use different justifications for (or against) wage restraint over time. Although the ideational perspective is used here to explain the relative stability of a policy of wage restraint in the Netherlands, it leaves room to explain how actors themselves (rather than rigid institutional structures) create this continuity by constantly adapting ideas to new economic and political circumstances.

Thirdly, and as compared to the interest-based perspective, the ideational perspective can better account for policy continuity over time, and similarities in behaviour and policy preferences, between different actors with different interests like unions, employers’ associations, the government and political parties (Berman 1998: 32; Fennimore 1996: 326). Why would the Dutch government, unions and employers’ associations cooperate on wage restraint – let alone, why would a large part of the media and expert bodies also support it – whereas in several other countries they are seemingly less able and willing to do so? The ideational perspective states that interests are not plainly given, but are constituted by ideas actors hold about their own interests, and the interests of others. Particularly in periods of uncertainty and crisis (cf. Blyth 2002: 9; McNamara 1998: 7-8), conceptions of interests are fluid; ex ante, the best course of action is not always clear and ex post, the causes of success or failure are not always clear. That is, success, failure and the historical lessons to draw from them do not present themselves that straightforwardly (Haas 1992: 27). Ideational perspectives leave room for discussion about interests and focus on the ideas political actors use to define what needs to be done and by whom; i.e., whether to cooperate and agree on wage restraint or not.

Discussing the Dutch case of wage restraint in terms of one of these three approaches – in this case ideas – runs the risk that one neglects the strengths of the other perspectives. Taking the ideational perspective as a promising starting point does not mean that the other elements are not important and are not being taken into account, however. This issue of the interplay between ideas, interests and institutions cannot be resolved easily, because all of these factors surely matter in politics (Hay 2004: 204). In fact, the main premise of most ideational analyses is not so much that only ideas matter, but that the beliefs and ideas actors hold are important...
for understanding how they conceive of their interests, view economic circumstances and act within an institutional setting. What is needed is an analytical framework that takes all these factors into account, while at the same time placing the way in which actors interact, discuss and negotiate their policy preferences central to the analysis. The remainder of this chapter describes how this might work for the Dutch case of wage restraint.

2.4 Analytical framework

The analytical framework of this thesis builds upon three central pillars, which entail the analytical tools used to study the Dutch case of wage restraint: 1) consensualism, 2) coordinative discourse and 3) storylines.

2.4.1 Policy domain: policy communities and the consensual patterns of interaction

The first central pillar of the framework relates to the context in which politics – and then particularly socio-economic policymaking – occurs: the policy domain. As was mentioned earlier, the Dutch political context is usually described in terms of those elements commonly captured under the term ‘corporatism’; as a structure or system where various actors – above all unions and employers’ associations – coordinate their actions in the socio-economic sphere. Usually, an analysis of the Dutch corporatist political context involves references to the overall structure of the economy and economic circumstances (e.g. its smallness and openness, cf. Katzenstein 1985), the role and number of principal actors and the institutions that regulate these actors’ behaviour in the policy field. Taking a more ‘ideational’ approach towards corporatism however implies that one should move beyond these straightforward factors, and also consider the ‘ideational’ or ‘cultural’ corporatist context; e.g., the ideas actors hold, their overall worldviews or ‘collective memories’ (Rothstein 2001), stories and symbols, the policy traditions they aspire to, and the accepted political practices, values and norms of the policy field. By focusing on the ‘cultural practices’ of corporatism, the approach advanced here shares a basic set of assumptions underlying sociological and/or more cultural approaches of historical-institutionalist thought (cf. DiMaggio and Powell 1991; Hall and Taylor 1996). The main premise is that actors do not instrumentally adopt certain policies simply because they are the most efficient course of action, in line with some transcendant rationality, but rather that this choice is shaped or mediated by a specific cultural or ideational context.

How can one make sense of this ‘cultural context’ in socio-economic policymaking? What is ‘culture’ exactly? Culture has been defined as, e.g., a ‘way of life’ (Thompson, Ellis and Wildavsky 1990: 1) or a ‘system of meaning’ (Ross 1997: 42). Such a broad understanding of culture however is not very helpful for understanding day-to-day politics and needs further specification (cf. Berman 1998, Elkins and Simeon 1979). Following Becker et al. (Smallcons 2001) it is suggested here that (political) culture should be more narrowly defined as the ‘interconnected whole of politically relevant patterns of interaction, norms and values with norms – pointing to what is normal and involving structures of mutual expectations – given more prominence than values’ (Smallcons 2001: 13). In the institutionalist literature, these ‘norms of behaviour’ are usually defined as institutions as well (cf. North 1990; Marsh and Olsen 1995; Hall and Taylor 1996); however, in order to demonstrate the relative independent importance of these more informal norms of behaviour, it makes sense to analytically differentiate between formal institutions and informal cultural norms of behaviour (cf. Moe 1987: 291). The patterns of interaction are partly institutionalised, but these institutions in themselves do not say a great deal about actual political action; norms of behaviour, values and expectations provide an essential missing link.

How is political interaction patterned in the Dutch corporatist context? What are the guiding norms of behaviour? Most of the chapters of this dissertation aim to contribute to our understanding of the patterns of interaction of Dutch corporatism, but existing literature provides important clues. The Netherlands has often been depicted as a case of a ‘consensual’ mode of regulation or conflict resolution (F. Hendriks 2001: 94); that is, Dutch political actors try to solve problems and conflicts by dialogue and negotiation rather than by confrontational competition or etatist imposition, which are other important modes of regulation (cf. Becker 2003: 7). What this consensual mode of conflict resolution actually looks like has for instance been described in the past in the so-called consociational literature (Lijphart 1968; Daalders 1971; McRae 1971). This literature focuses on consensual patterns of elite accommodation in culturally and/or ethnically segmented societies (like the Netherlands, but also Switzerland or Belgium), characterised by, e.g., power sharing and
coalition building, a proportional representation of interests, the inclusion of minorities and the accommodation of opposition. Although nowadays the Netherlands is not often depicted as a consociational country (Dalder and Koole 2002), it still exhibits many of the features that are now usually captured under the term consensus democracy (Lijphart 1983, 1999; Mair 1994). The Netherlands is one of those countries where the propensity to build consensus is strong and is even institutionalised (cf. Pekkarinen et al. 1992: 12). Largely based on these fields of research it has been suggested that the consensual patterns of interaction have several essential ingredients: a relatively large communication capacity, a commitment to the common interest, principled pragmatism and negotiation and a relatively high level of social trust (cf. Small 2001). Combining these more ‘cultural’ consensual ingredients with corporatist institutions, it could be said that Dutch politics can be best described as a case of consensual corporatism.

In order to describe the patterns of political interaction of Dutch consensual corporatism, and to understand how these impact on individual and collective action (see below), this study employs the meso-level concept of ‘policy network’ or, more specifically, ‘policy community’ (cf. Marsh & Rhodes 1992). A policy network is a complex of organisations and individuals that are linked in a specific policy field – often because of a certain degree of interdependency in interests or resources – and relate to, and interact with, each other in a specific way (cf. Van Waarden 1992). This concept is particularly suitable for this study for three reasons.

First of all, this concept has been used in the past to denote specific intergovernmental relations between state agencies and interest groups (e.g. Jordon & Richardson 1979; Healo & Wildavsky 1974) and has been further employed to enhance thinking about ‘interest group mediation’ (Rhodes 1988) and corporatism as well (Katzenstein 1978; Van Waarden 1992: 322). When used to describe corporatism, the concept of policy community is usually stressed, as a special type of network; more stable, closed and tightly knit than, e.g., more loosely organised ‘issue networks’ (Marsh & Rhodes 1992: 186). Because under corporatism, unions and employers’ associations make up a policy community as in principle antagonistic forces, it might be better to speak of an adversarial policy community (Dudley and Richardson 1996: 67). (Adversarial) policy communities differ from concepts such as ‘advocacy coalitions’ (Sabatier 1988) or ‘epistemic communities’ (Haas 1992), both of which exist because actors have a common goal or a common policy enterprise and share broader belief systems. By contrast, actors in an adversarial policy community acknowledge that they are part of a community, sharing some basic values and norms of behaviour, but they might still have separate interests and struggle about the best way to achieve their respective goals, although over time a coalition around a particular idea may develop.

Secondly, and more importantly, the concept of policy network has been used to draw our attention to the importance of social structures, political interaction and exchange relationships for understanding political dynamics (cf. Granovetter 1985). Although there are many different understandings of the concept of policy network (and how to apply and measure it), it is used here to make sense of political relationships and interaction as a social process that takes place in a specific political cultural context. Such a view is based on the assumption that the political world is in essence a social world, where political actors act and interact in a way akin to our human lives. In this world, the ‘management of [their] relationships with each other’ is at least as important as finding optimal solutions to problems (Wright 1988: 596; cf. Stone 2001: 2). Political actors try to achieve their goals in and through interaction and are affected by (their expectations of) what other actors think and do. Political actors negotiate, compromise, learn, imitate, and conclude alliances out of loyalty or strategic (opportunistic) reasons. How political actors do this – motivated by specific goals and interests – is affected by the cultural context in which they act, the cultural practices and meaning context of the corporatist policy community. Political actors usually live up to the norms of behaviour for various reasons, but above all they are viewed as ‘appropriate’; as natural, rightful, expected and legitimate (Marsh and Olsen 1989; see Chapter 4). This is not to say that actors are not purposive, goal-oriented and rational; it is to say that their rationality is understood as shaped by this normative context. Political actors believe that adhering to these norms serves their interests best, whatever they are.

Thirdly, one of the main claims of the policy network literature is that the way in which political actors relate to and interact with each other and their external environment, matters in determining the way in which policies are discussed and outcomes reached (Marsh & Rhodes 1992: 197; cf. Ross 1997: 46). This means that interaction within the network leads to different policy outcomes than interaction by actors that are outside it. Such a perspective may be helpful for understanding the contextualised
struggle about wage restraint in the Netherlands. However, how this works has not always been clearly articulated in the policy network literature (cf. Dowding 1995: 141). How do specific norms of behaviour, accepted practices and values affect policy outcomes? And what is the role of purposeful actors in such a structuring context? Taking a more cultural or sociological-institutional view on the policy community concept indeed might run the danger of overlooking contention and conflict of purposeful actors (Finnemore 1996: 339-340) as well as the possibility of change (Schmidt 2008); the rule-following behaviour of actors might reduce these actors to ‘cultural dopes’ (Campbell 1998: 383), blindly behaving in a way that would lead to, in our case, consensus. Consensus is, however, not an automatic outcome, but needs to be built and actively constructed and hence might fail to be achieved. Consequently, we need to take a closer look at how actors mediate between the (consensual) patterns of interaction of the corporatist Dutch policy community and the policy ideas they accept and reproduce.

2.4.2 Discourse: the consensual patterns of interaction and political discussion

The second pillar of the analytical framework revolves around the way in which the cultural context, as identified above, affects political discussion; the way people talk and communicate, about what kinds of ideas and policies, and to whom in the process of policymaking. At the basis of this pillar is a distinctive understanding of how the cultural context shapes individual and collective action as well as how it shapes the dynamic and the outcome of policy discussion between actors; the norms of behaviour set the parameters of what people can ‘reasonably’ talk about by defining what is accepted behaviour (normative dimension) and what ideas are appropriate or making sense within the broader ideational context (cognitive dimension).

In order to understand how the context affects political discussion via purposeful agents, the work of Vivian Schmidt (see for instance 2002, 2003 and 2008) serves as a promising source. In recent years, Schmidt has developed what she calls her ‘discursive-institutionalist’ approach, which she presents as a complementary approach to explain policy change, a phenomenon which the other accepted institutionalist approaches – rational-institutionalist, historical-institutionalist and sociological-institutionalist (cf. Hall and Taylor 1996) – have problems accounting for. She focuses on how agents themselves might negotiate and bring about change – within a specific context – and how actors actively construct a new policy consensus. She reverts to the concept of discourse to explain how policymakers might pursue successful policy reform. ‘Ideas’ are important in this respect; not only the ‘substantive content of ideas’, but also the ‘interactive processes by which ideas are conveyed’; in her words, ‘discourse’ (Schmidt 2008: 305).

One of the main points made by Schmidt is that there is a difference in the way in which ideas are conveyed (or communicated and discussed) between more ‘compound’ political systems such as (Dutch) corporatism and more ‘simple’ political systems like pluralism (2008: 312-313). In the first system, a ‘coordinative discourse’ between the relevant actors involved in policymaking prevails, whereas in the latter a ‘communicative discourse’ towards the public at large predominates (ibid). This differentiation is not absolute – both discourses are present in both settings – but nevertheless some ideas might more ‘successfully’ evolve in one political setting over the other, because ‘they get it right’ given a specific ‘meaning context’ and ‘logic of communication’ (Schmidt 2008: 313).

This dissertation builds upon Schmidt’s distinction, but argues that her approach needs further improvement. To begin with, Schmidt does not elaborate on what a ‘communicative discourse’ or – as is the object of study here – ‘coordinative discourse’ might look like, and what ideas ‘get it right’ within such a discourse. It is suggested here that a coordinative discourse involves practices and ideas that bring all relevant actors together by pointing out how every actor can benefit from, and contribute to, a particular course of action. That is, in such a discourse ideas are employed that facilitate coordination, and help finding agreement and build consensus. Two factors are proposed to matter for determining what ideas usually fare better in a coordinative discursive context.

First of all, ideas that can be formulated in terms of some ‘common interest’ have more chance of succeeding in a coordinative discourse. The importance of this notion within corporatist settings has been mentioned before, also with respect to the Netherlands (cf. Windmuller and De Galan 1990: 209; cf. Van Bottenburg 1995). In the words of Katzenstein (1985: 32) for instance, the main socio-economic players in corporatist societies are able to ‘couple narrowly conceived group interests with shared
interpretations of the collective good’. As compared to more pluralist or etatist societies, the common interest – or similar notions – is considered to be a shared responsibility between government, unions and employers (cf. Dyson 1980); it constitutes a ‘shared public space’ (Crouch 1986; see Chapter 4). It is the notion around which the principle actors coordinate their actions; it constitutes a ’focal point’ in political discussion (cf. Croucher 1986; see Busch 1999).

A second factor that helps explaining the prominence of certain ideas within a coordinative discourse, is whether or not they are put forward by certain powerful ‘carriers’ (Berman 1998: 25), above all experts. In the early 1990s, Peter Haas in particular started to investigate the role of ‘networks of knowledged-based experts’ (Haas 1992: 2) – defined as ‘epistemic communities’ – to explain international policy coordination. Particularly in periods of uncertainty (see also Blyth 2002), (state) actors often turn to policy experts for advice, which might lead to policy coordination between actors when the epistemic community’s views demonstrate the need for it (1992: 30). A similar argument, although less explicitly, has also been made in the literature on corporatism, where experts might provide the ‘common framework and acceptable data’ which might facilitate coordination because it serves as ‘evidence of a pervasive ideology of social partnership’ (Katzenstein 1985: 88; see Chapter 5).

This further specification of the discursive-institutionalist approach of Schmidt enhances our understanding of how people discuss policies, what interests they try to define and with whom; these factors provide the ‘outward circumstances’ (Berman 1998: 25) that define the parameters of political discussion. However, for understanding how specific ideas ‘get it right’ and come to dominate a specific policy community, a next analytical step is needed. Why do actors accept specific ideas as being in the common interest, and therefore also in their specific interest, and not others? Why are some ideas of experts being singled out in the political arena, but not others? For answering these kind of questions, the approach of Schmidt cannot help us any further. In explaining the acceptance of ‘right’ or ‘wrong’ ideas (Schmidt 2003: 133), Schmidt largely falls back on rational-institutionalist assumptions, where ‘right’ ideas can be determined as such, post hoc, on the basis of objectively and exogenously defined problems and situations. Where the Netherlands for example is concerned, Schmidt states that ‘the best illustration […] is the Netherlands in the early 1980s, when the Dutch social partners, having learned the bitter lessons of the 1970s when escalating labour conflict and spiralling inflation had devastated the economy, hit on the right policies of labour flexibility and wage restraint as they regained the political institutional capacity to negotiate labour reform cooperatively’ (Schmidt 2003: 133; emphasis added). A successful coordinative discourse in the Netherlands allowed actors to overcome existing obstacles in terms of established interests, institutions or values that all arguably involved ‘wrong’ ideas. Schmidt does not raise or ask the question why these ideas were considered ‘right’ or ‘wrong’ in the first place. As such, Schmidt overlooks two issues that are of importance for understanding the emergence and reproduction of specific ideas.

First of all, her approach overlooks the very possibility that in many situations actors do not know or agree on what the problem really is and therefore what the right solution might be. Particularly in crisis situations, actors are highly uncertain about what to do (Blyth 2002). Actors constantly negotiate about reality and need to solve this uncertainty in order to act; they need to redefine their (common) interests and the ideas they hold. Rather than suggesting, as Schmidt does, that ideas/discourse constitute a different variable – an additional variable that can explain change, whereas interests, institutions and culture explain stability – this research suggests that ideas go all the way through; ideas are relatively autonomous in the construction of (common) interests, the functioning of institutions and culture in which actors act, and might be a variable in explaining policy change as well as stability (Berman 1998).

Secondly, Schmidt’s approach overlooks the power and dominance dimensions of policymaking. She considers ‘right’ ideas and ‘successful’ discourse from a non-political idealist point of view that will be agreed upon when actors are able to overcome their short-sighted behaviour. The acceptance of a certain idea might obviously reflect a ‘true’ consensus (as a result of learning and conviction) but it might also be the expression of specific dominance relations. Not all ideas are as easily accepted and discussed about within a specific setting. That is, the patterns of political interaction might work as the famous institutionalisation of bias (Schattschneider 1970); some conflicts (or definition of conflicts; Hajer 1995: 42) are organised into politics, whereas others are organised outside of it. An idea might become ideological normality, sustained by the norms of behaviour that direct the attention of actors to what is accepted and agreed upon by others in the community.
In short, although consensus building in the Dutch corporatist policy community is facilitated by a ‘coordinative discourse’, consensus is neither a starting point nor an automatic outcome. It needs to be actively constructed by actors themselves; a process in which actors constantly try to impose their definition of reality (of, e.g. the common interest) on others. In order to understand how consensus around an idea is constructed (or not), another step in the analytical framework is required.

2.4.3 Ideas: consensus building through storylines

The third central pillar of the analytical framework concerns how actors build consensus by employing specific ideas, in specific ways ‘congruent’ with the broader cultural context (Schudson 1989). In order to understand how actors build consensus around a specific policy idea, one needs first to know what ideas ‘do’ for actors. In general terms, ideas tell actors what to do; they define what the interests of actors are, what goals to strive for and what means will bring these goals closer in reach. Ideas provide a ‘blueprint for action’ (Blyth 2002), by creating order in, or ‘simplifying’, a complex world (cf. Hajer and Laws 2006). There are many possible courses of action, causal links and goals to achieve, and ideas organise these possibilities into a clear and distinctive framework informing political action of actors who hold them.

But what kinds of ideas are we actually talking about? In the ideational literature ideas have been used and defined in multivarious ways (cf. Surel 2000; Campbell 1998). An idea sometimes refers to a concrete policy solution, or ‘programmatic belief’ (Berman 1998: 21) but more often they are conceptualised as, e.g., broad ‘interpretative frameworks’ (Blyth 1997), ‘paradigms’ (Hall 1993), ‘belief systems’ (Sabatier 1998), ‘epistemes’ (Haas 1992) or ‘frames of references’ (Jobert 1989). Some studies focus more on cognitive ideas (Jacobson 1995), others on normative values (cf. Marsh and Olsen 1989), of which some are more concrete and in the foreground and others more abstract and in the background (cf. Schmidt 2008: 206-307; Campbell 1998: 383).

Following Berman, it is argued here that these all-embracing conceptions of ideas are not very helpful for understanding ‘the motivations and actions of political actors in specific contexts […] because they do not, in general, provide specific guidelines for action in everyday life’ (Berman 1998: 20-21). Ideas as, e.g., economic paradigms are too broad for that.

Moreover, these broad conceptions of ideas leave little room for actors that agree on specific policies (consensus), but disagree on the overall theory or worldview or vice versa (cf. Noterboom 1999). On the other hand, to consider an idea simply as a policy solution is too narrow a conception as well. Implied in and by an idea are other ideas about urgent problems, causalities and appropriate solutions. For actors to agree on a specific policy idea—that is, to find consensus—the idea needs to be linked to more and other ideas about, e.g., the most relevant problems to be solved, causal links between elements, important events, responsibilities of actors, appropriate behaviour and accepted practices. In other words, for a specific policy idea—as in the case wage restraint—to become (widely) accepted, a whole ‘story’ needs to be told about its relevance and appropriateness within the (corporatist) policy community.

To understand how this consensus-building through ‘story-telling’ happens, this study draws upon some insights from discourse or narrative analysis (e.g., Roe 1994).29 Discourse analysis is here used in pragmatic sense, adding new insights, and not as a strict alternative to other analytical approaches (cf. Schmidt 2008). In various ways, discourse analysis may complement most ideational analyses, as it focuses on how ideas (and words) are used in and through social interaction. That is, more than most ideational analysts, discourse analysts usually operate with a relational ontology, where it matters for policy outcomes how people interact in a specific political setting (Hajer and Laws 2006: 258). Therefore, discourse analysis may help in linking the focus on interaction of more sociological-institutional approaches to more ideational approaches by focusing on how ambiguity is resolved through accepted (institutionalised) practices and how some ideas might gain dominance in a particular field.

My discourse analysis is influenced by the work of Maarten Hajer (1995, 2005, 2008) who focuses on how and why ‘a particular understanding […] at some point gains dominance and is seen as authoritative, while other understandings are discredited. This is taken on to analyzing the ways in which certain problems are represented, differences are played out, and social coalitions on specific meanings somehow emerge (Hajer 1995: 44). The emergence of these ‘social coalitions’, or what Hajer calls ‘discourse coalitions’, is of particular interest to this study of the Dutch case of wage restraint; a consensus on this idea might be viewed as the dominance of this ‘particular understanding’ within a coalition of unions,

[54]
employers’ associations, politicians, but also – as will be demonstrated in various chapters – journalists and experts. To understand how this ‘coalition forming’ happens, Hajer in his highly influential book *The Politics of Environmental Discourse* (1995) introduces a rather broad definition of the concept of storylines30, which he later redefined as a ‘condensed statement summarizing complex narratives, used by people as “short hand” in discussions’ (Hajer 2005: 302).

A storyline, as the word implies, tells a ‘story’ about the field to which it applies, in our case the (Dutch) political economy. A storyline is not just about an idea (like wage restraint or budget cuts), but usually – though often implicitly – involves a causal narrative about problems, causes and effects, responsibilities and political actions. Storylines usually order and simplify what happens in the world around actors by making connections between certain elements, factors and ‘disparate events’ (Hay 1999: 334). In this sense, storylines are context-specific. They connect policy ideas to the broader political and cultural context in which actors operate: to circumstances, to policy traditions, accepted practices and norms of behaviour. In our case, and as will be demonstrated in more detail in Chapter 7, the Wage Restraine Storyline (WRS), links the idea of wage restraint, to a specific causal narrative of competitiveness, to the Accord of Wassenaar of 1982 as an historical event, and to cooperation on the common interest as an accepted consensual practice within the Dutch corporatist policy community.

By telling a certain causal story on policy problems, a storyline also indicates who may claim responsibility for what has happened or needs to happen; it positions actors as ‘winners’ or ‘losers’, as ‘villains’ and ‘heroes’ (Stone 2002: 133). It is here where the potential of storylines for coalition or consensus-building lies. A storyline can bring actors together by joining their interests in a particular way and by pointing out a division of responsibilities. The storyline might become the glue for coalition and consensus building (cf. Greenaway 1998: 914), if it demonstrates the need for cooperation. A main characteristic of storylines is indeed that they can be shared by a variety of actors with different overall worldviews or even interests (C.M. Hendriks 2005: 4), like unions and employers’ associations. Actors do not necessarily have to share a certain ‘belief system’ (cf. Sabatier 1998) or ‘episteme’ (cf. Haas 1992), but can find each other in a single story on the basis of which they jointly take action (or not).

A storyline is individually employed, but is *collectively created* (Stone 2002: 137). This means to say the emergence of a storyline is not so much the result of the power, interests or strategies of a single actor, but is the outcome of a largely anonymous discursive process. ‘Individuals may strategically (seek to) insert a particular story, but whether this will organize a policy domain depends on how others respond to it, twist it, take it up’ (Hajer and Laws 2006: 258). That is, storylines are created in and through interaction, a process in which most actors try to give their ‘twist’ to the story, but success is not guaranteed, and is often determined by accidental circumstances. However, and as was argued above, some ‘twists’ are more likely to succeed than others, depending on how they fit or are congruent with the broader cultural setting and practices in which interaction takes place. Once created and accepted, a storyline may get a life of its own in a policy community; repetition, even of only a part of the story, results in its rapid dissemination, as by ‘uttering specific elements one effectively reinvokes the storyline as a whole’ (Hajer 1995: 62). It may come to structure debate, particularly when institutionalisation in formal rules or laws or when ‘normalised’ in accepted practices, and may become the dominant – in the sense of A over B, C, D, to N (Smallcons 2001: 15-16) story on what needs to happen. Other modes of thought are pushed to the margins of discussion. This reproduction into dominance does not mean that storylines are not subject to change, however. Storylines are ‘elastic’, where the constituting parts can easily be dis- and re-connected in order to adapt to changing circumstances.

To sum up, the analytical framework as described in this section revolves around three central pillars. It is argued that the patterns of political interaction (1) shape the way in which political discussion takes place (2), but only because of active intermediation by actors through the creation of storylines (3). In this sense, storylines provide a missing analytical link between the patterns of political interaction (of a policy community) and concrete policy outcomes. This link is reciprocal, interacting and mutually reinforcing (cf. Thompson, Ellis and Wildavsky 1990: 1). Storylines link concrete policy ideas to accepted practices, norms of behaviour and values of the policy community and in doing so reproduce or potentially change these practices.
2.5 Studying the Dutch case

The approach as advanced above is motivated by two ‘black boxes’ in established theory and thinking about socio-economic policymaking in the Netherlands: on how Dutch corporatism actually ‘works’ (cf. Hartog and Teulings 1998) and on what consensus (on, e.g., wage restraint) means (see paragraph 1.3). To ‘open’ these boxes, it is argued here that an in-depth investigation of a single country, keeping institutional and economic variables constant, is the most promising way to explore underlying mechanisms and principles on consensus formation (Gerring 2004; Yin 2003). By applying a ‘cultural-discursive’ approach, certain mechanisms of reproduction and change can be studied and observed for a single case that might otherwise be overlooked. Next to this more deductive reasoning, most of the empirical findings will develop inductively. The findings of this study may serve as propositions for other comparative studies on consensus formation (see conclusion).

The focus is on how the Dutch debate on socio-economic policymaking developed over the past years. As a first important step in this analysis, statements, arguments and stories that are used in debate by a variety of political actors are collected, described and analysed. A variety of sources are used ranging from newspaper clippings, speeches, columns, official policy documents, central accords, but also interviews with key players (Appendix A). For these interviews, actors are selected in five categories: 1) unions, 2) employers’ associations, 3) politicians and government officials, 4) experts (in and outside the policy community) and 5) newspaper commentators. The data and interview material are used to demonstrate how political actors talk and think about wage restraint and about consensual cooperation and interaction in the Dutch consultation economy.

Subsequently, in order to understand why debate evolved the way it did, a next important step is to carefully trace back the political processes and political discussion to see what exactly happened, in which sequence, who was involved and what was being experienced (cf. ‘process tracing’ by George and Bennett 2005: 6). By examining the dissemination of ideas and ‘showing how they pass through institutions, getting promoted, destroyed, redefined and redeployed, [and] we can see if it is possible to establish what tend to make some more successful than others’ (Finlayson 2004: 154). Because of the considerable period under investigation – from the 1970s to about 2004 – this study focuses on some specific critical periods, or ‘nodal points’ (Hay 2001), in Dutch socio-economic history that have been of particular interest. This is, to start, the successful ‘Polder Model period’ in which the Wage Restraint Storyline particularly flourished (from 1996 to about 1999). Other important periods are characterised by more uncertainty and crisis rather than economic boom. During crisis periods, accepted strategies are usually put under pressure and are potentially redefined: from 1979 to 1983 (the ‘Wassenaar period’); from 1991 to 1994 (the ‘New Course’ period) and from 2001 to 2004 (the ‘Hot Fall’ period). Within these periods, certain events and periods are of particular relevance; most notable, the so-called Spring and Fall negotiations when social partners and government meet to talk about the economy.

For this historical process tracing, the same material and data are used as for the description of political debate. To a large extent, the things people say in newspaper clippings or in interviews are considered to accurately reflect what people think and do. However, in politics, actors might not always say what they do or do what they say. In addition, people are not always aware of why they do what they do or not do (Dowding 2004: 138). It is therefore also important to compare ‘hindsight accounts’ with statements made when political actors took action (Woods 1995: 172), or critically examine behaviour (Wright 1988: 609). That is, so-called ‘primary’ or ‘secondary’ documents (Burnham et al. 2004: 165–188) that are produced closely after the event should be compared to ‘tertiary’ material that are produced a long time after the event and evaluate the event as it has taken place.

A final step in the analysis is explain the emergence and reproduction of the Wage Restraint Storyline in public debate. We move to interpretation and interpretative inference as a means to identify causal mechanisms. Its basic assumption is that features relevant to everyday life – like learning; but also mimicking; socialisation to accepted practices; loyalty, opportunism and so on and so forth – are just as much part of politics, science and journalism (Becker and Hendriks 2008). Given this, one can tentatively infer from the ‘thick description’ (Geertz 1973: 3–30) of socio-economic debate that these features might be relevant as well, particularly when storylines persist while (economic and political) contexts change (Berman 1998: 18) and/or when storylines persist despite being criticised and even empirically falsified.
3.1 Describing the policy domain

introduction

Dutch politics is characterised by substantial cooperation and coordination between political actors, predominantly between government, employers’ associations and unions. In order to illuminate how a policy idea of wage restraint emerges, and is being sustained, in and through these coordinative processes, one first needs a general understanding about who the principal actors are, about what kind of institutions they interact through, and about how these institutions changed over time. This chapter describes these basic characteristics of the Dutch socio-economic policy domain, which serves as a general introduction to the subsequent chapters.

As was mentioned in the previous chapter, the Dutch policy domain should be described in terms of the formal institutions of corporatism as well as in terms of the informal norms of behaviour of consensualism. With these two terms combined, the Dutch socio-economic policy domain can be best described as consensual corporatist. This chapter first pays brief attention to Dutch history and the roots of Dutch consensualism that provide the conditions for contemporary Dutch corporatism.
to emerge and function effectively (3.2). Subsequently, the way Dutch corporatist institutions evolved is discussed; from early attempts to regulate capital-labour relations in the beginning of the 20th century, to the high tide of Dutch corporatism in the 1950s and 1960s, to a more indirectly centralised corporatist arrangement over the last thirty years (3.3). Then, the main actors will be introduced – unions, employers’ associations, government and political parties. Special attention is paid to expert bodies, and then particularly the Central Planning Bureau (CPB), that have a prominent position in Dutch consensual corporatism (3.4). At the end of the chapter, Dutch consensual corporatism is compared to other corporatist and non-corporatist societies (3.5).

3.2 The history of Dutch consensual corporatism

3.2.1 The roots of Dutch consensualism

In Dutch political history, practices of accommodation and cooperation between a variety of political actors seem to be a constant factor. As early as the 13th century, *burghers*31, peasants and nobles were cooperating relatively harmoniously in the *Hoogheemraadschappen*32 to build dykes and polders in order to protect their land from the rising waters (Pleij 1998). In the 15th century, cooperation was established in guilds that regulated economic, and often social, activity in certain professions. In the Dutch Republic of the 16th and 17th centuries, the governing regents ruled their localities by collegiate decision-making and practices of co-optation (Kossmann 1978: 30; Daalder 1995: 14-20). In the 19th and early part of the 20th century, a practice of accommodation between political elites was said to be part and parcel of Dutch politics in order to stabilise the religiously segmented Dutch society (Lijphart 1968). And finally, the second half of the 20th century was characterised by intensive cooperation and coordination between government, unions and employers’ associations in various policy fields, most notably incomes policy (Windmuller 1969). The practice of cooperation appears to be of all ages in the Netherlands and there seems to be, as summarised by Van Zanden (2002: 284),

‘a practically uninterrupted line of development from the relatively democratic and corporatist inheritance of the Middle Ages to the neo-corporatist structures of the 20th century, connected to each other by the socio-political structure of the Dutch Republic (1579-1795), a link that seems to be largely absent in the rest of Europe’.33

Randraad and Wolfram (2001: 41), by contrast, caution to portray Dutch historical development in this linear and largely uninterrupted way, as it downplays considerable differences and the importance of turning and breaking points in Dutch history. Dutch corporatist practices of the 1990s are for instance substantially different from the practice of collegiate decision-making of the 17th century. Moreover, the existence of early cooperative democracy and guilds does not necessarily predetermine a historical path to fully-fledged corporatist arrangements that were founded in the early post-war period (Smallcons 2001). In national historiography, substantial transformation and historical contingency are easily overlooked. Presenting Dutch history as pervaded by cooperation and coordination appears to be a recent reconstruction of the Polder Model discourse (F. Hendriks 2001).

Nevertheless, historical studies have suggested that early political experiences and the overall historical process of state formation and democratisation of a particular society might have an impact on the dynamics of current political practices*. That is, the roots of contemporary consensual corporatism might sensibly be looked for in history (Smit et al. 2004: 2-4). This is not the place to extensively discuss these roots and conditions of possibility, but a few general remarks about Dutch history might be insightful. The state of the art in this field is fairly well established. It has been argued that the historical development of those (small) countries that eventually developed corporatist and consensual practices in the 20th century displayed in the past, some

‘distinctive characteristics: a weak landed nobility, relatively strong urban interests, and a divided Right; a moderate Left, no revolutionary break with the past; and a willingness to share power among political parties as illustrated by the adoption of proportional representation’ (Katzenstein 1985: 137-138).

The political history of the Netherlands – or in fact the (low) lands we nowadays call the Netherlands – is characterised by social fragmentation and patchworks of shared power between the trading bourgeoisie,
Dutch Republic of Seven United Provinces (officially founded in 1579) and sometimes other societal forces (Zimmermann 2004: 3).

For a variety of complex reasons, feudalism has been relatively weak in the Netherlands, whereas the urban and trading sector have been quite strong. Consequently, the aristocracy never had the power to push for more authoritarian/absolutist regimes where they would have the sole power to rule. These factors laid the basis for the absence of deep status divisions in (Dutch) society, a relatively large middle-class and a moderate left (Smit et al. 2004: 3). Moreover, the dominance of urban interests and an orientation on trade might have contributed to a rather tolerant and pragmatic attitude towards (religious) minorities for the sake of business (Smit et al. 2003: 49; cf. Kossmann 1987).

Next to these early consensual conditions, the gradual and relatively peaceful state formation and democratisation processes of the 18th and 19th centuries appears to have shaped the historical path towards contemporary corporatism (cf. Katzenstein 1985: 137-138). Though the Dutch Republic of Seven United Provinces (officially founded in 1579) might be considered the first political construction of the Netherlands, it was only after 1813 one might sensibly speak of the existence of a Dutch state and more deliberate state formation processes. The political upheaval that surrounded the foundation of the Dutch monarchical state in 1813 and the substantial democratic revision of it in 1848 was considerable, but it was not a Revolution that could be compared to what happened elsewhere in Europe. State formation was relatively gradual therefore. Moreover, there was substantial continuity in policymaking processes. Older traditions and practices of ‘regents’ rule survived the installation of the monarchy (Randeraad and Wolfram 2001: 49). Spoormans (1988) and Stuurman (1992) both show the preservation of the older traditions of schikken en plooien (adjust and adapt) and persuasie (persuasion) of the Dutch Republic in the Dutch monarchical state. The relatively peaceful democratisation processes throughout the 19th century constituted the basis for a relatively high degree of popular trust and the communication capacity conditional for consensualism (cf. Smit 2004).

Dutch state formation was not only characterised by its unique gradual evolution, but also by a sharing of power or political space with other societal forces. The Dutch monarchical state could only develop alongside an existing strong civil society and business community (Van Waarden 1992: 151-152). This strong civil society and business community considerably circumscribed the expansion of the Dutch state and aristocracy and sometimes other societal forces (Zimmermann 2004: 3).

For a variety of complex reasons, feudalism has been relatively weak in the Netherlands, whereas the urban and trading sector have been quite strong. Consequently, the aristocracy never had the power to push for more authoritarian/absolutist regimes where they would have the sole power to rule. These factors laid the basis for the absence of deep status divisions in (Dutch) society, a relatively large middle-class and a moderate left (Smit et al. 2004: 3). Moreover, the dominance of urban interests and an orientation on trade might have contributed to a rather tolerant and pragmatic attitude towards (religious) minorities for the sake of business (Smit et al. 2003: 49; cf. Kossmann 1987).

Next to these early consensual conditions, the gradual and relatively peaceful state formation and democratisation processes of the 18th and 19th centuries appears to have shaped the historical path towards contemporary corporatism (cf. Katzenstein 1985: 137-138). Though the Dutch Republic of Seven United Provinces (officially founded in 1579) might be considered the first political construction of the Netherlands, it was only after 1813 one might sensibly speak of the existence of a Dutch state and more deliberate state formation processes. The political upheaval that surrounded the foundation of the Dutch monarchical state in 1813 and the substantial democratic revision of it in 1848 was considerable, but it was not a Revolution that could be compared to what happened elsewhere in Europe. State formation was relatively gradual therefore. Moreover, there was substantial continuity in policymaking processes. Older traditions and practices of ‘regents’ rule survived the installation of the monarchy (Randeraad and Wolfram 2001: 49). Spoormans (1988) and Stuurman (1992) both show the preservation of the older traditions of schikken en plooien (adjust and adapt) and persuasie (persuasion) of the Dutch Republic in the Dutch monarchical state. The relatively peaceful democratisation processes throughout the 19th century constituted the basis for a relatively high degree of popular trust and the communication capacity conditional for consensualism (cf. Smit 2004).

Dutch state formation was not only characterised by its unique gradual evolution, but also by a sharing of power or political space with other societal forces. The Dutch monarchical state could only develop alongside an existing strong civil society and business community (Van Waarden 1992: 151-152). This strong civil society and business community considerably circumscribed the expansion of the Dutch state and state intervention in society. Whereas initially liberal-merchant forces kept the Dutch state from becoming all-encompassing and absolutist, later particularly confessional forces pushed for a certain level of self-governance by societal actors. Throughout the 19th century, a denominationalisation of Dutch politics took place (cf. De Haan 2003) where religion became the dominant political and societal antagonism. Religious groups, Protestants and later Catholics, resisted the tendency of the Liberals in charge to form a unified liberal state. They feared that their confessional interests would not be taken into consideration well enough. Instead, they wanted the freedom to organise their own affairs, most notably the freedom to found their own schools (though state funded). According to them, the Dutch state should function according to the Protestant principle of ‘sovereignty in one’s own circle’ or the, more or less similar, Catholic principle of ‘subsidiarity’, where the government would delegate part of its tasks to societal groups. These religious ideas of self-governance laid the basis for a regulation of society along corporatist lines.

The prominence of a religious cleavage in politics was reflected in Dutch society that was strongly pillarised (verzuiling). There were basically four pillars or zuilen: a Protestant, Catholic and later Liberal and Socialist one. Every pillar provided a cradle-to-grave system of voluntary associations to its members (Daalder 1966). Education, charity, funerals, and later on broadcasting were all organised along pillar-lines. This pillarisation made decision-making rather complex, as there was a constant need for compromising. In the Pacification of 1917, the school issue, several social reforms and universal suffrage were settled in one big compromise. The need and wish to share power between (religious) minority groups was settled in the system of proportional representation of 1917, which is one of the most extreme varieties in Europe. New political parties can easily enter Parliament because of the absence of a real threshold (only the electoral quotient; Andeweg and Irwin 1993: 89).

What was of considerable importance for the peculiar development of the Dutch state and Dutch corporatism, is that the pillarisation and confessionalisation of Dutch politics and society took place a little before industrialisation finally took shape in the Netherlands at the end of the 19th and early 20th century (De Liagre Böhl 1998: 207; cf. Van Zanden 1997). The dominance of religious forces prevented a radical division of society along socio-economic lines; Catholic and Protestant unions and employers’ associations were founded (see section 3.4), which circumscribed
the development of a socialist and more radical labour movement. The confessional forces offered their own version of how to organise society and the economy. Its unions and employers’ associations condemned disorderly class struggle and emphasised harmony, even in labour-capital relations. This resulted in a preference to institute corporatism as an alternative and confessional way to organise society and the economy. As argued by Cox (1993: 80),

‘Confessional groups used their position to develop programs designed to offer an antidote to the individualistic themes in liberalism, and later they defended the programs against the collectivist emphasis of socialism. This middle-of-the-road alternative was achieved through the creation of corporatist organisations to which were delegated the tasks of administering the programs and advising the government on policy’.

These confessional forces shaped Dutch politics and, later on, welfare state expansion considerably (Becker and Van Kersbergen 1988), and their ideas of ‘sovereignty in one’s own circle’ and ‘subsidiarity’ even affected the ideas of the other Liberal and Socialist pillars. The Socialists for instance developed the more or less similar but secular concept of ‘functional decentralisation’. The Liberals appeared to be attracted to the older ‘Republican’ traditions of laissez-faire and local privileges (cf. Van Waarden 1992).

The combination of these factors – e.g. an evolutionary and fragmented process of state formation, a strong civil society, confessional forces and urban interests – all gave the Dutch state system its distinct shape where several public tasks are shared with and delegated to societal actors. Consequently, the boundaries between ‘state’ and ‘society’ are relatively blurred in the Netherlands. These historical conditions shaped the development of corporatist institutions and arrangements over the course of the 20th century.

### 3.2.2 Institutionalisation of Dutch corporatism

The institutionalisation of Dutch corporatism did not take place overnight, but proceeded in different smaller and larger steps. Around the turn of the 20th century, the first steps were taken to regulate capital-labour relations by founding local chambers of labour, where employers and employees could cooperate to mediate in possible labour conflicts. Also, in 1909 the first law on labour contracts was implemented, which opened up the possibility to negotiate collective agreements on, for example, working conditions. It was only after the First World War, however, when class struggle was most pronounced in the Netherlands, that the institutionalisation of Dutch corporatism really took hold (Zimmermann 2005: 11).

During the inter-war period (1918-1945), class struggle became more regulated in three related ways. First, two laws were implemented during that period, which still regulate Dutch labour relations until the present day (cf. Teulings and Hartog 1998: 267-270). The 1927 Law on the Collective Labour Agreement (CAO) made a collective labour agreement (CAO) binding for all workers in the company that signs an agreement, irrespective of the fact if these workers are union members (of the signing union) or not. Classes are thus indiscriminatory, because they do not differentiate between workers of a particular company or industry (Hartog 1999: 462). This law was supplemented in 1937 by the Law on Mandatory Extension (LME). This law enables the Minister of Social Affairs and Employment to extend a CAO to the entire industry if this agreement covers a substantial majority of the industry. Both laws are considered to be corporatist traits (Teulings and Hartog 1998: 270).

Secondly, and more important for central-level corporatist interaction, during the interbellum the first yet still hesitant steps were taken to build institutional channels for tripartite policy coordination. In 1919, the High Council of Labour (Heldenman 2004) was founded in order to bring employers and workers in closer contact with each other and with the newly created Labour Department (Zimmermann 2005: 16; Van Bottenburg 1995: 20). The High Council of Labour was an initiative of the Protestant Anti-Revolutionary Party (ARP) that aimed to decentralise social legislation (Heldenman 2004: 45). In terms of actual policy advice, however, the council was not very effective. The government was not obliged to ask its advice and the council was in general still very controversial. In fact, various compromises between organised capital and labour were informally reached outside of this council. Organised interests met in all kinds of other bodies and commissions on employment, vocational training and statistics (Heldenman 2004: 61; Zimmermann 2005: 18). These contacts in particular eventually resulted in some kind of ‘procedural consensus’ on the appropriateness of negotiation that added to continued cooperation and coordination (Smit et al. 2005: 13).
Though these early corporatist laws and (institutional) contacts were of importance, it was particularly, and thirdly, a gradual political-ideological shift towards more economic regulation that further contributed to the institutionalisation of Dutch corporatism. Throughout the 1930s, the most important political parties moved towards each other in their ideas on how to tackle the economic crisis and how to regulate the economy in general (Zimmermann 2005: 25). In fact, most parties supported plans and policies that substantially deviated from the orthodox economic liberalism that was the dominant response of the Dutch government to the world economic crisis. The Catholics came up with plans to regulate the Dutch economy in an organic fashion, and when the Social Democrats published their Labour Plan40 in 1935, which advocated a toned-down socialised economy, the prospects for cross-class collaboration increased substantially (but see Wilts 2001: 195-197). A consensus emerged in which Catholic ideas occupied its core, accompanied by several plan-economical Socialist and laissez-faire Liberal ideas (Smit et al. 2005: 14).

The Second World War accelerated the institutionalisation of Dutch corporatism on the basis of this newly found consensus. The war functioned as an external shock and catalyst, which enabled some more radical changes to take place. German occupiers reorganised the Dutch economy together with Dutch collaborators to put it into the service of the German warfare (Zimmermann 2005: 27). These economic reorganisations, drawn up by the Woltersom Commission41, laid the organisational basis for corporatist economic reconstruction of post-war Netherlands. Moreover, the war also greatly encouraged so-called ‘breakthrough’ thoughts (cf. Kennedy 1995) of politicians from all sides of the political spectrum, who wanted to abolish old pre-war pillarisation; instead they wanted unified cooperation in order to rebuild economic and political structures. Exemplary of this breakthrough spirit of cooperation is the intensive, informal and in fact illegal contacts between leaders of unions and employers’ association during German occupation that eventually resulted in the foundation of a Labour Foundation, the Stichting van de Arbeid, in 1945 (Van Bottenburg 1995). This Labour Foundation represented the willingness of organised interests to cooperate to rebuild the economy.

The government also came up with its own plans to rebuild the Dutch economy. The core of its plans revolved around so-called Statutory Trade Organisations (the PBOs)42, founded by law in 1950. In these public PBOs, employers and employees were supposed to cooperate along either product (vertical) or industrial (horizontal) lines to regulate economic and social activity. Its peak administrative organ was the Social and Economic Council (Social-Economische Raad, SER) also founded in 1950. In this tripartite and public institution, organised capital and labour were (and still are; see below) represented alongside so-called Crown Members, which are government-appointed experts. The government was obliged to ask the SER for advice on all relevant socio-economic issues. It was particularly in its advisory role that the SER became a prominent player of Dutch corporatism. In the early years, the SER and Labour Foundation had somewhat similar functions, but eventually a division of labour was decided upon. Both institutions were preserved, though personal and organisation distribution was almost similar in both bodies (Windmuller 1969: 22).

These corporatist institutions were set up as part of an encompassing plan to better regulate and rebuild the Dutch economy after WW2. Perhaps the most striking part of these plans was the formulation and implementation of a rather stringent and state-led system of wage and price policies. Just after the war, the fight against inflation had top priority for the government and it was generally thought that wages and prices should not be allowed to move freely, but should be set by the government (Smit et al. 2005: 4). Therefore, the wage level became a policy instrument, which was not only used to fight inflation but also to achieve full employment. This wage policy boiled down to keeping nominal wage increases low, and consequently reduce wage costs (Van Zanden 2002: 286). In the words of Shonfield (1965: 212) for Dutch politicians, ‘the only hope of providing large-scale opportunities for additional employment through the expansion of home industry seemed to be by keeping Dutch wages deliberately below the West European standard’.

Moreover, a consensus existed that these policies would be most effective when organised capital and labour would be involved in their implementation (Windmuller 1969; Katzenstein 1985: 49). An emergency law in 194543 facilitated this cooperation, though initially only as a temporary solution. Nobody expected at that time that the law would largely remain intact until 1970. In this centrally guided system, the Minister of Social Affairs, or formally a Board of Government Mediators44, determined the accepted level of wage increases for a particular year after consulting with organised capital and labour in the Labour Foundation (Van Bottenburg 1995: 77-80). Subsequently, collective labour agreements were negotiated at the industry level and their outcomes were submitted
for approval to the Labour Foundation. In this second stage, the Board of Government Mediators would intervene only in controversial cases. The government based the level of accepted wage increases on scenarios of the newly founded Central Planning Bureau (Centraal Planbureau, CPB), founded in 1947 to analyse the effects of government policy on the economy in order to facilitate policy coordination (cf. Passenie 1994; see section 3.5). These CPB forecasts were acknowledged as ‘scientific’ guidelines for ‘economically permissible’ wages, as a result of which ensuing wage determination was rationally legitimated or rather technocratically depoliticized for organized businesses and affiliated trade unions alike (Hemerijck 1992: 272).

This system of centrally guided wage policy was rather unique in Europe in its formalism, extent of government interference in wage and price setting and level of centralisation (Shonfeld 1965: 212). The system is considered to have been highly successful for the Netherlands (cf. Van Zanden 1997: 183-202), though it was also criticised for, among others, its beggar-thy-neighbor elements (Windmuller 1969: 392) or negative social consequences (Pen 1961; Hoefnagels 1961). But even if it was not so economically successful (Van Hulst 1984; Shonfeld 1965: 216) then at least it was so politically because the Netherlands became one of the most stable and peaceful economies in the world (Windmuller 1969: 293-298). Strike levels were (and still are) relatively low, industrial disputes hardly took place and on the political level cooperation was quite harmonious and accommodative (Lijphart 1968).

An important condition for the success of this centralised wage system was the ability of organised interests to bind their rank-and-file to the central level agreements, and to prevent free-rider behaviour (Van Zanden 2002: 287). The government supported the professionalisation and organisational strength of federations for instance by offering them a seat in central consultative bodies like the SER. However, as economic conditions improved over the 1950s and 1960s, it became increasingly difficult for both unions and employers’ associations to bind their members. As a consequence of the tightening labour market situation, employers were increasingly willing to pay higher wages than was acceptable, the so-called ‘black wages’; wage increases that unions in their turn were willing to accept for their members who demanded a larger share of the increased economic pie. The government changed the central wage system various times to be able to adapt to these changing circumstances effectively, but this remained without much effect. As from 1959 for instance, wage increases were allowed to reflect productivity differences at the industry level instead of following one national formula (Van Bottenburg 1995: 130-135). However, the system became too complicated to function effectively, and (black) wages continued to increase rapidly. In 1963 and 1964 wage increases of more than 15% were being negotiated, and in a final attempt to prevent further increases the government shifted responsibility of determining wage levels to the Labour Foundation itself. However, this only undermined the centrally-guided system further.

It was around this time that the ‘Golden Age’ of Dutch corporatism seemed to have ended, and the institutionalisation of Dutch corporatism reached its high point (Smit et al. 2005:14). At the end of the 1960s it became clear that the corporatist system was in need of change, and a new phase in Dutch corporatism set in around 1970; one moving towards indirect centralisation.

3.2.3 Towards indirect centralisation

The highly centralised system of corporatist wage bargaining formally broke down in 1970, when after years of heated debate a new Wage Act (Wet op de Loonvorming) was implemented. This act directed the autonomy to set wages and other employment conditions to employers and employees – and/or their representatives – and the government formally refrained from determining wage and price levels. Consequently, wage bargaining gradually decentralised to the industry level. Though this seems to imply that Dutch corporatism disappeared and/or de-institutionalised, it has been argued that it is probably even more appropriate to speak of corporatism after 1970 because of its more voluntary nature of cooperation (Woldendorp 1995). Dutch corporatism moved away from a highly centralised, formal and tripartite system, but re-institutionalised since the 1970s as a more informal and bipartite system that might be qualified as indirectly centralised (Visser and Hemerijck 1997: 112; Teulings and Hartog 1998: 281-283; Delsun 2000: 17). The core of this system is an interesting mixture of decentrality and centrality (Blien and Den Butter 2003: 72) where actual wage bargaining takes place at the industry level, but national dialogue and central agreements continue to be of importance; though more informal and indirect as compared to the Dutch corporatist system of the early post-war period. How did this...
re-institutionalisation of Dutch corporatism happen and how did it take shape?

As mentioned above, wage bargaining became formally free in 1970. However, throughout the 1970s, it proved to be rather difficult to let go of the older established tradition of centralised wage bargaining, which continued to shape the political responses to the economic crises of the 1970s. Until 1982, the government intervened no less than nine times in wage setting by decreeing wage measures, which it could still legally do in exceptional circumstances (Van Zanden 1997: 229; Van Bottenburg 1995: 161-168). Moreover, the government continued its attempts to conclude tripartite or bipartite agreements on wages (cf. Woldendorp 2005). On their part, unions and employers’ associations remained committed to central level negotiations, even though they substantially disagreed on appropriate policies and wage levels (see Chapter 6). Only in 1972 were they able to conclude a central accord, but some union members did not commit themselves to the outcome. According to Van Bottenburg (1995: 165) it is appropriate to speak of ‘a trauma of central wage politics’ during that decade. Political actors agreed that the centralised system of the early post-war period was old-fashioned, but no agreement existed on a viable alternative (Hemerijck, Unger and Visser 2000: 210). Nevertheless, the government and the ‘social partners’ continued to meet each other at the central level, without much effect.

With no agreements on the central level, wage bargaining increasingly took place at the industry level. This process of decentralisation intensified over the 1980s, and continued over the 1990s. Nowadays, wage bargaining predominantly takes place at the industry level, though company level bargaining has slightly increased in importance recently (Van Ruyssseveld 2002: 330). About 1000 collective labour agreements (CAO) of all sizes and forms are concluded every year in a multitude of different sectors and firms. Only about 15% of Dutch employees (total economy) are not covered by a CAO. About 70% of workers are covered by a industry CAO (60% directly and 10% indirectly – that is, via extension). About 15% are covered by a company agreement. Coverage rates in the public sector are 100%. These high coverage rates are mainly the result of the above-mentioned indiscriminatory nature of CAOs, the prominence of multi-employer, single table bargaining and the high organisation rates of Dutch employers, who delegate negotiation power to federations. This all leads to a rather collectivised and coordinated system of sectoral/industry level wage bargaining.

Despite the process of decentralisation, central-level negotiation and dialogue between organised capital and labour have persisted since the 1970s. Established unions and employers’ associations continue to meet in the Labour Foundation and the Social and Economic Council; they are remarkably committed to central level negotiations even during the politicised 1970s (Wolinetz 1989: 95; Woldendorp 1995); and they have regularly concluded bipartite central agreements or ‘recommendations’ on a variety of issues, such as the unemployment situation of minorities (1989), flexibility and security (1996) and pensions (1997). These central agreements are known under the names of Social Accord or Central Accord. The most famous Central Accords probably are the Accord of Wassenaar of 1982, and the New Course of 1993.

While central level dialogue has persisted, it has changed in character over the years, though some of the changes might be more in style than in content. Perhaps most importantly, the government abstained from official participation in Central Accords, in the sense that it will usually not sign an agreement on, e.g. wages. Dutch corporatism has become more bipartite therefore, and as a consequence the agenda has narrowed slightly over the years to wage-related issues mainly (Compston & Berger 2002: 328; Staroff 1999: various tables); though issues such as training and leave schemes are usually still part of negotiations as well. The government does still informally meddle with central negotiations. It meets the social partners twice a year in the Labour Foundation to discuss relevant socio-economic issues, possibly financially facilitating an agreement. Rather than offering ‘carrots’, the government also uses ‘sticks’ to urge the social partners to conclude an agreement, e.g. by threatening to intervene in wage setting.

The outcome of central level negotiations have also become more informal. Instead of accords in the strict sense, central agreements usually are just ‘recommendations’ (aanbevelingen) or offer an ‘agenda’ for lower level bargainers. That is, affiliated members cannot be ‘forced’ to adhere to the central level agreement (see 4.3.3). According to some politicians and academics, central dialogue is therefore not that important for the real economy. In their eyes, it is nothing less than a ritual dance and/or is of no particular relevance for actual wage bargaining (cf. Wilthagen 1996). It is not easy to establish a direct impact of central accords on lower level negotiations, but research has shown that there is some evidence that these accords exert influence on CAO negotiations (Van Houten, Torenvlied et
that organises three-quarters of all unionised workers, and has about 1.2 million members. The note demands would lead to industrial disputes. However, within this union is formally allowed not to support the union financially when the wage an affiliated union deviates upwardly from this central line, the federation appears to be just as important for wage coordination within the federation various interviews (Teulings and Hartog 1998: 293). At a minimum, central agreements might affect the overall climate in which lower level discussions take place.

The fact that central accords are not just a ‘consensus on paper’ without further effect (Torenvlied and Akkerman 2002: 218) is largely the result of what has been called horizontal and vertical coordination (cf. Baccaro 2003; Staroff 1999: 189), where coordination of issues (e.g. wages) take place between or within organisations respectively. Vertical coordination is stronger and more effective within union federations than in employers’ associations (Van Houten and Torenvlied 2002: 187). Within the labour movement, coordination is most formalised within the largest federation FNV. Since 1994, this federation determines the maximum wage demand on the basis of macro-economic indicators such productivity increases as well as on the basis of increases in prices, and affiliated members have to adhere to this central policy line (Roje and Harteveld 2002: 195). When an affiliated union deviates upwardly from this central line, the federation is formally allowed not to support the union financially when the wage demands would lead to industrial disputes. However, within this union as well as other unions more informal coordination and soft pressure appears to be just as important for wage coordination within the federation (various interviews). Horizontal coordination also takes place in the Netherlands, where so-called wage leaders set the pattern for other sectors. Company CAOs of e.g. Philips, but also industry CAOs of the metal industry serve as a measuring rule for other CAO negotiations.

But who are concluding these central or industry level accords? This chapter now turns to the key players of Dutch corporatism: unions, employers’ associations, and the government.

3.3 Key players of Dutch consensual corporatism

3.3.1 Unions, employers’ associations and the government

On the part of unions, there are three peak federations, which are divided along religious and ideological lines (Teulings and Hartog 1998: 293). The general Dutch Federation of Trade Unions48 (FNV) is the largest union that organises three-quarters of all unionised workers, and has about 1.2 million members. The FNV has 17 affiliated unions, of which FNV Bondgenoten (a 1998 merger of the FNV Industry Union, Transport Union, Service Union and Food union) is the largest and most well known, having about 470,000 members. The FNV was founded at the end of the 1970s out of the Catholic NVK49 and the Socialist NVV50 that decided to merge to gain organisational strength. It was particularly the NVV that propagated a rather revolutionary spirit in the past, and of the three peak federations the FNV is still the most radicalised. The FNV however firmly holds up the virtues of a democratic society and the freedom to negotiate (art. 2, par. 1. FNV-Statuten).

The second largest peak federation is the Christian Trade Union Federation (CNV) that organises 340,000 employees and has 11 affiliated unions. The CNV is strongly inspired by social Christian thinking and rejects a blatant class struggle (CNV Statuten). Therefore, the CNV is rather cooperative towards employers, and is often less radical than the FNV in its policy stances (cf. Teulings and Hartog 1998: 293; Van Ruyssenfeldt and Visser 1996: 234). In the 1970s, the CNV opted out of the merger with the Socialist and Catholic unions because it feared that its Christian identity would be lost. The third peak federation is the Federation for Managerial and Professional Staff51 (MHP) that organizes around 160,000 mainly white-collar workers. The MHP was founded in 1974 when the established unions strongly pushed for leveling of incomes and white-collar workers felt that their interests were not well protected. The MHP considers itself a neutral, non-religious and non-ideological union organization. The most well-known and largest affiliated union is De Unie.

There are also three peak employers’ associations in the Netherlands. By far the largest organisation is VNO-NCW, which is a 1996 merger between the Federation of Dutch Enterprises (VNO) and the Christian Employers’ Federation (NCW)45. VNO-NCW has five regional branches and individual enterprises as well as branch organisations are members. Together, these members cover 90% of Dutch employment. An important member is the AWVN6, a general employer associations that advises employers on collective labour agreement negotiations. The other two peak organisations are MKB Nederland62 and LTO Nederland63. The first is an employers’ association of for medium and small enterprises; about 250 local/regional and 135 branch organisations are part of MKB Nederland, which includes about 186,000 small and medium-sized employers. In 2005, VNO-NCW and MKB Nederland decided to deepen their cooperation, though a formal merger is still a long way to go (NRC Handelsblad, 27 October 2005)64. LTO Nederland organises about 50,000 employers in the agricultural sector. All
three employers’ associations cooperate in the Council of Central Employers’ Associations (RCO).\(^{59}\)

The above union federations and employers’ associations are all represented in various advisory bodies and semi-public government agencies. Most importantly, or perhaps most visibly, is their membership of the Labour Foundation (SVDA) and the Social and Economic Council (SER). The Labour Foundation is a bipartite private body founded by employers and employees in 1945. In the Labour Foundation unions and employers talk about a variety of issues that are of concern to them. The chairmen of the largest peak organisations – the FNV and VNO-NCW – are jointly chairing meetings. VNO-NCW has three seats, whereas the other two employers’ associations have two seats each. On the union side, the same distribution applies, where FNV has three seats and the other federations two each. Traditionally, the so-called Wage Committee of the Foundation is most prominent and influential (Visser and Hemerijck 1997: 91)\(^{60}\).

The Social and Economic Council is a public body founded in 1950 and is consulted on almost all relevant socio-economic issues by the government. Two-third of its seats are divided between the union federations and employers’ associations\(^{61}\). One-third of the seats are occupied by so-called Crown Members, who are government-appointed experts, usually professors of economics (Visser and Hemerijck 1997: 91). As a rule, one of the Crown Members chairs the sessions, the general public ones as well as the more specific secluded ones. The directors of the Central Planning Bureau (CPB) as well as the Dutch Bank (DNB) are also Crown Members. In 1995, the legal obligation to ask the SER for advice on socio-economic issues was abolished. This has not led to a substantial reduction of published advices and activities, however (SER 2000: 16). Since 1997, members of parliament are also permitted to ask the SER for advice.

Dutch corporatism is formally bipartite, but informally tripartite because of close contacts between interests groups and political actors such as civil servants, Ministers, and Members of Parliament. The ‘interlocking directorates’ and cohesiveness of the pillarised period (Lijphart 1968: 60; Krouwel 1995: 180), are nowadays gone, but this is not to deny ideological affinity, informal contacts and political fine-tuning. The Social Democratic Party (Partij van de Arbeid, PVDA) is most closely linked to the general union federation FNV. In fact, one of its most pronounced leaders of the 1990s, Wim Kok, was the former chairman of the FNV. The Christian Democratic party (Christen Democratisch Appel, CDA) identifies itself most with the Christian union. Both parties usually actively support the involvement of unions and employers in policymaking. By contrast, another big party in the Netherlands, the Liberals (Volkspartij voor Vrijheid en Democratie, VVD) is much less inclined to consult the social partners (Pellikaan 2002: 209). However, ideologically the VVD is closest to the employers’ associations VNO-NCW.

These three political parties, or their predecessors, have formed the core of all Dutch government coalitions since the Second World War, though in different configurations. Until 1994, the Christian Democrats were always part of government (Krouwel 1995: 168). During the 1950s, they governed with the Social Democrats mainly. During the 1960s and 1980s, the Christian Democrats formed a coalition with the Liberals. In the 1970s, the Netherlands had its only real leftist government ever, supplemented by a few confessionals (cf. Bootasma and Breedveld 1999). The year 1994 marked a turning point as for the first time in Dutch history, the Social Democrats formed a coalition with the Liberals in the so-called ‘Purple’ coalition (together with the small social-liberal D66). From 2002 to 2006, the CDA was in government again together with the Liberals mainly; after 2006 with the Social Democrats and a small Christian party.

As was mentioned earlier, the 1970 Wage Act pushed the government formally from wage setting. However, since the early 1980s a tradition exists where the Minister of Social Affairs meets bi-annually and informally with the social partners within the Labour Foundation. These meetings take place in spring and fall, and are consequently called Spring and Fall consultations (Voorjaarsoverleg and Najaarsoverleg). These consultation rounds have resulted in many central agreements between unions and employers, and formally as well as informally involving the government. Within the Dutch government, the so-called Central Economic Committee (Centraal Economisch Committee, CEC) is of importance for understanding the actors of Dutch corporatism, a committee in which various top civil servants of various Ministries are represented to coordinate socio-economic policymaking. The directors of the Central Planning Bureau (CPB) and the Dutch bank are also (often) present at the meetings of the CEC.

These last two expert bodies are also worth mentioning separately. Though often expert bodies mainly operate in the academic sphere, some cross the boundary with the political sphere and are highly relevant for
Dutch corporatism. The importance of these experts for corporatism has been mentioned before (Katzenstein 1985: 88) and will be demonstrated in more detail in subsequent chapters. Here the most important Dutch expert bodies will be briefly introduced, of which the Central Planning Bureau (CPB) is the most prominent.

3.3.2 Experts and the Central Planning Bureau (CPB)

When economic policy analysis is concerned, the Central Planning Bureau (CPB)\textsuperscript{63} – or, as the bureau calls itself in English, the Netherlands Bureau for Economic Policy Analysis\textsuperscript{62} – is a highly important and respected expert body in the Netherlands. The government, political parties, but also unions and employers’ associations make use of CPB analyses to formulate their plans and political wishes. Furthermore, the media extensively covers CPB activities and other expert bodies and several academics base their analyses on CPB-calculations. In various senses, the CPB is without a peer abroad, as ‘in no other country does the modelling agency and the model have such public, important, collaborative and open role in economic policy analysis’ (Den Butter and Morgan 2000: 292).

The Central Planning Bureau is one of the three so-called planning agencies of the Dutch government\textsuperscript{64}, and is among the most widely known, together with, for example, the Social and Cultural Planning Bureau (SCP). The CPB is the main advisory body of the Dutch government on (socio-)economic issues. It was founded as such between 1945 and 1947 and was originally intended as a planning institute (hence the name planning bureau in Dutch) as part of social-democratic ideas of a planned economy (cf. Passenier 1994). The CPB was supposed to devise a National Prosperity Plan, authorised by the government and implemented by the above-mentioned Statutory Trade Organisations (PBO). However, in response to substantial parliamentary disagreement on the appropriate level of government intervention in the economy, and in the context of an emerging Cold War and economic recovery, socialist and leftist planning ideas lost force. The CPB did not become a full-blown planning institute but an advisory agency serving as a ‘technical instrument’ for governmental policy-making (Kickert 2002: 134). The CPB assesses and analyses economic developments in the Netherlands on the basis of government policy plans.

The CPB heads under the Ministry of Economic Affairs, and is paid out of government funds\textsuperscript{65}. Formally, the CPB has its basis in the 1947 Law on the Preparation of a Central Economic Plan\textsuperscript{66}, and has, according to article 3 of the Law the task to,

‘perform all tasks with respect to preparing a Central Economic Plan that is published regularly on behalf of the coordination of economic, social and financial policy of the government, as well as to give advice on general questions which can turn up with respect to the realisation of the plan’.\textsuperscript{67}

This Central Economic Plan\textsuperscript{68} (CEP) is published in spring and is the most important publication of the CPB together with the Macro-Economic Outlook\textsuperscript{69} (MEV), which is published (since 1961) in the fall. Both are short-term forecasts of the Dutch economy against the background of relevant world economic developments; the first is a little bit more detailed and the second accompanies the presentation of the national budget.

Both take into account the economic effects of policy implementations and policy intentions of the government as well as the uncertainties in the world economy (oil prices etc.). In fact, these economic analyses are prepared quarterly, but the other two (of which the so-called Queens Macro-Economic Outlook\textsuperscript{70}, is sent around in summer) provide information for the government mainly. The CEP and the MEV are instead widely discussed by societal actors and media.

Apart from these publications, the CPB also prepares medium and long-term analyses (e.g. the Middellange Termijnoverkenning, MLT), and all kinds of research documents, monographs and memoranda on a variety of issues like disability insurance and public service broadcasting (cf. Broer et al. 1998). These research activities are directed at (and asked for by) the government first and foremost, but also at social partners and other parties. Third parties can ask for advice for free, as the CPB aims to be financially and intellectually independent. Since the 1980s, a salient activity of the CPB has been the assessment of the respective programs of political parties for their economic effects (cf. CPB 2002) as well as the ‘counter national budgets’ of opposition parties (cf. Den Butter & Mosch 2003: 368).

Though the CPB had to fight for its particular niche in Dutch socio-economic policymaking in its early years (Van den Boogaard 2000: 296-299; Wilts 2001), it is now firmly embedded in Dutch political circles and economic policymaking. Since 1950, the CPB is organisationally embedded in Dutch bureaucracy via the foundation of the so-called Central Economic Committee (CEC)\textsuperscript{71}, which consists of high-ranked civil servants.
from various Ministries and in which the CPB has a seat. The CPB also has a seat in the Social and Economic Council (SER) and an advisory role in the Council for Government Policy (WRR). Consequently, the economic analyses of the CPB have acquired a prominent role in Dutch economic policymaking – and not only in governmental or parliamentary circles. CPB publications have become cornerstones of collective wage bargaining and central negotiations, where the Spring and Fall consultations are accompanied by the CEP and MEV respectively. Moreover, employers’ associations and unions often underpin their notes on labour conditions on CPB analyses (cf. CNV 1998: 4-5). Finally, CPB analyses are usually front-page news and journalists often invite the CPB to comment on political and economic developments (cf. Klam 1990: 17).

Currently, the CPB consists of about 170 employees, mainly econometricians and economists supported by an organisational staff. The CPB has a board consisting of a director, a deputy director and scientific advisors. The CPB has its own external advisory body, the Central Planning Committee (CPC)72, which meets twice a year to give advice on the work and methods of the CPB. This Commission consists of twelve members from science and business (unions and employers). Members of the CPC as well as the board of the CPB are appointed by the Minister, and come under ministerial responsibility (art. 2.4; art. 4.3; revised in 1997).

There are few research institutes that can compete with the prominence of the CPB. In the past, some research institutes were founded (e.g. Nyfer by a CPB-critic Bomhoff or the REA, a Council of Economic Advisors73) to offer an alternative to the CPB. There are some ‘competitors’ nowadays (cf. Bergeijk and Van Sinderen 2001), but they do not have the capacity nor the privileged access to government policy as the CPB has. The CPB is specialised in devising economic/econometric models, provides analyses and policy assessments and as such differs from the Statistical Office (CBS)74. Another important institute providing economic forecasts is the Dutch Bank (DNB). More influential in long-term and more qualitative research analyses and advices is the Scientific Council for Governmental Policy (WRR)75 founded in the 1970s. The way the CPB and these other expert bodies impact on Dutch corporatism and the ideas political actors hold (particularly wage restraint), will be discussed in detail in Chapter 5.

### 3.4 Dutch consensual corporatism in international comparison

The corporatist institutional (and consensual) arrangement as described above is not unique to the Netherlands. Corporatism has been a key political-economic phenomenon a number of affluent capitalist nations since the 1960s (Kenworthy 2003: 10), even though it is often unclear what corporatism exactly is referring to. As argued by Therborn (1992: 24): ‘Many people believe it is an important phenomenon, crucially affecting social life. But nobody really knows what it looks like’. Widespread agreement exists that countries such as Austria and Sweden are corporatist whereas Great Britain and the United states are essentially non-corporatist or pluralist. Also, there is agreement that a certain degree of consultation or coordination between organised employers and employees takes place in corporatist societies; that usually the union movement is relatively well developed, and that some coordination of wage setting takes place. But after these general agreements, a lot of disagreements exist on what corporatism is, and which countries are corporatist or not. Where does the Netherlands fit in this discussion? In what way does the Netherlands exhibit the general features of corporatism, and where does Dutch corporatism deviate from other countries? There is general agreement amongst most researchers of corporatism, that the Netherlands is corporatist. Indeed, on most scales of corporatism, the Netherlands ranks medium to highly corporatist, just after other known corporatist countries like Austria, Norway and Sweden (see Table 3.1). On these scales, Canada, the United States, but also European countries such as the United Kingdom, Italy, Spain, France and Portugal are considered essentially pluralist. Germany, Belgium and Switzerland are intermediate cases. In the past, however, these kinds of corporatist rankings were criticised for not being able to classify some ‘problematic’ cases satisfactorily (like Japan, France and Switzerland) and for overlooking the way in which the economies of some countries are substantially coordinated or integrated – in the sense of coordination of activity between sectors and industries – rather than corporatist (cf. Soskice 1990; Siaroff 1999; Kenworthy 2003). Countries like Germany and Switzerland are respectively highly and moderately coordinated on these scales, but wage setting is not very centralised and/or the union movement is weak; indicators that figure strongly in most traditional measurements of corporatism. On these coordination scales, countries such as Germa-
ny and Belgium but also Italy quite rapidly move upwards, even ranking higher than the Netherlands (see Table 3.1). Austria still ranks highest on the coordination scale, but the Swedish economy is considered to be less coordinated than it is corporatist. Again, the United States, Canada and Great Britain are considered most uncoordinated.

On the basis of these above scales, it has been claimed that the ideal-type corporatism is Austro-Scandinavian in nature (Siaroff 1999: 179), where Austria, Sweden, and Norway exhibit almost all features that are

<table>
<thead>
<tr>
<th>Coordination Index according to Hall and Gingerich</th>
<th>Average* Corporatism Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>scale 0 to 1</td>
<td>scale 1 to 5</td>
</tr>
<tr>
<td>Australia</td>
<td>.36</td>
</tr>
<tr>
<td>Austria</td>
<td>1.00</td>
</tr>
<tr>
<td>Belgium</td>
<td>.74</td>
</tr>
<tr>
<td>Canada</td>
<td>.13</td>
</tr>
<tr>
<td>Denmark</td>
<td>.70</td>
</tr>
<tr>
<td>Finland</td>
<td>.72</td>
</tr>
<tr>
<td>France</td>
<td>.69</td>
</tr>
<tr>
<td>Germany</td>
<td>.95</td>
</tr>
<tr>
<td>Ireland</td>
<td>.29</td>
</tr>
<tr>
<td>Italy</td>
<td>.87</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>.66</td>
</tr>
<tr>
<td>Norway</td>
<td>.76</td>
</tr>
<tr>
<td>Portugal</td>
<td>.72</td>
</tr>
<tr>
<td>Spain</td>
<td>.57</td>
</tr>
<tr>
<td>Sweden</td>
<td>.69</td>
</tr>
<tr>
<td>Switzerland</td>
<td>.51</td>
</tr>
<tr>
<td>UK</td>
<td>.07</td>
</tr>
<tr>
<td>USA</td>
<td>0.00</td>
</tr>
</tbody>
</table>

* Of the corporatism rankings of 13 different inquiries by different authors. Sources: Hall and Gingerich 2001: 46; Siaroff 1999: 185 (Smallcons 2003: 41).
and Portugal (more coordinated or corporatist), but also Ireland and the United Kingdom (more pluralist), collective agreements do not apply to workers who are not union members, even if the company they work for signed the agreement (ibid). In most of the rest of Europe, collective labour agreements are indiscriminatory, as in the Netherlands.

Another final but core structural feature of corporatism is the level of wage bargaining, which is highly centralised in ideal-type corporatism; or better, was centralised as wage setting also decentralised in Sweden and Austria (Calmfors 1993: 162). As described in this chapter, Dutch wage bargaining was once highly centralised (until the 1970s), but nowadays wage bargaining predominantly takes place at the industry or sectoral levels, just as in Germany and Austria. A similar process of decentralisation took place in Sweden and Denmark, whereas in countries such as Belgium, Ireland and Italy it is better to speak of more centralisation than in the past (Wallerstein and Western 2000: 266). In Finland, central level agreements are still of overriding importance and in countries such as the United Kingdom and Switzerland, company level agreements have always been predominant. Similar levels of wage bargaining, however, conceal substantial differences in the way wages are set or are coordinated. For instance, centralisation is low in Germany, but coordination is mainly achieved by pattern setting (horizontal coordination) where collective labour agreements concluded in the metal industry serve as an example for negotiation in other industries (Raess 2006). In Belgium and the Netherlands there is far more centralisation, but in Belgium this is much more formal and state-imposed, whereas in the Netherlands it is more informally and indirectly centralised (Hendriks 2004).

To sum up, as far as more structural and organisational features are concerned, the Netherlands is not typically corporatist. Moreover, it seems difficult to draw a general picture of similarities and differences between corporatist and non-corporatist societies on the basis of these indicators. Siaroff (1999: 187) also points out this difficulty and suggests to measure the integration of economies where functional roles of, and patterns of behaviour between, or organised interests in all levels of policymaking.

### Table 3.2

<table>
<thead>
<tr>
<th>Structural features</th>
<th>Contextual features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union density Coverage rates *Wage bargaining **Political tradition ***Small open economy</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>37 ± 95</td>
</tr>
<tr>
<td>Belgium</td>
<td>56 ± 90</td>
</tr>
<tr>
<td>Denmark</td>
<td>74 ± 77</td>
</tr>
<tr>
<td>Finland</td>
<td>76 ± 90</td>
</tr>
<tr>
<td>France</td>
<td>10 ± 90</td>
</tr>
<tr>
<td>Germany</td>
<td>25 ± 70</td>
</tr>
<tr>
<td>Netherlands</td>
<td>23 ± 80</td>
</tr>
<tr>
<td>Sweden</td>
<td>79 ± 90</td>
</tr>
<tr>
<td>Switzerland</td>
<td>18 ± 40</td>
</tr>
<tr>
<td>UK</td>
<td>45 ± 30</td>
</tr>
<tr>
<td>USA</td>
<td>27 ± 14</td>
</tr>
</tbody>
</table>

* For Wage bargaining 1) is dominance of company and plant level agreement; 2) is combination of industry and company/plant level; 3) is industry level; 4) is predominately industry level bargaining but also recurrent central level agreements; 5) is central level agreements of overriding importance.

** Political Tradition where SD is Social Democratic, L is Liberal and CH is Christian Democratic.


As far as coverage rates are concerned, it is difficult to point out a general trend seperating corporatist from non-corporatist countries, and to specify the exact position of the Netherlands in the corporatist field. Coverage rates – the percentage of workers covered by a collective labour agreement – are high and relatively stable throughout Europe (see also OECD 2004: 146-149), with the exception of Switzerland and the United Kingdom. The coverage rates of e.g. France are just as high as those of Austria and Sweden. Extension mechanisms, which are considered a corporatist trait (Teulings and Hartog 1998: 270), are important here, for corporatist as well as non-corporatist countries. In two countries, there is no extension mechanism: in corporatist Sweden and in pluralist the United Kingdom (EIRO 2005). Moreover, in countries like Sweden, Germany and Portugal (more coordinated or corporatist), but also Ireland and the United Kingdom (more pluralist), collective agreements do not apply to workers who are not union members, even if the company they work for signed the agreement (ibid). In most of the rest of Europe, collective labour agreements are indiscriminatory, as in the Netherlands.
Three general remarks can be made on these indicators. In terms of ‘Social Partnership’, the Netherlands resembles the Austrian idea of Sozialpartnerschaft much more than the Scandinavian idea of ‘labour market parties’. In the Netherlands, unions and employers’ associations usually consider themselves to be social partners, which suggests a partner-like willingness to cooperate and negotiate; strikes are only an action of last resort (strikes are indeed relatively rare in the Netherlands; cf. Gall 1999; Crepaz 1992). This distinction between Scandinavian corporatist cooperation and a more continental one has also been pointed out by Pekkarinen et al. (1992: 12). They distinguish between two different varieties of corporatism where in Scandinavia, for instance, conflict is institutionalised (and therefore regulated) whereas in countries such as the Netherlands and Austria consensus is institutionalised.

Secondly, though the Netherlands is considered a coordinated (integrated) market economy, it is less so because of the average extent of co-determination of employees at the workplace and the conflictual-reformist orientation of unions. With respect to the first factor, the Netherlands resembles countries like Germany, Austria and perhaps Switzerland. In the second case, the orientation and attitude of Dutch unions appears to be much more in line with those of Belgium, Denmark and Finland. Thirdly, and finally, in the Netherlands substantial and extensive (policy) consultation takes place between social partners and the government, in a similar way as in Sweden and Denmark. The role of the state is important in this regard. Dutch corporatism is neither as state-imposed as in for instance Belgium, nor as explicitly bipartite as, for instance, Germany, Austria or Switzerland. Dutch corporatism seems to be informally tripartite where the government is informally involved in central level dialogue of the social partners.

### 3.5 Conclusions

This chapter described the Dutch (consensual corporatist) policy domain in general terms; its main actors and institutions, its history and evolution over time. It showed that there is a long Dutch consensual tradition of cooperation and consultation, particularly between the main socio-economic players, which became institutionalised throughout the 20th century. This chapter also showed that this institutionalisation of

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**Table 3.3**

Several functional and behavioural features of small countries in comparison (mid-1990s)

<table>
<thead>
<tr>
<th></th>
<th>Social partnership</th>
<th>Industrial level coordination</th>
<th>Policemaking patterns</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>Austria</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Belgium</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Denmark</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Finland</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>France</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Sweden</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>UK</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>USA</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

A Strike level where 5 is less than 100 persons days per 1000 workers; 4 is 100 to 200 persons day per 1000 workers; 3 is 200 to 400 persons day per 1000 workers; 2 is 400 to 600 persons days per 1000 workers and 1 is more than 600 persons day per 1000 workers.

B Orientation of unions where 5 is reformist – balance of class forces; 4 is reformist – hegemonic; 3 is conflictual – reformist with participatory goals; 2 is conflictual with goal of self-control; 1 is revolutionary.

C Legal and state support for unions where 5 is full support; 4 is strong support; 3 is moderate support; 2 is some support; 1 is only the basic rights of existence.

D Nature of economic ties and outlook of firms where 5 is a coordinated market economy; 3 is coordinated only in key regions; 1 is non-coordinated.

E Extent of co-determination at the workplace where 5 is required and regulated with councils dependent on unions; 3 is required and regulated but without workers’ representatives necessarily being from unions; 1 is permitted but rare.

F Nature of conflict resolution in national industrial adjustment where 5 is bargained; 4 is bargained with some state imposition; 3 is pluralist or liberal; 2 is statist, with some inclusion of economic actors; 1 is statist.

G Extent of generalised political exchange where 5 is extensive, both at the sectoral and national level; 4 is extensive at either the sectoral or the national level; 3 is formerly extensive, but now weaker; 2 is incipient or weak; 1 is none.

H General nature of public-private interaction where 5 is concordance; 4 is strong corporatism; 3 is moderate corporatism; 2 is weak corporatism; 1 is pluralism.

Dutch corporatism has coincided with the implementation of a stringent statutory wage policy. Centrally imposed wage restraint was an essential part of this policy, as well as the intensive involvement of the ‘social partners’ in its execution. These two factors – corporatist institutions as linked to a policy of wage restraint – seems to offer a crucial part of the explanation of the prominence of wage restraint in the Netherlands in current times. More explanatory factors are needed, however, for at least two reasons.

First of all, neither the corporatist institutions nor a policy of wage restraint are constant over time, and cannot and are not just simply ‘invoked’ in times of crisis. As was pointed out in this chapter, the corporatist policy domain has changed over time, and is characterised by periods of institutionalisation, de-institutionalisation and re-institutionalisation. In some periods, Dutch corporatism ‘failed’; in other times, it was ‘successful’. Consequently, the support for corporatism waxed and waned. In the 1970s for instance – but also in the early 1990s – Dutch corporatism ‘failed’ and, as a result, organised capital and labour had to redefine their role in Dutch socio-economic policy-making. Political actors continuously redefine the policy domain in which they operate, linking institutions to certain new circumstances.

Secondly, the presence of institutions on themselves does not tell us much about the policies that are being accepted. Corporatist institutions might exist, but might not function because political actors do not support it (like in the Netherlands in the 1970s). Corporatist institutions might exist, but might lead to entirely different policy outcomes over time. As was also argued in Chapter 2, in order to understand how institutions in a policy domain affect policymaking, one needs to look into the patterns of interaction and how these shape what kind of ideas are more easily accepted than others. The next two chapters will elaborate on two important ways in which the consensual patterns of interaction of the Dutch corporatist policy domain shape discussion and the consequent acceptance of the idea of wage restraint: by a focus on the common interest and the importance of expert knowledge in defining this common interest.
This chapter analyses in detail the consensual patterns of interaction of the Dutch corporatist policy community, and the way these affect political discussion about socio-economic policies, particularly how these might affect the acceptance and reproduction of the policy idea of wage restraint. In order to describe the consensual rules of the game, this chapter draws extensively on the views and expectations of key players in the field. This partly anecdotal evidence (of interviews but also public utterances in newspapers and speeches) is important for analysing the ‘inside workings’ of the Dutch corporatist policy community (cf. Teulings and Hartog 1998: 266). The players themselves know best which norms govern their political and personal interaction. At the same time, one must be careful in drawing a complete picture on the basis of subjective attitudes alone and therefore the interview material will be complemented by insights from secondary literature.

The first section of this chapter describes the Dutch consensual patterns of interaction in general terms. It is argued that consensual interaction does not imply an absence of conflicts. Rather, these patterns should be understood as a mode of conflict resolution through dialogue and consensus-building. Subsequently, it will be discussed how conflicts might actually be resolved; or reversibly, how consensus might be achieved. Various consensual ‘rules of the game’ facilitate the search for consensus, by directing the attention of political actors to issues that bind them rather than those that separate them (the ‘common interest’). Although these rules of the game are informal and often taken for granted, they are not without implications; rule-breaking will be punished. The final section of this chapter will explore how the consensual patterns of interaction might have shaped the evolution and acceptance of the policy idea of wage restraint, as an accepted definition of the common interest.

### 4.2 Consensus and conflict in Dutch politics

What is Dutch political life like? This question is frequently answered by referring to three so-called c’s: Consensus, Compromise and Consultation (F.Hendriks 2001: 94). In the Netherlands, so it has been widely argued, the main socio-economic players meet each other frequently, to discuss political issues jointly, to consult each other on their respective political preferences and views, and if a consensus cannot be reached on the preferred courses of political action, a political deal or compromise is often struck. This Dutch drive for consensus and compromise has been noticed before, in academia as well as politics (cf. Den Butter & Mosch 2003: 365; Delsen 2000: 11; Visser and Hemerijck 1997: 67; Koole & Daalder 2002: 39). Most scholars seem to acknowledge that Dutch politics is indeed pervaded by talking, deliberation, cooperation and consensus. Or as the Economist has put it (4 May 2002; 2 May 1998), in the Netherlands there is a ‘ingrained habit of cooperation and consultation’ often resulting in a ‘cosy consensus’.

With this ‘cosy consensus’ seemingly being a key ingredient of Dutch political actors thus also often agree on many matters? Do they always find solutions to problems that everybody agrees to and everybody accepts as the best course of action for all? It would be rather presumptuous to claim that Dutch political actors are far better able than their colleagues abroad to find joint solutions and take the interests of others (or of society as a whole) to heart. Just as their counterparts abroad, Dutch unions and employers’ associations constantly try to represent the interests of their rank-and-file best, pushing for policy solutions that fit their view of how the world works, or should work. Consequently, one should be careful to overemphasize the level of consensus in the Netherlands. Dutch political actors do not necessarily agree on the goals of policymaking from the start or agree on the best way to achieve them. And even if they eventually agree, this might be for altogether different reasons than because of rational conviction or consensual persuasion. An agreement may reflect a ‘true’ consensus, but it may also be the expression of specific dominance relations and ideology. Reversibly, the existence of consensus is not a uniquely Dutch phenomenon; consensus and compromises are part of most political systems, as without some degree of consensus, a system would not survive very long.

Disagreements, conflicts and political struggle are, therefore, inherent to Dutch consensual politics, just as to other more overtly ‘conflictual’ political systems. This suggests that consensualism is not so much about a state of agreement but is a mode of conflict resolution; it is about the very consensual way in which political players deal with existing disagreements and conflicts. Agreement or consensus are not the starting points.
of negotiations, but a possible, though not necessary, outcome of the consensual process (Smallcons 2001: 5). In other words, the Dutch seek consensus, but do not always find it. As argued by F. Hendriks (2001: 38), ‘The distinction between “consensus” and “consensus-seeking” is easily overlooked. The raison d’être of the Dutch consensual system is not consensus but rather disensus, and as a consequence the need for consensus-seeking procedures. The Dutch have a consensual system not because they always agree about everything, but rather because they often disagree. Clashes between government and societal groups do not break the consensual tradition, they are part and parcel of the tradition which has been “re-invented” in succeeding stages’.

Consensualism is defined here as a double-sided process of consensus-building and conflict resolution. The absence of a clear consensus – like in the 1970s in the Netherlands – does not necessarily undermine the consensual nature of Dutch politics (cf. Wolinetz 1989; Daalder and Koole 2002; Hendriks 2003), but may suggest that political actors failed to turn conflicts into a consensual outcome. Reversibly, in times of apparent consensus, conflicts are not resolved indefinitely but merely disappear from view. On those occasions, Dutch politics seem to take place in an amicable climate incomprehensible to the outside observer. But, as Lijphart noted back in 1968 in his famous *The Politics of Accommodation* (see also below): ‘the lack of excitement does not reflect a nearly perfect consensus, but rather the elite’s conscious and deliberate attempts to cope with the system’s fragility’ (Lijphart 1968: 138), which means their way of dealing with (potential) conflicts consensually. In fact, removing conflicts from the negotiation table, and presenting consensus as a ‘nearly perfect consensus’, is part of successful consensus-building.

Before investigating how Dutch political and economic actors try to solve conflicts consensually, it is interesting to find out why consensus-building is appreciated in the first place. A starting point for many key players in the field, so the interview material shows, is the belief in a certain kind and degree of economic, social and political interdependency between the main actors (cf. Van Waarden 1992: 31; unions (employees), employers but also politicians are mutually dependent and interconnected given respective positions, interests and activities in the same socio-economic field. Consider the following argumentation of a union leader, ‘Employers, employees and the government each have their own responsibilities. Of course. But each also holds one of the cards in socio-economic policy-making [...], there are issues that cannot be resolved by any of the three players on their own’. (Interview 2004c)

Given this interconnectedness, these players need each other to achieve what they want. The government, for instance, needs the social partners – the use of this terminology is significant in this context – if it wants to change, e.g. certain workplace conditions, or the sick leave system. The social partners in turn might need the government to finance their plans or facilitate them legally. Moreover, unions need employers – and the other way around – to do business on wages and other employment conditions. These three players are interdependent in the sense that they cannot really act effectively without each other. As a former chairman of VNO-NCW formulated it: ‘In today’s complex society, none of the parties – government, employers and employees – controls all the instruments of good socio-economic policymaking. This forces us to cooperate and coordinate, though this does not lessen the responsibility of each party for its own domain’ (Schraven 2000).

According to this employers’ representative, the interdependency of socio-economic players lead political actors in the Netherlands to cooperate and coordinate their actions. However, the historical experiences of other countries, like France, demonstrate that this interdependency may also be dealt with in a more conflictual and non-consensual way. Dutch governments could, if they wanted to, impose laws on employers and employees without preceding consultation; employees can just go on strike in order to get higher wages (or at least try to get higher wages) and employers might engage in individual or firm-level negotiations only, rather than central level dialogue and coordination. According to many interviewees, however, a consensual approach is to be preferred, which generally means trying to find a solution together via talking and deliberation (in Dutch *overleg*). The interviewees give four different, though not mutually exclusive, reasons why deliberation is the proper way forward, specifically for the Netherlands.

First of all, and on the most general level, some have argued that in the Netherlands a consensual approach is preferred because ‘we’ are accustomed to it, and because ‘we’ have always done it like that. Consensus-seeking
behaviour has a long tradition in Dutch history (see also Chapter 7), and has, so the argument runs, in a way become an essential part of the Dutch national character and culture (Interview 2007a). In the words of a former unionist (Interview 2004):

‘We are used to having a look at problems collectively […] apparently, that is part of our national character […] we have always done it like this […] it carries back all the way to the Middle Ages, when the Dutch needed each other in the battle against the water’.

Historical references to this ‘battle against the water’ have frequently been made in the debate on Dutch socio-economic policymaking (see also Chapter 7), and the cooperative practice to reclaim land from the sea (creating polders) even defined the internationally famous concept Polder Model. The joint battle against the water is often used as a metaphor in order to demonstrate the willingness to cooperate for a common cause especially in times of urgency. These historical references to the Dutch national character are sometimes complemented by more physiological references to the ‘Dutch DNA’. In the words of former trade union leader Doekle Terpstra (CNY) for example: ‘The search for consensus is in our genes’ (NRC Handelsblad, 10 April 2002).

A consensual approach is not only preferred by Dutch political actors out of habit and tradition, but it is, secondly, also considered to be economically effective. That is, it is widely believed that consultation and cooperation lead to the most optimal results. On the one hand, cooperation is said to lead to the best results for the actors themselves; it is therefore in the mutual self-interest of actors (cf. SER 1996). In the words of an employers’ representative: ‘In the Netherlands, we have the feeling that your own interest is best served via consultation. For me it is inconceivable why one does not believe this. It is normal to think this’ (Interview 2007a; emphasis added). A unionist reasons in a similar fashion: ‘In 99% of the cases, it is better for your own interests to find a solution with employers’ (Interview 2004d; emphasis added). And as a final example of this line of reasoning, a former union leader argues it is better or more ‘realistic’ to ‘look for and find a balance between different interests, which makes all parties better off’ (De Waal 2000).63

On the other hand, cooperation is also thought to lead to the best results for the Dutch economy as a whole. Cooperation and consensus are thus a common interest. As the largest employers’ association, for example, concludes in its yearly report (VNO-NCW Jaarverslag 2004: 20): ‘Dialogue is always better than confrontation’ when aiming to stimulate economic growth. Or, in the words of a Christian Democratic politician: ‘The continuous search for consensus has contributed to our successes in terms of economic growth, increased labour participation etc.’ (De Volkskrant, 18 September 1996). This analysis is shared by the government, which state that a ‘constructive attitude’ on the part of the social partners has substantially contributed to the improved economic situation of the Netherlands (Miljoenennota 1999: 7).

A third reason why a consensual approach is preferred is not so much because it is economically effective, but because it is socially or politically effective. Above all, consultation and negotiation enhance social stability and cohesion between different groups in society. A consensual approach, so the general hope is, might regulate the potentially negative social implications of policy-making and reform (various interviews). It is widely believed that by including several affected parties in the political process and by consulting them about their preferences, politics becomes more stable and less conflict-ridden; in this way, the Netherlands can avoid ‘Italian situations’ (Interview 2004f). In the words of former Prime Minister Wim Kok: ‘It [consultation, CH] has also been called “talking to death”, but for me it is the only way to make a society function effectively’ (NRC Handelsblad, 2 November 2002). Political conflicts are preferably dealt with at the negotiation table rather than in society at large.

This social stability might be economically effective as well (cf. Katzenstein 1985). As an interviewee argues, the Netherlands is internationally appreciated for its stable economic and political climate, which makes the country popular as a trading partner as well as a settling place for headquarters of multinationals (Interview 2005c). Social stability and economic growth may therefore reinforce each other through consultation. In the words of a former chairman of the Social and Economic Council (SER) Herman Wijffels: ‘A negative spiral in the economic and social spheres can only be broken by consultation and the willingness to cooperate’ (2002: 307; emphasis added). Some interviewees, however, point out that a consensual approach may have its social merits, but may come at the price of economic ineffectiveness. Consider the following comments of a social-liberal Member of Parliament (Interview 2004g) on the interdependency in the socio-economic field between unions, employers and government:
‘As a government, you basically have two options to regulate the field that also belongs to employees and employers. The government might make use of legislation […] or you have to start consultations and negotiations. There are countries that have to deal with a lot of strikes, like France, because issues like labour time reduction are settled by law. And there are countries like the Netherlands, and increasingly so Germany, which seek a solution via consultation. At the end of the day, these kinds of countries perform particularly well in the social sphere, but it is questionable whether consultation facilitates flexibility in the economy. We are as flexible as a tan door’.

A fourth and final reason why a consensual approach is preferred is a more practical one. Prolonged conflicts, particularly personal conflicts, are considered to be very impractical, and even counterproductive, when people have to meet each other frequently to do business with each other. As the late union leader Johan Stekelenburg phrased it ‘you need each other in labour relations. You have to be aware that a terrible argument has consequences for future business. That is why you never have a tough and determinative fight’ (in Klamer 1990: 107)86. A respectful gesture and productive negotiation is considered as more effective in such an interdependent world. In the words of the above-quoted social-liberal Member of Parliament: ‘You learn to have respect for each other. Sometimes you know that a particular person is no good on a specific point. But you accept this, because you need that person the next day as well’ (Interview 2004b).

Various interviewees point out that the need to cooperate for practical reasons is amplified in the Netherlands because of the smallness of the Dutch corporatist policy community (cf. Mosch and Den Butter 2003)87. As argued by a high-ranked union leader:

‘In a small country, such as the Netherlands is, it is difficult to have personal feuds without it having implications for the future steps you take […] You cannot start a feud and withdraw yourself on your own little mountain and think that you will never meet those people, or those parties, ever again […] you need each other, you will meet again’ (Interview 2004c).

Unionists, employers’ representatives, civil servants, and politicians meet each other frequently and on many different occasions; social and physical distances are small in the Netherlands: ‘it is a very closed and small world, you see the same people all the time’ (Interview 2005f), and

‘it is easy to meet each other and to pay one’s respect’ (Interview 2007a). This argumentation about the implications of the smallness of the Dutch policy community is most appealingly formulated by a former Minister of Financial Affairs:

‘We do not have the very tensed relationships as France for instance has. This is because we have a small and snug country. I cannot walk out of the Ministry without stumbling over Jacques Schraven or Lodewijk de Waal’ (A former employer and union chairman respectively, CH, Forum, 18 September 2002).

To sum up, the key players of the Dutch corporatist policy community come up with a variety of reasons why a consensual approach revolving around consultation is to be preferred over a more conflictual approach. Above all, in an interdependent relationship people need each other to get things done; cooperation is the most effective and socially accepted way forward. But how do political actors reach this much-appreciated consensus?

4.3 How to reach consensus on the common interest

As was argued earlier, consensus is neither a pre-given starting point nor an automatic outcome of the consensual process. Consensus-building requires continuous dialogue and negotiation about what comprises such a consensus, about what it is that actors can agree on or share. A logical place to start for negotiation partners is to look for issues that bind actors rather than separate them: that is, Dutch political actors (are expected to) talk about and define a common interest.

4.3.1 Talking about the common interest

In most political systems, the notion of the common interest – or similar notions like the public or general interest – is important in public debate; defining a particular policy as in the interest of all is a classical political strategy (Stone 2002: 229). However, it has been argued before that the common interest has a certain special position in corporatist or consensual societies (cf. Katzenstein 1985: 32). In corporatist societies, like the Netherlands, the notion of the common interest is ‘elevated to a central
value’ (Windmuller and De Galan 1990: 206). In these kinds of societies, the conviction reigns that this responsibility for the common interest, at least in the socio-economic field, should be *shared* with organised capital and labour. There is thus no state monopoly on the representation of the common interest (cf. Delsen 2000: 15-16; Leijnse 2000: 74; cf. Offe 1981).

As a union and employer leader state, in a *joint* article in a newspaper:

‘Do employers and employees consult each other because they like the trick of deliberation? No, they do so because of the authentic belief to help people. This is possible in the Netherlands because employers and employees organisations do not only pursue their own interests. Serving the common interest is not only a prerogative of politics’ (Trouw, 13 December 1997).94

The idea that the social partners in the Netherlands also serve the common interest is supported by the interview material. According to two members of parliament respectively, Dutch unions and employers are indeed ‘showing an interest in the common interest’ (Interview 2004b), and an ‘orientation towards common goals’ seems to be second nature to these interest groups (Interview 2004a). For unions, the common interest is always a ‘crucial factor in negotiations’ (Interview 2004d) and for employers this notion even ‘prevails’ (Interview 2004g). This notion of the common interest seems to supply somewhat of a ‘focal point’ for coordinated action to converge on (cf. Busch 1999); it is around the notion of the common interest that unions, employers as well as the government can seemingly find each other, and can conclude agreements about. Usually, this common interest involves more than a common ground or a shared interest between the main negotiation partners (in Dutch: *gemeenschappelijk belang*), but pertains to a general or public interest (in Dutch: *algemeen belang*) of society as a whole.

A focus on the common interest does not mean that unions and employers’ associations are altruistic organisations only operating to the benefit of society; however, they remain interest groups and as such also represent their rank-and-file. These organisations tend to (or are expected to) combine both orientations. As Katzenstein (1985: 32) formulated it: under corporatism the main socio-economic players are able to ‘couple narrowly conceived group interests with shared interpretations of the collective good’. These interest groups therefore perform a kind of balancing-act where they have to be, in the words of Teulings and Hartog (1998: 278), ‘reasonable’ (that is, take the common interest into account) and to be ‘representative’ (that is, represent their rank-and-file as good as possible)95. According to the interviewees themselves, there does not necessarily have to be a discrepancy between these two orientations. Looking for a common interest via consultation might also serve the self-interest of actors, so it is widely believed (see also 4.2 and 4.4).

Even though negotiations are usually about the policy wishes of the respective organisations involved, the negotiators know – as is argued by an employers’ representative – that ‘consultations are always against the background of the idea that important matters are involved […] the common interest prevails. That is what you are actually talking about’ (Interview 2004g).

Political actors thus have to take the common interest into account when formulating their political wishes. Sometimes the expectation to do so is formalised. For example, the Social and Economic Council (SER), in which the social partners are represented, has a formal task to ‘promote an economic life directed at the common interest, as well as to represent the interest of business life and all the people that belong to it’ (SER 2000: 9)96. Usually, however, the expectation to share responsibility for the common interest is informal, in the sense that it is expected but not laid down in law (see further below). This informal expectation takes shape in public debate by moral appeals to ‘take up one’s responsibility’ (cf. *Algemeen Dagblad*, 13 June 200392; *NRC Handelsblad*, 2 November 200293; Wijffels 2002: 306).

If the notion of the common interest can bind actors with different self-interests, this obviously begs the question what the common interest actually means? The common interest is a rather vague and ‘empty’ notion, and needs to be intersubjectively defined (Sartori 1976: 23; cf. Weldes 1996). As is argued by a social-liberal politician: ‘there is no such thing as one common interest […] Everybody has his or her own definition of what the common interest means’ (Interview, 2004). Consequently, political actors will try to convince others of their definition of the common interest, more or less in line with their policy preferences (Stone 2002: 21). Such a statement brings us back to the question how political actors in a conflictual situation may come to agree on a specific definition of the common interest. The next paragraph will analyse how various consensual ‘rules of the game’ facilitate consensus building around the notion of the common interest.
4.3.2 The five informal rules of the game

When we speak of the ‘rules of the game’ of Dutch politics, the by now famous work of political scientist Arend Lijphart may come to mind. In his Politics of Accommodation: Pluralism and Democracy in the Netherlands (1968: 123-138) he listed seven rules of the game that governed policy-making in the Netherlands, which was at that time a highly pillarised and religiously segmented society. These seven rules were: business politics, agreement to disagree, summit diplomacy, proportionality, depolitisation, secrecy and the governments right to govern (p. 123-138). Though an important source of inspiration, this study approaches the rules of the Dutch game slightly differently. Some of Lijphart’s rules do not longer really apply (like ‘proportionality’), but more importantly, his rules of the game were first of all conceptualised as deliberate strategies to accommodate conflict (see Daalder 1971: 367-368; cf. Keman, Woldendorp & Braun 1985). The ‘rules of the game’ as described in this section are first of all a self-evident set of behavioural norms and practices governing political discussion and behaviour (Wright 1988: 600; Van Waarden 1992: 35-36). On the basis of interview material, the following five rules of the game can be identified:

Rule 1 To be reasonable;
Rule 2 To be flexible and pragmatic;
Rule 3 To keep talking as long as possible;
Rule 4 To depoliticise sensitive issues;
Rule 5 To avoid personal conflict.

The first rule states that political actors are expected to behave ‘reasonably’, where reasonableness in general means behaving in a way acceptable to the other parties (Interview 2004a). In this way, this first rule encompasses all the subsequent rules of the game, as behaving in a reasonable way first and foremost means adhering to the accepted norms of behaviour. Reasonableness not only pertains to actual behaviour, but also the policy ideas actors hold. As Teulings and Hartog put it most adequately (1998: 278), in Dutch corporatism interest groups are expected to be ‘reasonable’, where ‘reasonableness means that the agreement (and the demands in the bargaining process) should be in line with norms of fairness that are widely shared. Given these norms, the bargaining demands should be reasonable to the outside observer’ (Teulings and Hartog 1998: 278). Reasonable demands are those demands that, as was emphasised above, take the interests of other actors and/or society as a whole to heart. Within the Dutch context, reasonableness also has the connotation of good manners, moderation, realism and sensible behaviour. It is in generally agreed upon, amongst interviewees, that behaving ‘reasonably’ will greatly enhance the possibility of reaching an agreement, in the sense of finding a solution together (Interview 2004a).

If you behave reasonably, you more or less ‘earn’ the right to be involved in consultation and to be presented as a legitimate partner in the eventual agreement. Sometimes, interviewees substitute the word ‘reasonable’ by words such as ‘sensible’, ‘responsible’ and/or ‘realistic’ in discussions and political interaction (cf. Interview 2004a; Interview 2004c; Interview 2004d; Interview 2004e).

The second rule states that political actors are expected to be flexible and pragmatic in achieving their ‘reasonable’ goals (various interviews). Starting point for most interviewees is the acknowledgement that unions, employers and government each have different, sometimes conflicting, political wishes and preferences. These differences are respected. There is an agreement to disagree; it is accepted that each actor has to satisfy its rank-and-file (see also Teuling and Hartog 1998: 278). However, negotiators should not fix themselves to one particular way to achieve their goals. They are expected to be flexible and pragmatic. It is the end result that counts, and not the road towards it. As a former union negotiator formulates this ‘balancing act’ (Interview 2004a):

‘You have to be recognisable, because you do represent a particular position. I am a trade union representative […] But on the other hand, you also have to be flexible […] you might call this a combination of tenacity and flexibility […] I want to attain my goal, but it does not matter really whether I do it one way or the other’.

Unions and employers therefore should have ‘recognisable’ (which also means ‘predictable’, see further below) goals, which they try to achieve in a non-principled and accommodating way. Sticking to one’s principles, dogmatism and stubbornness are not appreciated in the corporatist policy community, because these inhibit striking a deal. A high-ranked union leader for instance states that,
'Here employers and employees are usually able to bridge a gap [...] this means that they have been able to overcome their principled differences of opinion. It may be interesting to focus on your own principles only, but this eventually leads to nothing at all. It is better to be able to strike a non-principled and workable deal' (Interview 2004c).

As an example of how inflexibility inhibits striking a workable deal, various interviewees pointed out the dogmatic attitude of (some ministers of) the Dutch government during central negotiations in Fall 2002 and 2003. Particularly the dogmatism of the Christian Democrats in government was arguably to blame for the rather laborious negotiations between government and the social partners. A newspaper commentator analyses: 'The Christian Democrats were very ideological and not willing to give in. The liberals were much more pragmatic. They wanted to achieve the same, but were much more willing to give and take' (Interview 2005b).

A former union representative shares this analysis and states that it was only the liberal Minister of Financial Affairs, Gerrit Zalm, 'who was more flexible in the positive sense. He did not care if the solution would be to the left or to the right, as long as he reached his goal: budget cuts' (Interview 2004a). Dutch employers took the side of the unions and also 'criticised the rigid attitude of the government' (De Stentor, 8 October 2003)94.

A flexible and pragmatic attitude is about 'giving and taking' (Interview 2004e). People have to make concessions on some points, to see the demands that are crucial to them to be met. Once a negotiation party does give in on an issue, it is expected of the other party to do so likewise. As former employers’ leader Jacques Schraven (Forum, 4 September 2003)95 commented on the willingness of unions to give in on wage restraint: ‘Now the government has to return the favour. This is the way it works in our Polder country. Love is not unilateral’. An important way to reach a compromise is to have some, what Van der Horst (1996: 156) called, 'loose change in one’s pockets', to have some negotiation points to exchange or to drop when it is necessary to strike a deal: points that are not essential to the overall plan. A newspaper commentator calls this ‘slush funds for the good cause’ (Interview 2005c). Most political actors usually know beforehand which negotiation points are essential to the other party, and which points are of lesser significance (Interview 2004e). In line with the first rule, however, even this ‘loose change’ should be reasonable (various interviews). This means that unions cannot just ask, for example, 10% wage increase and eventually settle for 2%, claiming that they have ‘given’ 8% during negotiations. The bargaining demands should be reasonable to the outside observer.

Though an agreement is usually preferred over no agreement at all, this does not mean – according to various interviewees – that a compromise agreement just for the sake of compromise should be concluded (cf. Schraven 2000)96. Nevertheless, when the game is well-played most parties benefit from an agreement and are usually willing to sign it (Interview 2004d and Interview 2004e). It is considered a ‘social normal result’ (Interview 2004a), even though the Dutch economy might need otherwise. A former union negotiator summarises the implications of this rule most adequately (Interview 2004a):

‘Let us assume that unions demand a wage increase of 5%, and the employers consider a wage increase of 0% to be economically sound. The end result will most likely be around 1.5% wage increase. The unions are happy, because they have their preferred wage increase. And the employers are happy because they say that at least the wage increases are not more than 1.5%. Both can face their rank-and-file with lifted heads [...] this is a social normal result. But in a way, it is also a strange result. Perhaps it is better for the Dutch economy to have a wage increase of either 3% or 0%. But that does not really matter in the end. The central agreement is the outcome of a process of give and take, and if that has happened, the Dutch are satisfied’.

The third rule states that people have to keep talking as long as possible (in Dutch doorpraten). Unions and employers’ associations as well as government officials are expected to continue talking and not (quickly and easily) walk away from negotiations (various interviews). And even if disagreements culminate in outright conflict, people are expected not to severe the ties and at least maintain contacts at the top. As a newspaper commentator remembers about the hectic political and labour relations in 2004:

‘At a certain moment there was no contact at all between the social partners and the government. Even unofficial dialogue was almost immobilised. This is not normal. It would be normal to continue negotiations and discussions between parties, even though official dialogue has come to a complete standstill’ (Interview 2005b).
Continuous (personal) dialogue is considered crucial for building consensus. As formulated in a policy document of the Labour Foundation: ‘Meeting each other frequently, knowing each other personally and consulting each other are prerequisites for a common policy orientation [...] You have to talk about something in order to agree on something’ (Stichting van de Arbeid 2002: 14–15). As a former Prime Minister put it: ‘As long as people talk, they do not shoot’ (Zijlstra 1992: in Passenier 1994: 200). Continuous dialogue prevents conflicts getting out of hand. This means that negotiation processes might take a long time, particularly when the prospects of striking an agreement are low. However, as an employers’ representative explains (Interview 2004g):

‘you do not have to get nervous about it, knowing how important it is to find a solution together [...] You have to keep on negotiating for a long time in order to strike a deal on your own main points and those of the others. This is the game of consultation we play’.

For this continuous dialogue to succeed eventually, it is important that actors (come to) trust each other. As a former union leader formulated it: ‘The basis of our model is [...] trust and the willingness to look for “win-win” situations [...] without trust we head towards a model that produces “lose-lose” solutions instead’ (De Waal, 2003; Wijffels 2002: 308). If mutual trust is not present at the start of the negotiation process, it is expected to develop over time, at least as long as people continue being in dialogue. As Den Butter and Mosch (2003: 374–375) have argued: ‘Frequent contact leads to a better information exchange and thereby prevents misunderstanding’(en). Frequent contact, however, is not enough according to various interviewees; a certain degree of predictability is necessary for parties to trust each other. If people behave in a particular unanticipated way, people might lose trust in the other party. As a newspaper commentator analyses (Interview 2003b):

‘In negotiations everybody pays attention to how other parties behave. They look for small signals, changes in the way people speak. This can tell the people involved that something is going to happen, that a particular move is being made. If you send out these signals, but do not act upon it, you are quickly sidetracked. The predictability is lost. It then becomes very difficult to find out what people really want and how they play the game. The game takes place according to fixed patterns and if you dance a different tango, the game becomes too complicated’.

Predictability, trust and perseverance (in talking not in principles) are therefore necessary for dialogue to succeed, leading to outcomes that benefit all. According to an employers’ representatives, these three elements therefore constitute an important ‘formula’ for successful consensual negotiation (Interview 2004g).

‘There is the so-called “vz”: the v of vertrouwen en volhouden [in English: to trust and to persevere, cri] [...] You trust each other in agreeing that this is the best way to solve issues. And then you have to persist, and stick to it [...] You could also make a “v3” out of it: the v of voorzichtigheid [predictability, cri]. One should not surprise people too often with changing one’s point of view [...] People should be predictable and consistent in their behaviour. We do not like people that say that they like 30 degree Celsius today, and 20 tomorrow and then 25 again [...] You have to be predictable and consistent, and people know in advance whether or not a proposal is negotiable at all. You have to be able to take into consideration what other parties will think and do’.

The fourth rule states that deep ideological conflict should be avoided. Sensitive political or ideological issues should be depoliticised as much as possible: that is, stripped from their political charge and discussed in more technical, legal or constitutional terms (cf. Lijphart 1968: 123–138). By removing the sharp edges of a disagreement, the chances that a compromise may be found are greatly enhanced, in the eyes of various interviewees. This depoliticisation of conflicts is facilitated by various practices, in a sense ‘sub-rules’. First of all, people are expected to avert (negative) attention to disagreements as much as possible (various interviews). If people disagree, the discussion about it should be as ‘low-profile’ as possible, out of the political spotlights. This has important implications for media attention for instance. The negotiating parties need the media in order advance their points of view (cf. Interview 2004b). However, during the most heated moments, negotiations are generally expected to be ‘secret’ and to take place ‘behind closed doors’. Another interviewee, a newspaper commentator who has covered many consultation rounds, states (Interview 2005b):

‘When negotiations reach a certain turning point, no one has an interest in all the media attention. To negotiate under a magnifying glass puts a lot of pressure on the respective parties. If you could just negotiate behind the scenes, parties can talk and calculate a little bit further. It buys them more time. Parties negotiate easier when it takes place informally’.

Interview 2003b: 5

Interview 2004g: 2

Interview 2004b: 9

Interview 2005b: 9
In the past, the social partners in the Netherlands have often evaded the press by negotiating at secret places, restaurants, or for instance at the home residency of one of the leaders of the interest groups. Most famous in this regard are the negotiations that took place in the house of employers’ chairman Chris van Veen in 1982, when the now famous Accord of Wassenaar was concluded. This search for secrecy often leads to a kind of ‘game’ between the negotiating parties and the press to conceal and expose the place where it is all going to happen (various interviews).

As a second way to keep discussion and conflicts low-profile, the social partners on some occasions prefer to do business in the bipartite Labour Foundation instead of in the tripartite Social and Economic Council (cf. Van Bottenburg 1995: 223). Discussions in the latter institute are usually public, and government-appointed experts also take part in them. In the Labour Foundation, by constrast, the social partners ‘have to rely on each other directly’ (Interview 2004g). As said by a social-liberal Member of Parliament (Interview 2004b):

‘If it is more convenient for the social partners to do business within the Labour Foundation they will do so, outside the view of those annoying crown members or an annoying chairman. If they want to have considerable social impact, however, they will do business in the Social and Economic Council’.

Another way in which disagreements can be kept ‘low-profile’ is by letting lower-level negotiators first solve the issue at the informal or bureaucratic levels. ‘The classic mistake in negotiations is to consult the chairmen of the organisations too early on in the process. A conflict will then be brought to the attention of the media immediately’, as said by an employers’ representative (Interview 2007a). A final, and most important, way in which political conflicts are depoliticised is by using ‘neutral’ expert knowledge, which ‘forces’ them to be more realistic and reasonable (various interviews). The next chapter will spell out the role of experts in more detail – and then particularly the Central Planning Bureau (cpb) – in solving and depoliticising conflicts.

A fifth and final rule of the game is related to the rule to depoliticise issues as much as possible: it states that personal conflicts should be avoided, by behaving in a business-like manner. As argued by a union leader: ‘We are not allowed to quarrel. You are allowed to be angry, but you are not supposed to stick to it, because then you are acting childish’ (Interview 2004c). That is, people are expected to act as professionals, and behave accordingly. Flamboyant and agitated behaviour, emotions, and polarisation of personal conflicts are not appreciated – they are not considered ‘reasonable’ – during negotiations and consultations (cf. Van Waarden 2002: 46). Van der Horst (1996: 84) defines the widely accepted Dutch role model during negotiations as follows: a negotiator is ‘moderate in all things, inclined to compromise, honest and thrifty, but unlikely to shout, show off or flaunt wealth and power’. Or, as nicely summarized by a newspaper commentator: ‘The colour of political success in the Netherlands is not purple but grey. Big words are superfluous and even dangerous’ (Trouw, 21 August 1999).

As an illustration of this fifth rule, consider the following quotations of an employers’ representative and a newspaper commentator respectively:

‘The first lesson you learn here is that personal agitation and emotions are not to be part of negotiations. I do not always live up to this expectation. I call it a game, and a child that is playing a game cannot be silent all the time. I can be very fanatic and excited. But it will never influence the content of the negotiation’ (employers’ representative, in Het Financieele Dagblad, 12 December 2002).

‘These tactics [becoming too personal, Cht] are not appreciated and make it very difficult to continue negotiations after a while. There are too many personal aversions […] Eventually, everybody is and has to be professional enough and put aside personal feuds because more important things need to be discussed (Interview 2003b).

The expectation to depoliticise personal and ideological issues as much as possible does not mean that no ‘cauldron music’ is allowed (Interview 2004b). Emphasising certain disagreements (particularly in public) is considered an essential part of the consultation game between unions, employers and the government. It is like a kind of ‘marriage’, as an employers’ representative put it; conflicts are always a possibility in an intimate relationship (Interview 2007a). As long as people continue talking and behave reasonable, some public conflicts are accepted. In the words of a union leader,
‘With his right hand, Lodewijk de Waal [the union chairman, cfr] played the public card. He was angry and made a lot of fuss. However, at the same time he continued negotiating with his left hand. This is all part of the game’ (Interview 2004a).

However, there are boundaries to what kind of disagreements and conflicts are considered part of the game. For instance, in 2004, the public refusal by union leader De Waal to shake hands with the Minister of Social Affairs was considered ‘not done’, too personal, and made subsequent negotiations laborious (Interview 2005b). Again, even the ‘cauldron music’ need to be reasonable to the outside observer.

This section analysed various consensual rules of the game that govern political interaction in the Dutch corporatist policy community. Five rules were identified; there may be more and others, but these appear to be the core norms of behaviour exposed in the interview material as well as existing literature. These norms of behaviour facilitate or enable consensus-building around some common interest by directing the attention of political actors to what binds them rather than what separates them: to what is considered ‘reasonable’ by those involved, to find a common ground even if one still disagrees on many other things. Or, formulated differently, the norms of behaviour pressure political actors to talk and seek compromises (‘voice’) and to refrain from stalemated conflict and ‘exit’ strategies (Visser and Hemerijck 1997: 67).

The identified rules of the game facilitate consensus-building, but only to the extent that actors also live up to them. The prospects for reaching consensus on a common interest diminishes when political actors come up with ‘unreasonable’ demands, behave dogmatically, walk away from dialogue or politicise (personal) conflicts in public. But why would political actors live up to the rules of the game, above all when defecting might possibly offer a better prospect than a watered down compromise? In other words, what happens in one breaks the rules?

4.3.3 What happens if one breaks the rules?

Being norms of behaviour, the rules of the game are largely informal; they are (usually) not written down anywhere, they are the ‘unwritten constitution’ of a political system (Wright 1988: 609). The rules of the game are often taken-for-granted and not made explicit with every move an actor makes. Political actors learn about these rules when they enter the Dutch policy community: not by reading them somewhere, but via socialisation through experience and on-the-job-learning (cf. Ikenberry and Kupchan 1990: 289; Marsh and Olsen 1989). The norms of behaviour usually become internalised, part of what actors themselves consider ‘normal’ behaviour. Often people only become aware of the presence of some rules when they – for one reason or another – do not live up to them (DiMaggio and Powell 1999: 10; see also Ross 1997).

Obviously, because the rules of the game are not settled by law, they can not be legally enforced (Hindmoor 1998: 35). Indeed, what has been said to characterise Dutch corporatism in general is a high level of voluntarism (Teulings and Hartog 1998: 278). Unions and employers’ associations do not have to start and continue in negotiations, be reasonable, formulate a common interest, ‘give and take’ or depoliticise ideological and personal issues as much as possible. Also, they do not have to live up to the eventual agreement. In the words of the former chairman of the employers’ association VNO, Chris van Lede, ‘there are no means of coercion. We cannot sanction a member who says: ‘A wage increase of 2%? I make 4% out of it’. What can we do? Nothing’ (quoted in: Van Bottenburg 1995: 168).

However, this high level of voluntarism of Dutch corporatism does not mean that there are no enforcement mechanisms present or available that ‘force’ unions and employers’ associations to stick to the rules of the game and to the central agreement. While norms of behaviour are not formalised, ‘deviations from these norms will be punished’, nevertheless (Teulings and Hartog 1998: 285), not by brute force, but by more subtle, though probably just as powerful, social (or economic) sanctioning (cf. Schudson 1989: 171). Enforcement of agreements largely takes place via informal coordination mechanisms (cf. Van der Toren 1996; various interviews). The crucial logic behind informal coordination is that in the absence of ‘any external safeguards’ – people can only ‘trust each other not to exploit their positions’ (Hindmoor 1998: 35). Though this sounds rather soft, and prone to rule-breaking behaviour, it is argued here that ‘untrustworthy’ behaviour comes at a high price; it shatters one’s reputation as a credible negotiation partner, which is essential for being involved in policymaking in the Netherlands. Reputation is particularly important in a small corporatist policy community where people meet each other on a personal and day-to-day basis (Den Butter and Mosch 2003: 373-374).
In the Dutch corporatist policy community, two ‘sticks’ are available to sanction non-complying players: 1) a non-consensual treatment and 2) political isolation. The underlying idea of the first ‘stick’ is like the common expression ‘an eye for an eye, a tooth for a tooth’. People that do not behave according to the rules of the game should not expect a return treatment according to those rules as well. That is, if you behave ‘unreasonably’, you will be dealt with in an ‘unreasonable’ way. As a former union negotiator reasons about strikes as an ‘unreasonable’ union strategy: ‘A strike is approved of only when a solution cannot be reached because the other party [the employer, CH] is behaving unreasonably’ (Interview 2004a). A non-consensual treatment might also involve a private or public reprimand. ‘When a party acts against the norms, it can be punished quickly both within the group (news travels fast in small groups with frequent contacts) and in public (with the help of the press)…’ (Den Butter and Mosch 2003: 375). When non-compliance is still small-scale, non-complying actors are usually reprimanded behind the scenes (Interview 2005c). When deviations are considered really ‘not done’, the ‘punishment’ is usually made public. In the case of refusal to shake hands in public as referred to above, both the Minister of Social Affairs Aart Jan De Geus and the union leader Lodewijk de Waal broke the rules and were both publicly reprimanded as being ‘unreasonable’. Given that some ‘cauldron music’ is part of the consensual game, however, sometimes ‘public punishments’ might be a (symbolic) part of the negotiation game, to enforce ‘reasonable’ behaviour.

A second, and perhaps more far-reaching punishment for not living up to the norms of behaviour is political exclusion or isolation (Van der Horst 1996: 234). People who do not behave according to the consensual rules of the game run the risk of being politically marginalised. A high-ranked union leader has put it like this: ‘If you do not stick to the terms of an agreement, you are temporarily put out of action as a negotiation partner’ (Jongerius 2003: 110). This isolation works as some kind of ‘consensual cordon sanitaire’, where the non-complying person or organisation is collectively ignored or criticised. ‘There is no immediate punishment, but if people do not behave the way they should, they are boycotted’, a newspaper commentator states (Interview 2005b). A most illustrative example of how this works is the way in which the flamboyant and right-wing politician Pim Fortuyn (but also more recently Geert Wilders) was approached by the other politicians. In response to his non-consensual behaviour – politicisation was Fortuyn’s metier – politicians either boycotted him or gave him a non-consensual treatment in return.

Apart from these sanctions or ‘sticks’, there are also substantial rewards or ‘carrots’ for living up to the rules of the consensual game. First of all – and in a reverse sense to the stick of political isolation – there is the reward of being included in policy discussion and decisionmaking, which gives interest groups a considerable opportunity to influence policymaking. Usually, when unions and employers’ associations come to an agreement reasonably and consensually (within e.g. the Social and Economic Council or the Labour Foundation), this agreement is neither easily nor often put aside by the government. This much to the dismay of some members of parliament that consider this an undemocratic practice (Interview 2004b; see also Chapter 6). Secondly, political actors are usually ‘compensated’ for living up to the rules of the game. In principle, the consensual patterns of interaction are directed at finding agreement and so-called ‘win-win’ solutions. However, even if no real ‘win-win’ situation exists, every actor is at least compensated for his or her loss to some extent in a compromise deal – which is the result of a process of give and take – actors always receive something in return for the points they lost. For instance, in return for wage restraint, unions might be ‘compensated’ by investments in education or changes in social security arrangements. Alternatively, employers’ associations might be ‘compensated’ for wage increases by labour peace.

Thirdly, and finally, even if political actors really get the worst of a compromise deal, reasonable players can ‘put up a good face in a bad situation’ (Cox 2001: 484). At a minimum, political players that sign a central accord may reasonably claim to have taken up one’s responsibility and have taken the interest of society as a whole at heart. Though this may not pay off in the short run, it may do so in the long run, if these players negotiate together again. Actors who stick to the rules of the game are considered trustworthy negotiation partners. As an employers’ representative, for instance, argues: unions are appreciated in the Netherlands, ‘knowing that at the end of the day you can do business with them’ (Interview 2007a). The same goes for unions in their appreciation of employers’ associations (Interview 2004b; Interview 2004d). In a similar fashion, when unions and employers’ associations together behave ‘reasonably’, they are accepted as credible social partners in socio-economic policymaking by parliament and government.
In short, although political interaction in the Dutch corporatist policy community is characterised by high levels of voluntarism, there are still conformity pressures at work that force political actors to live up to the rules of the consensual game (Daalder 1995[1974]: 33). To put it simply, at the central level, dialogue between social partners and government is ‘voluntary but not without obligation’, as a popular catchphrase goes (cf. SER 2000: 13). There is no authority present that enforces ‘what is reasonable to the outside observer’ (Teulings and Hartog 1998: 278), yet the corporatist policy community – in which political actors are historically, socially and personally embedded – has ‘generated standards of behaviour that not only obviate the need for but are superior to pure authority relations in discouraging malfeasance’ (Granovetter 1985: 498; quoted in Hindmoor 1998: 35). The risk of political isolation is too high for non-compliance, whereas the rewards for living up to the rules are usually more than welcome.

4.3.4 Setting the parameters of policy debate

A vision of actors in a community following internalised prescriptions of what is socially defined as normal, or ‘appropriate’ (cf. Marsh and Olsen 1989), suggests that this rule-driven behaviour matters for the policy outcomes of the decisionmaking process (Rhodes and Marsh 1992: 197). Rules prescribe more or less precisely what appropriate action is; they also tell actors where to look for historical precendents, who the authoritative interpreters of, for example, the common interest are, or what the appropriate practices and interpretative frameworks might be. All in all, the rules of the game ‘set the parameters of what people talk about as well as of who talks to whom in the process of policymaking’ (Schmidt and Radaelli 2004: 197). As was argued in Chapter 2, this link between the consensual rules of the game and consensual policy discussion, can be analytically understood using the concept of a ‘coordinative discourse’ (Schmidt 2003): a way of discussing and communicating ideas in order to facilitate consensus formation or coordination between a variety of different actors. It is here suggested that a coordinative discourse shapes policy discussion in three ways.

First, a ‘coordinative discourse’ shapes conceptions of who should be included in the decisionmaking process; who the relevant actors are, who should talk to whom, who has the authority to make decisions etc. The above analysis showed that the Dutch government is expected to talk to the established organisations of capital and labour when all relevant socio-economic issues are concerned, because they ‘share a public space’ (Crouch 1986). The government however only has to do this when the social partners are behaving ‘reasonable’; take the rules of the game into account, continue to be in dialogue and/or put forward ‘responsible’ or moderate demands. Not all kinds of interest groups are invited at the negotiation table; however, new or independent unions or interest groups in, e.g. the pension field are not as a rule present. Only recently are several environmental interest groups and the organisation for the self-employed represented in the main consultative body SER.

Next to these interest groups, it is expected that experts should be involved in decision-making. Experts are given considerable authority in a coordinative discourse (see in more detail Chapter 5); they can offer a ‘realistic’ view on how the world works, and might consequently help building a policy coalition. And if not in the short run, experts might help depoliticising sensitive issues in the long run. In the past, Dutch governments have frequently installed an expert committee to investigate a controversial issue over which no immediate agreement between parties could be forged.

A coordinative discourse secondly shapes conceptions of what kind of ideas should be included in the decisionmaking process; what ideas are ‘reasonable’, and facilitate coordination between the relevant actors. As was demonstrated, the notion of the common interest is highly important in this respect, because policy ideas that can be formulated in these terms usually have an advantage over ideas that apparently serve the interest of only a few actors. Moreover, the ideas of (specific) experts on what the common interest may constitute are usually taken seriously in a coordinative discourse. And more generally, ideas that can be linked to consensus and cooperation usually fare better; ideas that are, e.g. associated with (past) compromise agreements, with shared community views on how the world works, or with a ‘common enemy’.

Finally, a coordinative discourse shapes conceptions of when these kind of ideas should be introduced in the decisionmaking process and where. At the start of a negotiation process, there is more room for new ideas that can be dropped or exchanged in the course of negotiation. For instance, the Dutch government might come up with new ideas to reform the early retirement system; but usually in the course of negotiation, they
have to drop the sharp edges of the plan, be ‘reasonable’ and predictable, and consider the ideas on ‘the common interest’ of the social partners. Moreover, not every policy idea can be discussed on all occasions. When discussing ideas in more public arena’s (like the Social and Economic Council), actors need to be more ‘realistic’ in their demands because of the experts that are present (see the next Chapter); behind the closed doors of the Labour Foundation there is more room for ‘dreams’ and more ideological wishes (interviews). Similarly, actors can push for more radical ideas in the media (‘pilot balloons’), but need to be more ‘reasonable’ during actual negotiations and consultation.

This all leads to suggest that a coordinative discourse constrains the policy agenda to those ideas of actors, expressed in particular ways and venues, that are considered ‘reasonable’ because they facilitate coordination; on the basis of this criterion, some policy alternatives are considered and talked about, others are not. The margins of discussion are necessarily set relatively small in the Dutch corporatist policy community (the ‘consensus space’). Given the expectation to seek and find consensus (on the common interest) amongst a variety of actors, there is not much room for new and/or radical ideas; consensus building works only as long as some ideas, disagreements and actions are not being discussed at the negotiation table. Problems need to be defined in a way that relates to all established actors involved, and solutions need to be found that are viewed as being in the interest of all. There are boundaries to what people can reasonably discuss therefore.

The conformity pressures inherent in Dutch corporatist consensualism help preserving these ideational boundaries. Behaving ‘unreasonable’ by posing radical new ideas will most likely lead to political exclusion. Actors therefore usually moderate their demands and behaviour. As an American observer of Dutch politics suggested: ‘Rather than risk a conflict with others in the group, someone whose ideas do not agree with the point of view of the group will tone down his own opinion and make it known in a quiet and mild manner’ (Philips 1985: 291). Actors conform to the common denominator: usually this means adhering to the accepted definition of the common interest (cf. Becker 2001); one such accepted definition – so it will be argued below – revolves around the idea of wage restraint.

4.4 The rules of the game & the idea of wage restraint

A final question to be answered is how exactly the relatively small margins of discussion of the coordinative discourse may impact upon the acceptance of the idea of wage restraint in the Dutch corporatist policy community. The answer to this question lies in the interpretation and presentation of wage restraint as a strategy that is in the interest of all. In this final paragraph of this chapter, it will first be briefly pointed out how unions, employers’ associations and the government see a policy of wage restraint as in their common interest (see in more detail Chapter 7). Subsequently, it will be explored how the consensual rules of the game, as identified above, help sustain this definition of wage restraint as the common interest.

4.4.1 Defining wage restraint as the common interest

As was already pointed out in previous chapters, the idea of wage restraint has a long history in the Netherlands (Van Zanden 1997: 33). Since the early post-war period, unions and employers’ associations have been involved in discussions about (and the implementation of) a policy of wage restraint. In fact, the institutionalisation of Dutch consensual corporatism in the 1950s and 1960s went hand in hand with the institutionalisation of the idea of wage restraint in socio-economic policy making. Consequently, the appreciation of Dutch corporatism is closely related to the appreciation of the idea of wage restraint and vice versa (cf. De Beer et al. 2002). Throughout periods in which Dutch corporatism was subjected to considerable critique – like in the 1970s and early 1990s – the policy of wage restraint was also viewed as unsuccessful or, at least, outdated. There seems to be a kind of ‘elective affinity’ or complementarity (Shalev 2001: 287) between the institutions of Dutch corporatism and the idea of wage restraint. The consensual practice to find agreement around the notion of the ‘common interest’ is crucial to understanding this affinity, as it provides the link between corporatist institutions, and the idea of wage restraint. Defining wage restraint as a common interest allows actors with often entirely different policy goals to combine or coordinate their actions, as is expected of them in the Dutch corporatist policy community.

Before the elaboration on what wage restraint as the common interest means, it is important to point out first that in public debate, wage
restraint is a highly ‘ambiguous notion’ (Schuit & Driessen 1999: 229). Employed in politics, wage restraint is somewhat of a catch-all term referring to a variety of different ‘wage restraints’, often used intermingled (see e.g. an article by union leader Lodewijk de Waal; Algemeen Dagblad 10 January 1995)\(^{116}\). In the simplest of terms, and most often interpreted and employed as such in newspapers, wage restraint is a moderation of nominal or contractual wage increases (cf. NRC Handelsblad, 4 June 1998\(^{117}\)). Unions, or in fact the employees they represent, refrain from considerable wage increases, sometimes barely compensating for inflation (which implies a real wage decrease). However, ‘wage restraint’ might also refer to wage cost restraint (cf. Het Financieele Dagblad, 9 September 1998\(^{118}\)). It is this term employers and their associations are particularly interested in (VNO-NCW 2000: 2-3) because it reflects the total costs of hiring employees (salaries and premiums). Sometimes, people also speak of labour cost restraint (including costs of, for example, education). Wage or labour costs are restrained when they increase in line with (or preferably below) productivity growth. In public debate, policymakers, interest groups and employees (salaries and premiums). Sometimes, people also speak of labour cost restraint (including costs of, for example, education). Wage or labour costs are restrained when they increase in line with (or preferably below) productivity growth. In public debate, policymakers, interest groups and employees (salaries and premiums).

The confusion about the proper use of the term is further amplified by the practice of particularly unions to avoid the highly politically sensitive word ‘restraint’. By contrast, people often speak of ‘responsible’ or ‘controlled’ wage developments (cf. CNV 2000: 3; NRV 2003: 7-8). Consider the following argumentation of a unionist for instance:

‘We don’t advocate wage restraint, but control of the initial wage component. The concept that has become so famous abroad is about a controlled wage increase that results in ‘wage space’ that can be used for other things, such as job investments, labour time reduction or education’ (Het Financieele Dagblad, 14 January 1997).\(^{119}\)

In policy documents, the social partners together also usually refer to ‘responsible’ wage developments, leaving open what ‘responsible’ means exactly. In 1993, for instance, unions and employers’ associations agreed on a ‘wage costs development that is responsible given profitability and competitiveness of firms’ (StvdA 1993: 5; emphasis added). And in the ‘recommendations’ of 2001, the social partners stressed that the accords agreed upon within the Labour Foundation ‘were and are based on a responsible wage costs development’ (StvdA 2001: 1-2). In public debate, a ‘responsible wage (cost) development’ is, however, often equated with ‘wage restraint’ (cf. Volkskrant, 21 November 1997\(^{120}\); Het Financieele Dagblad, 30 November 2000\(^{121}\)).

Why is ‘a responsible wage development’ or ‘wage restraint’ supported by the government, unions and employers’ associations alike? The general view held is that wage restraint is accepted by everyone, because all actors benefit from it, both directly and indirectly. Wage restraint is first of all the direct self-interest of all actors involved, making it a shared or common interest (in Dutch: gemeenschappelijk belang). A newspaper commentator argued as follows:

‘The Dutch model is sustained by a common interest: wage restraint. For employers – the big ones as well as the small ones – this interest is predominant. For them wages are costs first and foremost. But wage restraint is also essential for the labour movement, because the past has shown that wage restraint leads to more jobs. And for the government, wage restraint is “a must” as well. Without wage restraint in the private sector, civil servants will ask for higher wages and it will drive benefit levels up. Both will increase collective costs’ (NRC Handelsblad, 4 December 1996).\(^{122}\)

Wage restraint is, secondly, also indirectly beneficial for all actors involved, because of its positive effects on the overall Dutch economy, making it a general interest (in Dutch: algemeen belang). As Prime Minister Jan Peter Balkenende stated after concluding a central accord on wage restraint in November 2002: ‘The biggest winner is the general interest. Everybody benefits from a strengthened economy’ (Het Parool, 28 November 2002).\(^{123}\). The reasons why everybody benefits from a strengthened economy are more or less similar to the ones given above. For employers, a strengthened economy increases their sales and profits. For employees, a strengthened economy generates jobs, and for the government, a strengthened economy results in improved government finances.

Because of these similar positive direct and indirect effects of wage restraint, the notions of the common interest (gemeenschappelijk belang) and the general interest (algemeen belang) are often used interchangeably by the main socio-economic players themselves. The government, organised capital and labour usually see no discrepancy between the common interest (based on self-interests) and the general interest of
society as a whole (see sections 4.2. and 4.3.1.). VNO-NCW, the biggest employers’ association argues, for example, that ’Dutch businesses have been able to improve their competitiveness due to a moderated wage cost development’ (VNO-NCW 1997: 6)\(^\text{100}\). This self-interested strategy is also considered to be in the interest of unions/employees and society as a whole. VNO-NCW adds that ’a competitiveness business life is an indispensable precondition for a healthy and enduring growth of jobs and prosperity’ (cf. Eindhovens Dagblad, 28 October 1997)\(^\text{101}\). That is, as one employer stated, ’the biggest success is a contradiction […] it is wage restraint that resulted in the improvement of our well-being. Many people do not realise this’ (NRC Handelsblad, 10 January 1997\(^\text{102}\); cf. Eindhovens Dagblad, 28 October 1997)\(^\text{103}\).

Unions basically share this line of reasoning. Though trying to bargain for higher wage increases seems to be in the direct self-interest of unions (and employees), ’wage restraint is deeply ingrained in the minds of unions’, according to CNV-leader Doekle Terpstra (Trouw, 15 September 1998\(^\text{104}\)). He is not afraid that wages will skyrocket, because that would fundamentally undermine the creation of new jobs. For unions it is therefore not difficult to behave in a public-regarding way because wage restraint creates jobs and is therefore also in the self-interest of unions. Former FNv-leader Lodewijk de Waal pointed out that postulating high wage demands is a rather ’peculiar threat’, because

’what is the credibility of your threat if you believe, like I do, that a responsible wage development is a precondition for employment growth? Who can be that crazy? Why would I damage myself by asking for high wage increases? In this way, you are shooting your own foot!’ (Het Parool, 31 May 1997).\(^\text{105}\)

These quotations from an employer and union representative respectively define wage restraint as a common and general interest. In the past (see Chapter 6 and 7), other definitions of the socio-economic common interest were also given, however. When unemployment and job growth for instance are concerned, ’working time reduction’ was put forward more than once as a better common strategy than wage restraint. ’Act in the general interest, divide jobs’, was the headline of an interview with a social-democratic politician (Trouw, 28 February 1995)\(^\text{106}\). And when competitiveness and exports were concerned, ’improving labour productivity’, has been put forward as a definition of the common interest.

However, defining wage restraint as the common interest is most stable over time. Why is this? In other words, rather than describing how actors define wage restraint in the common interest, the final question is why they define it this way.

4.5.2 Reproducing wage restraint as the common interest

As was pointed out above, in a coordinative discourse some kinds of ideas suit consensus building better than others. It is here argued that those ideas that 1) have been accepted in the past, 2) proved to be successful, and 3) offered a relatively simple solution to complex economic problems usually fare better in the Dutch corporatist policy community than other ideas. Let us consider how these various factors shape the reproduction of wage restraint in the Netherlands.

A first factor to be considered is the importance and the specific role of policy legacies in the Dutch consensual political setting (cf. Weir and Skocpol 1985: 125). It has been argued before that political actors generally tend ’to identify and interpret the challenges they face[d] within existing frameworks and to match problems with solutions they had applied in the past, rather than searching for politically and economically “optimal” solutions’ (Berman 1998: 33). That is, actors are selective in deciding which policies and strategies to consider, and base their choices on previous decisions (cf. Haas 1992: 29). This is especially so in consensual settings, where the need to find solutions to new pressing problems quickly is combined with the expectation to conclude a widespread agreement between a variety of actors. In periods of crisis and uncertainty, there is hardly any time to find radical new solutions, and forge an alliance around it. Hence parties usually rely on accepted policies from the past, though often adapting and transforming it to bring this policy in line with new and changing social, economic and political circumstances (cf. Thelen 2003: 213). In other words, having an accepted solution at hand, political actors define problems in such a way that they ’appear able to remedy them’ (Stone 2002: 207).

Wage restraint is such an accepted policy legacy in the Netherlands upon which the principle players have agreed frequently throughout socio-economic history – though not always quickly and easily. Historical analysis shows (see in detail Chapter 6 and 7) that Dutch political actors tend to define the causes as well as solutions of almost every
economic slowdown in the past in terms of wages and wage costs. Even when political actors may disagree on the overall diagnosis of a crisis initially, dialogue and an eventual agreement on wages usually help them to overcome their differences. In the early 1980s, for instance, unions and employers’ associations disagreed on required policies, but eventually reverted to an older practice of guided wage policy of the early post-war period to tackle the new economic crisis (cf. Van Zanden 2002). While the policy legacy of wage restraint was revived, however, it was adapted to changing situations as it was now ‘voluntarily’ implemented rather than ‘forced upon’ the social partners as in the past (cf. Woldendorp 1995; 2005; Visser and Hemerijck 1997). Likewise in the 1990s, wage agreements were agreed upon, explicitly referring to past wage practices (StvdA 1997: 1-3). Ideational stability was enhanced by adapting this old policy to new situations by stressing ‘diversity of options’ and ‘good fit’ rather than one-size-fits-all solutions (StvdA 1993: 4).

Policy legacies, however, can only have such a continued impact when they are viewed as successful: successful ideas become ‘remarkably durable’ (Pierson 2000: 259). A second factor to be considered is therefore the attractiveness of successful policy ideas for consensus-building. Successful ideas (of the past) make consensus-building easier. ‘Success’ is of course an important factor in most political settings. Policies that are perceived as successful usually generate a lot of support; political actors want to be associated with its successes and want to be on board with the winner (Stone 2002: 24; a ‘bandwagon effect’ Baumgartner and Jones 2002). The factor ‘success’, however, has a specific quality in consensus settings, where implemented policies are usually the outcome of a consensual negotiation process in which various actors were involved. Because of this joint enterprise, a considerable group of actors have an interest in constructing the consequences (and hence the policies underlying it) of the agreement as successful (cf. Larsen 2002: 193).

Wage restraint is widely perceived to have been economically (as well as socially) successful. The centrally guided wage policies – of which wage restraint was the crucial core – of the early postwar period are generally perceived as quite successful (cf. Van Zanden 1997: 183-202), which was important for the acceptance of wage restraint in the early 1980s. The argument of past successes was, however, particularly important for the reproduction of wage restraint as the common interest throughout the 1990s and early years of the new century. As a newspaper commentator argued when discussing the required strategies to tackle the economic crisis of 2002: ‘The best way to turn the tide is to keep wages in check. At least, that was the key to success in 1982’ (Telegraaf, 29 November 2002).

Pleas for a new Accord of Wassenaar of 1982 on wage restraint were omnipresent around that time (cf. NRC Handelsblad, 28 May 2002; cf. PVDA in Volkskrant, 17 May 2001). In 2002 and 2003, agreements were concluded on wage restraint eventually, continuing this policy legacy. According to the Minister of Social Affairs and Employment it was important to stick to these agreements because wage restraint was so successful in the past:

‘the 1990s have shown to us how important the employment and economic consequences of wage restraint are. The importance of wage restraint only increases alongside increasing internationalisation of the world economy’ (2004: 1).

A third factor to be considered is the importance of relatively simple policy solutions that usually ‘have an edge’ (Campbell 1998: 387) over more complicated policy road maps. This is not to say that an overall agreement might not be complicated. In fact, usually a compromise agreement consists of a wide variety of vaguely formulated elements (Schmidt 2008: 311) that keep all actors on board and allow them to pick those aspects that suit their purposes best. However, in a consensual setting the core policy idea needs to be a relatively simple one, (1) of which the revenues and costs can be easily ‘divided’ between actors, (2) that can be quickly implemented (with obvious results) and (3) that is attractive to communicate to the rank-and-file. A simple idea reduces complexity and makes clear what needs to be done and by whom immediately. The idea of wage restraint offers such a relatively simple diagnosis of the state of the economy – high or low wages – and a simple solution: wage decrease or increase. In fact, n the past, wage agreements were criticised in academic as well as political debate for offering too simple a solution, whereas in fact the problems of the Dutch economy are more diverse and not so easily solved by wage restraint alone (cf. Volkskrant, 2 December 2000; NRC Handelsblad, 7 March 2000; Trouw, 23 June 2000).

As was suggested, the above three factors might be of importance in non-consensual settings as well. However, what distinguishes the dynamic in consensual settings is the extent to which attention is drawn away from other ideas that are not that accepted, succesful or simple. That is, a final factor to be considered for understanding the sustenance of the
In short, the consensual patterns of interaction of the Dutch policy community facilitate the reproduction of wage restraint as the common interest by directing the attention to what was accepted, simple in concept and considered successful in the past. It are these kind of ideas that make consensus-building an attainable option.

4.5 Conclusions

This chapter described the patterns of political interaction of the Dutch corporatist policy community. This community is characterised by a relatively small number of members: established unions, employers’ associations, the government and, on the boundaries, a variety of expert bodies. These members meet each other frequently, and their exchanges are governed by a set of behavioural norms that are widely shared, even taken-for-granted, and that are directed at achieving consensus on policy goals and means between the members of the community; a consensus (or, as a second-best alternative, a compromise deal) that is highly appreciated by the participants. It was emphasised that this consensus is not the starting point of the consensual process, but needs to be constructed as such throughout the negotiation process. The notion of the common interest is crucial in this regard; it is around this notion that members can find each other and conclude agreements about. Policies that can be defined as a common interest therefore have considerable (moral) impact and an advantage in Dutch socio-economic debate.

The consensual rules of the game set, so it was argued, relatively small parameters for Dutch socio-economic debate; new and radical ideas usually undermine the potential for consensus building and, as the flipside of this consensual coin, conflict resolution. The focus is on the accepted; in the past or the present, and by others, most notably experts. Against this background of a coordinative discourse, the emergence and reproduction of the idea of wage restraint was to be understood. It is an widely accepted and simple idea, closely associated to the history of Dutch corporatism, and has successfully been defined as a common interest. And once accepted as such, the consensual rules of the game – and the conformity pressures inherent in them – facilitate its reproduction over time; to discard the wage restraint strategy is to behave ‘unreasonably’, which runs the risk of political marginalisation. Particularly in times of
economic urgency it is easier and more appreciated to find an solution that is accepted by all rather than opt for a policy strategy that only results in exclusion from decisionmaking processes.

This all means to suggest that the consensus-driven dynamic of the Dutch corporatist policy community promotes continuity and stability, rather than change (Rhodes and Marsh 1997: 196-197). In a tightly-knit policy community, routine relationships and behaviour characterise interactions, and the potential success of policy outcomes depends on the extent to which all members of the community feel committed to it. In such a situation, radical changes in policies proves difficult. Not that there is no change or innovation at all; change takes place incrementally, by gradually adapting older practices and policies to new economic and political circumstances. For example, the shift from state-led wage restraint of the 1950s to a ‘voluntary’ wage restraint on the part of the social partners in the 1980s demonstrates this ‘stability through change’ (Hinnfors 1999).

This chapter explored how the norms of behaviour shape the prominence of wage restraint in the Dutch corporatist policy community. Therefore, this chapter looked at what could be called the normative background assumptions that shape political action by limiting the range of alternatives that the members of a community are likely to perceive as acceptable and legitimate (Campbell 1998: 385). This norm-based behaviour does not tell us all there is to tell about the ideas, conceptual repertoires or ‘road maps’ that political actors use to understand the world around them, however. That is, in order to understand the prominence of wage restraint as the accepted definition of a common interest one also needs to look into more cognitive factors that shape its acceptance and reproduction. The next chapter explores how policy experts and their knowledge have impacted upon the ideas – and then particularly wage restraint – that political actors hold in the Dutch corporatist policy community.

### 5.1 Experts and conflicts

**Introduction**

Most countries have economic institutes which regularly advise the government (Den Butter and Morgan 2000; Bjerkhold 2000). In Germany this is, for example, done by the German Council of Economic Experts (consisting of five members – the ‘Five Wise Men of the Economy’). Austria has the WIFO, the Austrian Institute of Economic Research, and in Norway the Research Department of Statistics Norway is highly influential for policymaking (Bjerkhold 2000: 146-169). In the Anglo-Saxon world (US and UK) there is not so much a single institute that stands out, but there is a multitude of different experts and expert bodies to advise the government (cf. Zalm 2000: 313). In the US Administration, a ‘Troika’ of experts is at work that has to find some kind of consensus about the state of the economy (Den Butter and Morgan 2000: 279-287). The Netherlands is no exception in this respect: the government relies heavily on expert knowledge in devising and implementing it socio-economic policies.

It has been argued before, however, that experts have somewhat of a special position in corporatist societies (cf. Katzenstein 1985: 88), such
as the Netherlands. Experts may help depoliticising conflict between organised capital and labour, which is, as the previous chapter demonstrated, one of the rules of the Dutch consensual game. This chapter analyses how experts in the Netherlands – and then particularly the so-called Central Planning Bureau (CPB) – facilitate consensus-building within the Dutch corporatist policy community, and how in this coordinative process the CPB contributes to the political acceptance and reproduction of the of wage restraint as a definition of the common interest. In economic analyses of the CPB, wage restraint usually has a positive impact on the Dutch economy and employment in particular. Given the authority this expert institute enjoys, a policy strategy of wage restraint is one step closer to its political acceptance in the Dutch corporatist policy community, so it will be argued.

The argument of this chapter proceeds as follows. First, the role of experts in Dutch socio-economic policymaking is elaborated upon in more general terms (5.2). It is argued that the role of experts should be analysed in terms of two-way interaction process where politics is influenced by experts, as well as the other way around. Secondly, it is in more detail spelled out how experts (the CPB) may facilitate consensus-building in the Dutch corporatist policy community (5.3). This section is again largely based on interview material that shows that experts might reduce uncertainty and solve conflicts in three specific ways: by providing a common language, by enforcing realistic demands and by referring in conflicts. The final part of this chapter (5.4) will explore the role of the CPB as related to the policy of wage restraint.

5.2 On experts in Dutch socio-economic policymaking

In the Netherlands, experts are present in socio-economic policymaking in a number of ways. For instance, the unions’ and employers’ representatives that have a seat in the Social and Economic Council (SER) are experts in their field, and are also consulted by the government on that basis. Likewise, civil servants are experts in their field, and they are even actively involved in economic policy analysis and econometric modelling (Bergeijk and Van Sinderen 2001). Finally, university professors are experts and may influence policymaking by, for instance, publishing their research results. However, these are not the kind of experts this study is particularly interested in. The first two are still accountable for and have a mandate within an interest group and/or public body, whereas the latter are unorganised private experts. Instead, what this study is interested in are (organised) policy expert bodies that are (formally) independent148, but have a mandate, an official task to give information and analyses on the Dutch economy150.

As for the socio-economic field of expertise, there are basically five ‘expert bodies’ in the Netherlands (see also Chapter 3). First of all, there is a Statistical Office (Centraal Bureau voor de Statistiek; CBS) that provides all relevant statistics on the Dutch economy. Though the Dutch Bank (De Nederlandsche Bank, DNB) also provide statistics, this body is more intensively involved in economic policy analysis150. Furthermore, there are the Scientific Office for Government Policy (Wetenschappelijk Raad voor het Regeringsbeleid, WRR) and the Social and Cultural Planning Bureau (Sociaal Cultureel Planbureau, SCP) that both study a whole variety of societal and economic issues from a more long-term policy perspective. And, finally, the Dutch Central Planning Bureau (Centraal Planbureau, CPB) is the main supplier of economic policy assessments and forecasts of the Dutch government. The focus of this study is particularly on this last expert institute, which has somewhat of a special position in Dutch socio-economic policymaking (CPB Review Committee 2003: 9; cf. Zalm 1998: 312; Donders and Graafland 1998; Passenier 1994). As Den Butter and Morgan (2000: 292) for instance state, the CPB is largely without a peer abroad as, ‘in no other country does the modelling agency and the model have such public, important, collaborative and open role in economic policy analysis’. Expert bodies like the ones mentioned above play an important role in Dutch socio-economic policymaking for two specific reasons. First, it has been argued before that political players increasingly turn their attention towards experts because of the increased complexity of societal issues and the conditions of uncertainty under which they have to operate (Blyth 2002: 9; cf. Hall 1989). In a complex environment, politicians are uncertain about how to interpret a problem, even about what their interests and goals exactly are and how they might achieve them. In such a situation, people tend to follow – or learn from – the ideas of others (cf. Bikhchandani et al. 1998). Experts – or in Haas’ terms epistemic communities152 (Haas 1992: 2) – may play a role in solving this uncertainty and insecurity by providing information and statistics but also by offering elaborated economic analyses on cause-and-effect relationships of problems and solutions.
The role and impact of experts may move beyond this reduction of uncertainty, however, particularly in a consensual political system. By pointing out relevant causal relationships, problems and solutions, experts also point out what needs to be done and possibly by whom. In this sense, and secondly, experts might help to solve political conflicts or—as the flipside of this coin—facilitate coalition or consensus-building when ‘the causal beliefs of the epistemic communities demonstrate the need for it’ (Haas 1992: 30). That is, politicians, the organisations of capital and labour may come to cooperate because the scientific evidence underpins such a joint action. This (potential) role in solving conflicts seems to be of particular importance in consensual or corporatist settings, as has been argued by, for instance, Katzenstein: ‘Experts matter because they provide a common framework and acceptable data, evidence of a pervasive ideology of social partnership. This ideology incorporates a continuous reaffirmation of political differences with political cooperation’ (1985: 88). Usually therefore, experts have an authoritative position in consensual/corporatist societies.

Indeed, the respect experts enjoy in the Netherlands has been noticed before (Andeweg & Irwin 1993: 223, 232f; Klaamer 1990: 90; Donders and Graaffland 1998: 342). In line with the findings of Chapter 4, it has for example been argued that ‘the Netherlands is a consensus society and policymaking often demands an independent assessment and scientific underpinning of policy proposals’ (Broer et al. 1998: 17). Expert knowledge might be instrumental ‘in finding the necessary political consensus by transforming the problem of having to choose between ideologically tainted political options into practically manageable policy issues’ (Wilts 1997: 201). Expert bodies and their expertise may therefore resolve conflicts between organised capital and labour (and politicians) by providing objective, and often more technical, information on which all Dutch political actors can agree. Consequently, there is, in the words of the Central Planning Bureau itself, an ‘almost insatiable need for factual knowledge and scientific analysis with which political negotiation has to be conducted’ (CPB 1992: 95)\(^{30}\).

Both these roles—reducing uncertainty and solving conflicts—give experts a considerable influence on the content of political debate and the direction of socio-economic policymaking, whether this is wished for by these expert bodies or not. Experts facilitate or shape a certain understanding of how the world works for political actors by ‘articulating the cause-and-effect relationships of complex problems, helping nations to identify their interests, framing the issues for collective debate, proposing specific policies, and identifying salient points for negotiation’ (Haas 1992: 2). More specifically for a consensus society, experts might facilitate a certain understanding of what the common interest might mean (see section 5.3).

This does not mean, however, that this is a one-way information traffic alone. Expert bodies like the CPB, the Dutch Bank and the WRR do not operate outside the political system, where they simply inject political players with knowledge. Because of their formal and informal tasks they are part of public political debate (cf. Van de Boogaard 2004) and as such part of the ‘political game’ played by members of the corporatist policy community. The CPB is open to and caters into issues relevant to political actors (Bergeijk and Van Sinderen 2001: 26–38). CPB-analyses need to be ‘policy-relevant’, a CPB-employee argues (Interview 2005d), and the analyses are hence affected by what happens (or might happen) in the political world. Political actors are in turn affected by expert knowledge, but also (mis-)use expert knowledge for their respective political purposes, paying selective attention to specific information. It is not the numbers and facts as such that determine whether they are accepted in the political arena, it is how they are and can be used politically (Van den Boogaard 2002: 10–18). Hence, there is an active and interactive two-way process between politics and knowledge (Den Butter and Morgan 2001), of which the dynamics matter for all parties involved.

This chapter will now turn in more detail to this interactive two-way process between the principle political actors and specifically the CPB, as the most important expert body in the socio-economic field. How does the CPB help reduce uncertainty and resolve conflicts in the Dutch corporatist policy community?

### 5.3 The CPB and the depoliticisation of conflict

The Netherlands has a long tradition of ‘technocratic’ policymaking, where politicians discuss and decide upon policy issues on the basis of expert advice in general and upon CPB economic analyses and forecasts in particular (cf. Zalm 2000; Van den Boogaard 2002: 39). The role of the CPB in reducing uncertainty for political actors and (potentially) solving
political conflicts can be traced back all the way to the founding years of this economic institute, just after the Second World War. At that time Dutch society was still a highly segmented society on the basis of religion. Depoliticisation was one of the rules of the consociational game (Lijphart 1968: 135), as a way to channel (latent) political and religious conflict. The new policy research institute suited well into this political elite’s depoliticisation strategy (Wilts 1997). Jan Tinbergen, later Nobel Laureate, 25 years after he became the first director of the CPB, also considered the CPB’s role as one of rationalisation of conflict. In his eyes objective economic analysis should have priority on the basis of which normative and political goals could be obtained (Van den Boogaard 2000: 295; 2002: 11-12)154. When the Netherlands depillarised throughout the 1960s and 1970s, the CPB also became criticised increasingly (cf. Driehuis and Van der Zwam 1977; Fortuyn 1974). Over the course of the 1980s, and particularly throughout the 1990s, the respect and authority the CPB enjoyed became more widespread again, and its role in depoliticising conflicts was re-established (Interview 2007b; Teulings 1993: 58). How does the CPB exactly depoliticise conflicts, and thus contribute to consensus building in the Dutch corporatist policy community?

5.3.1 Facilitating consensus building

The CPB seems to contribute to consensus-building in three different ways. The interview material shows that the CPB is 1) the ‘provider of a common language’; 2) the ‘enforcer of realistic demands’ and 3) the ‘outside referee’.

First of all, the CPB is viewed as the provider of a common language (cf. CPB Review Committee 2003: 24; Van den Boogaard 2004: 13). The political world may be considered to be somewhat of a Babylonian world, where every actor speaks his or her own language, pursuing his or her own goals, which makes effective communication, let alone decision making, difficult. In such a world, experts might provide a ‘common framework and acceptable data’ (Katzenstein 1985: 88) on the basis of which political actors can continue to discuss their respective political strategies and policy choices. Expert knowledge provides one language, which is—according to a newspaper commentator,
realistic about what is possible and what is not. The second role of the CPB is therefore the *enforcer of realistic demands*. The presence of the CPB (and other experts) in politics is said to enhance the sense of economic reality of political actors, and to moderate their political attitudes and policy stances by looking into what is (financially) feasible (various interviews). Political actors cannot just say something, but have to take the economic effects into account as calculated by the CPB. Consider the following quotation of a Member of Parliament:

‘The moderate stance of both sides [CH: employers’ associations and unions] has a lot to do with the Social and Economic Council and the presence of […] Crown Members […] who force them […] to discuss about issues properly […]. They cannot just say something, but have to discuss economic developments and their role within it with the director of the Dutch Bank and the Central Planning Bureau […] There is a constant interaction between science, unions and employers’ (*Interview 2004b*).

This ‘constant interaction’ between science and politics arguably results in more realistic, ‘reasonable’ or moderated behaviour on the part of political actors. As the CPB itself states: ‘The unbiased judgments of CPB discourage (politically motivated) wishful thinking about the economy’ (*CPB 2003: 8*). A line of reasoning repeated by an employers’ representative and a unionist respectively:

‘Obviously, we do have our own ideas about how to organise society. We know where our interests lie […] but we should not create a dream world. We have to remain level-headed. We have to preoccupy ourselves with reality, with the facts, the figures. That is, science’ (*Interview 2004g*).

‘The CPB has an important function […] in the chain of first describing the problem and then jointly [solving it]. We need the CPB for that. This is because they can describe the problem at hand independently and neutrally, which they definitely are, and they can provide solutions ‘you can do A, and then B will happen and you can do X, but then Y will happen’. Similar to the Crown members in the Social and Economic Council they have an independent position to test our preferences’ (*Interview 2004d*).

Politics is associated here with self-interests, ideology and ‘just saying something’, whereas ‘independent’ science is associated with facts, sense and reality. This preoccupation with facts is considered to be good for the negotiation climate and consensus-building, because it removes the sharp political edges from political debate; political wishes become less extreme and more scientifically underpinned. Due to the constant interaction between science and politics, ‘it is impossible to get away with grand promises that are impossible to realise’ (Zalm 2001: 8; cf. Bader & Van den Berg 1993: 77). Unions and employers’ associations themselves hold these ‘realistic’ promises in high esteem (see the quotation above). One unionist remarks that ‘usually, we ask the CPB to calculate the effects of our policy proposals […] That role they fulfill’ (*Interview 2004d*).

Just like the first role attributed to the CPB, this second role facilitates consensus-building between the social partners and government, though now in a bit more compelling way. The CPB not only provides the facts and figures on the basis of which actors might discuss their policy preferences, but these policy preferences themselves are also shaped by CPB analyses. Political actors are expected to talk in CPB language when the economic effects of their policy plans are concerned. Policy plans that are ‘CPB-approved’ are taken seriously, because these plans are viewed as more robust, economically sound, responsible, and are ‘therefore not unrealistic’ (*NRC Handelsblad, 5 October 2005*).

These first two roles contribute to consensus-building between the social partners and the government, though still in a relatively ‘passive’ sort of way. The CPB provides figures, facts and analyses on the basis of which political discussion takes place. However, once in a while (and at critical moments) the CPB also has a more active role in consensus-building, by explicitly pointing out the required policies to restore economic and jobs growth during or after negotiations between the social partners (cf. *De Volkskrant, 29 November 2002; Het Financieele Dagblad, 16 October 2003*). In this sense, CPB analyses provides a ‘focal point’ for cooperation between the social partners by (often implicitly) ‘demonstrating the need for it’ (Haas 1992: 30). This third role of the CPB might be described as a kind of ‘outside referee’ (*CPB Review Committee 2003: 15*). The referee supervises the financial and economic ‘rules of the game’, and by doing so suggests when cooperation is most beneficial (see further below). That is, ‘CPB-models and analysis can give “ammunition” in case of conflicting interests’ (Zalm 2001: 6-7).
Though this section mainly analysed the way in which the CPB contributed to consensus-building, other experts might also fulfil this role. A Dutch union leader commented on the added value of the independent Crown Members in the Social and Economic Council (SER) as follows:

‘The independent members have added value in the function they perform. Their independence, but above all their expertise bestows us with an extra dimension. Because of these characteristics they are able to build bridges and achieve consensus’ (De Waal 2000).18

In short, most interviewees believe that political debate on socio-economic policymaking improves when it has a ‘rational scientific’ foundation, which the CPB provides (Interview 2005g; cf. Den Butter & Mosch 2003: 367). It appears easier to come to an agreement, when policy wishes are stripped from their political or ideological charge, so it is generally thought. Dutch political actors across the political spectrum seem indeed to prefer a ‘practical, utilitarian approach to ideological assumptions’, as Van der Horst argues (1996: 117). The CPB offers the basis for such an approach, as a provider of a common language, the enforcer of realistic demands and/or as an outside referee. Consequently, the CPB has become the ‘model builder of the consultation economy’, as is argued by a newspaper commentator (Het Financiële Dagblad, 11 October 1997)19. The ‘model-based and specific quantitative economic analysis of the CPB is [still] a basis for every discussion of economic policies in the Netherlands’ (Den Butter & Mosch 2003: 366–367; cf. Van den Boogaard 2000: 294).

### 5.3.2 Setting the parameters of policy debate

This central role, respect and authority the CPB has acquired and been given in the Dutch corporatist policy community has certain repercussions for the nature of political debate on socio-economic policymaking. That is, it is argued here that the (self-)attributed roles of the CPB in corporatist consensus-building, ‘accord them influence over policy debates’ (Haas 1992: 17). The CPB influences how political actors define problems, how they discuss policy preferences and strategies, and which policy options they are likely to consider and eventually choose. Indeed, according to economist Klamer (1990: 17), the ‘influence of CPB-figures is legendary’ and all actors ‘hold their breath’ when the CPB publishes new figures on the state of the economy. Two of such returning events, the annually published Macro-Economic Outlook (published in Fall) and Central Economic Plan (published in Spring), are usually front page news and subsequently shape discussion on socio-economic policies for weeks.

Once in a while, this influential position is questioned in Dutch public debate for the power it gives to the CPB and its models (cf. Trouw, 23 February 199420; Intermediair, 6 December 200021; NRC Handelsblad, 16 August 200622). This position of power is not particularly wished for by the CPB itself (cf. Interview 2005d), and in the past the CPB has frequently denied such a determining role. Consider the following line of reasoning of former CPB-director Henk Don on public television (Buitenhof, 18 September 2005).

‘We do not have power, but we do have influence. Power suggests that we have our own agenda and that we steer [discussion] in that direction. We do not do this, however. If we did this, we would be out of the game very quickly. Our influence consists of solid analyses of policy proposals […] These analyses are important in the sense that parties – whether coalition parties or not – ask each other “have you taken into account this and that” […] This makes the debate robust and economically substantive; people discuss with arguments, and less via mud-throwing. This is the influence we hope to have’.

This CPB director underscores that the CPB does indeed have a facilitating role in Dutch politics – the CPB is even part of the political game – making political discussions more ‘substantive’ and less political (‘mud-throwing’). But, according to Don, the influence of the CPB has clear boundaries: ‘the meaning that is assigned to [our work] is none of our business’. This economic institute only provides the economic assessments of policies, the choice for which one is eventual a political one (cf. Interview 2005d). Be that as it may, the CPB does have considerable impact on the nature of policy debate by defining what the economic consequences of policies are, and hence what policies to take seriously or not. In a consensual setting where experts are granted an authoritative role, experts may be ‘the outside observer’, who at least partly determines what ‘reasonable’ demands are (cf. Teulings and Hartog 1998). That is, experts (and then particularly the CPB) fundamentally affect the parameters of consensual policy debate.
First of all, by providing statistics and figures (a ‘common language’), the CPB affects when political actors will act, and on what kinds of problems. In the words of Haas (1992: 2), CPB-figures point out ‘issues for collective debate’ and identify ‘saliency points for discussion’. In the MEV and CEP for example, the CPB offers figures and forecasts on the state of the Dutch economy, assessing growth percentages, consumption levels, employment figures etc. In themselves, these statistics may produce a political urgency to act; unemployment is apparently increasing rapidly, so what are we going to do about it? Or, oil prices are sky-rocketing, is this not a good time to move towards more sustainable energy resources? These statistics are, however, also grounded and presented in an overall economic analysis; they are part of a broader story on the Dutch economy. By asking and answering questions like ‘why does economic growth in the Netherlands lag developments in the euro-area?’ (CEP 2003: 22) or ‘does this mean that wages are too high?’ (MEV 2005: 50), the CPB points out salient points and arguments for further discussion in the political sphere. That is, even expert institutes pay more attention to some issues – or definitions of issues (cf. Hajer 1995: 42) – than others. And because these figures and analyses are widely accepted and disseminated in the corporatist policy community, they affect what kinds of problems political actors consider, and act upon.

Secondly, by providing economic assessments of policies, the CPB affects what kinds of policy options political actors are likely to consider. Policies that do not well in CPB economic assessments are most likely – though not always – put aside by political actors. Policy ideas that do not lead to e.g. more jobs or economic growth. This narrows the range of policy alternatives for actors to choose from, and arguably enhance the sense of realism of their policy proposals. Such a narrowed set of policy alternatives is helpful in politics, particularly for consensus-building; it delineates the area of agreement and disagreement. However, arguments and ideas that are not incorporated in CPB-models, usually also figure less prominently in public debate. For instance, it has been argued by economists in the past that the CPB pays more attention to the supply-side of the economy and more quantifiable economic aspects rather than the demand-side and/or ‘qualitative indicators’ (NRC Handelsblad, 1 November 2001; cf. Bomhoff 2002; Van den Boogaard 2002). The ‘Salamon’s verdict’ given by the CPB may consequently inhibit a more normative and political debate on economic principles (CPB Review Committee 2003: 24). Financial, quantifiable (cf. Interview 2004d) and economic arguments are usually taken more seriously. As summarised by Bader and Van den Berg (1993: 77): ‘in [Dutch] politics, the “realism” of the penny-counting merchant always wins from the moralism of the clergyman.’

Thirdly, by providing economic analyses, the CPB affects discussion about who is responsible and therefore where the solution to problems might be found. When for instance stating that the competitiveness of firms deteriorated due to high wage increases, this implies that the people who control wage levels (employers and employees) are ‘responsible’, and therefore that they hold the key to a solution. Such an analysis might delineate an area of agreement. On the one hand, the CPB may facilitate agreement more indirectly by defining what is good for the Dutch economy, and hence – though without using this political term – what is in the common interest (cf. Van den Boogaard 2002: 39). On the other hand, the CPB may facilitate agreement more directly by demonstrating the need for it’ (Haas 1992: 30). Though the CPB usually refrains from direct appeals to cooperate in its official documents, it has frequently done so in public utterances (see also 5.4.2).

To conclude, the authority and central role of the CPB in Dutch corporatist politics puts this economic research institute into a position of influence upon the contours and content of socio-economic debate. As will be demonstrated now, this channel into politics is important for understanding the political acceptance of the idea of wage restraint in the Dutch corporatist policy community.

5.4 CPB & the idea of wage restraint

The CPB and the idea of wage restraint go a long way back to the planning institute’s foundation in 1947. To counter the threat of feared high inflation rates in the early post-war period, the Dutch government issued a stringent centrally guided wage policy (see also Chapter 3) in which the newly-founded CPB was to provide policy scenarios and define acceptable wage levels to facilitate policy coordination between the government and the social partners (cf. Passenier 1994: 50-54). What does and did the CPB have to say about wage restraint? And how did the CPB help building and reproducing consensus around this policy idea?
5.4.1 Defining wage restraint by the CPB

In line with more general trends in economics, CPB model-building and analyses can be divided into two broad periods: the early post-war ‘Keynesian’ period and the more supply-oriented period after the 1970s. The CPB art of modelling therefore reflects changing views on the economy, having made a shift from short-term demand management towards a more structural and institutional approach to economic policy (Broer et al. 1998: 18). However, this shift does not only display discontinuity. The ‘open’ structure of the Dutch economy was an important determinant throughout both periods, and supply-side elements were also part of CPB analyses in the ‘Keynesian’ period (Donders and Graafland 1998: 343-344 (citing Van der Beld 1979); Passenier 1994: 54, 91). Regarding wage restraint, this meant that wages were not only moderated to counter inflationary pressures, but also to improve investments, competitiveness and exports.

Nevertheless, the 1970s proved to be a turning point in CPB-modelling when a new generation of models was developed in which supply-side elements played a more prominent role, particularly the relation between real wage growth, employment and production capacity (Broer et. al 1998: 18). In the early 1970s, existing CPB-models did not suffice to explain the high and increasing levels of unemployment while production output still increased (Donders and Graafland 1998: 344). In a highly influential CPB Occasional Paper, economists Den Hartog and Tjan (1974) explained the destruction of jobs by high wage costs, which had rapidly increased in the 1960s alongside a faltering centrally guided wage policy (CEP 1977: 20). The core argument of their so-called ‘clay-clay vintage model’ was that the rapidly rising wage costs had shortened the economic life span of capital goods. In simple terms, workers had become too expensive compared to the production output of the machines they were operating. Subsequently, labour was substituted by capital, as more productive and technologically advanced machines had to be used to make up for higher salaries. This might be good for productivity – which was indeed slightly increasing throughout the 1960s and 1970s (Van Ark et al. 1997: 309) – but was considered detrimental to employment. Fewer workers could do the same amount of work. The main solution to this problem was, according to Den Hartog and Tjan, to ‘moderate real wage costs for many years’ (Den Hartog and Tjan 1974: 23). This ‘clay-clay vintage model’ with its ‘emphasis on supply-side considerations […] in particular capital formation as a determinant of employment, was quite novel at the time, both nationally and internationally’ (Broer et al. 1998: 18).

The analysis and conclusions of Den Hartog and Tjan formed the basis of the more elaborated wage-centered supply-side VINTAF-models (combining VINTAGE and AFZET, the Dutch word for sales), which integrated the variables of wage costs, price competitiveness, import/export, consumption levels and price formation. At the time of introduction, these models were heavily criticised (see e.g. the discussion that took place in Economisch Statistische Berichten in 1977 and 1978; but see also De Klerk et al. 1977; Therborn 1986; Visser 1993). Partly as a result of these discussions amongst economists, the CPB-models were adapted, improved and eventually replaced by various newer models. However, the core argument of its latest successor, the JADE model168, is still in line with the ideas of Den Hartog and Tjan, as is argued by a CPB-economist (Interview 2005e; Visser 1993: 16; and see for an overview of CPB-models Don and Verbruggen 2006)169. In short, the core idea still is that wage restraint supports job growth because 1) it leads to more profits for firms (and hence job investment), and 2) it improves the competitive position (and hence exports) of firms (cf. Den Butter 1991: 16; Van den Berg 1993: 19-28; Zalm 1993: 3). The importance of both causal relationships in CPB economic analyses can be illustrated by a brief historical overview of relevant sections of the annually published Central Economic Plan (CEP) and Macro-Economic Outlooks (MEV).

Throughout the international economic crises of the 1970s, the CPB often pointed the political actors to various important domestic factors that only worsened the devastating effect of worldwide economic slowdown. As was mentioned above, these were first and foremost the sharply rising wage costs, but also rising government expenditures and the subsequent high tax burden. These rising wage costs were reflected in a high so-called Labour Income Ratio (Arbeidsinkomenquote, AIQ)170 of almost 95% in 1975 (CEP 1977: 31). According to the CPB, this high AIQ squeezed business profits, which was calculated to have a negative effect on employment (cf. MEV 1976: 25). Moreover, rising wages only aggravated the ‘disappointing growth of exports and international trade’, which consequently could be, ‘alleviated by the favourable consequences of wage restraint for our competitiveness […] this is not a new sound, but one that is particularly necessary now’ (MEV 1977: 22-23; cf. MEV 1978; 1979; 1980).
Wage restraint was thus expected to boost exports in a sluggish international trade climate but it also ‘contributes to a reduction of economic risks and supports employment mainly in the long run’ (MEV 1981: 23). The CPB calculated that 2% extra wage restraint would result in 25,000 fewer unemployed after five years (ibid.).

Over the 1980s, economic circumstances improved in the Netherlands. The CPB linked this improvement to practiced wage restraint (cf. MEV 1985; MEV 1989). In its Outlook for 1992, the CPB calculated in a special section – an ‘Intermezzo on wages and employment in the 1980s’ – what would have happened to employment in the Netherlands if the following two policy developments had not taken place over the 1980s: 1) a de-linking of benefit levels to wage increases (in the private sector) and 2) wage restraint. According to the CPB, a grand total of 400,000 jobs would never have been created in that hypothetical situation (MEV 1992: 82-87). After 1995, this analysis became more firmly linked by the CPB to the above-average economic and employment performance of the Netherlands that attracted international attention: ‘Research has shown the relevance of a moderated wage cost development for the maintenance of employment growth’ (MEV 1997: 23).

The importance of wage restraint for maintaining competitiveness (and via exports for more employment) appears to have increased over the 1990s alongside increasing economic globalisation and European economic integration (ibid.). In 2000, the CPB stated that wage (cost) restraint, ‘has contributed to a relatively fast growth in production and employment in various ways […] Price competitiveness is important in this respect. A relatively moderated growth of the per unit labour costs improves competitiveness, which results in more production and employment via a favorable effect on exports’ (MEV 2001: 22-23).  

During the early years of the new millennium, economic circumstances deteriorated again, and the CPB was among the first to point out the negative consequences of rising wages for competitiveness and employment. According to the CPB, the main reason why Dutch economic growth has been lagging as compared with the euro-area from 2000 to 2004 is most noticeably the ‘disappointing development of exports’, which is an expression the fact that ‘between 1997 and 2003, per unit labour costs are expected to rise accumulatively by nine percentage points more than our main competitors’ (CEP 2003: 22).

In short, the idea of wage restraint and CPB-models have been linked for many years now. Though it is, according to a former CPB-director and Minister of Financial Affairs, ‘absolute nonsense to claim that the CPB makes employment completely dependent on wage costs only’ (Zalm 1993: 2; cf. Interview 2005 and 2005e), it has always been a crucial variable in its analyses of the Dutch economy since the Second World War. In what way, if at all, did the CPB contribute to the political acceptance and reproduction of this idea in the Dutch corporatist policy community?

5.4.2 Reproducing wage restraint & the role of the CPB

In the literature on Dutch socio-economic policymaking, it has been claimed before that the CPB has greatly contributed to consensus building around the idea of wage restraint in Dutch politics (cf. Van Zanden 2002: 289; Donders and Graafland 1998: 344-346; cf. Zalm 1998; Passerien 1994). For example, Den Butter (1991: 17) argues that CPB models have been ‘instrumental in the general political acceptance of the policy of wage restraint in the Netherlands’. And according to Therborn, the CPB models of the 1970s are the ‘single most important scientific contribution to the understanding of mass unemployment in the Netherlands’ (Therborn 1986: 154) and has consequently ‘laid the basis for wage restraint’ in this country (WRR 1990: 133). How did the CPB do this? In other words, how did the CPB contribute to the emergence and reproduction of the idea of wage restraint in the political arena? Two important ways, or mechanisms of reproduction, are distinguished here: 1) direct influence via the government and 2) indirect influence via its authority in the Dutch corporatist policy community.

First of all, the CPB contributed to the emergence and reproduction of the policy idea of wage restraint by its direct influence on government plans and policies. This influence was wielded in at least two ways: by the established political practice of the government to base its policy and budget plans on CPB economic policy analyses (particularly the MEV and the CEP) and the institutional embeddedness of the CPB into Dutch bureaucracy, particularly via the so-called Central Economic Committee (CEC). The CEC consists of high-ranked civil servants of various Ministries
relevant for (socio-)economic policymaking. The CPB has a seat in the CEC and discussion in this commission usually takes place on the basis of CPB analyses.

This institutional and policy embeddedness of the CPB into Dutch policy-making does not necessarily imply that its ideas are used by the government\(^1\)\(^2\), though it is highly likely, so historical experiences show. In the 1970s, for instance, the rapidly deteriorating economic circumstances and the uncertainty of policymakers what to do about it, seem to have prompted politicians and civil servants to turn to the CPB for help (Passenier 1994: 177-200; see also Chapter 6). CPB analyses offered a way out of confusion for the government. The very moment the CPB started using its VINTAF-models in 1975, its derived policy analysis started to affect socio-economic policymaking (Donders and Graafland 1998: 345). In 1975, a ‘Note on Employment’ was published (Tweede Kamer 1975), with enclosed an appendix on the CPB analysis on the relation between rising wage costs and structural unemployment (cf. Passenier 1994: 203). And in 1976, the Minister of Economic Affairs Ruud Lubbers – who later became Prime Minister- published a ‘Note on the Structure of the Economy’ (Tweede Kamer, 1976) in which wage costs and the high Labour Income Ratio (A1Q) were blamed for the economic and employment crisis. Though at the end of the 1970s, there were still individual ministers and civil servants that wished to pursue expansionist policies – believing for example that jobs should be created actively by the government – Dutch governments started to focus increasingly on the supply-side of the economy, considering employment in terms of costs (Donders and Graafland 1998: 345). The Christian-Liberal government of 1978 (Van Agt I) – the first after several years of Social-Democratic domination – eventually came to reject Keynesian demand policies on the basis of CPB analyses (cf. CPB 1976). This new policy stance was firmly put into action by subsequent Christian-Liberal government of Prime Minister Ruud Lubbers, who governed until 1994 (Passenier 1994: 206).

Over the 1980s and 1990s, the government continued to acknowledge the impact of wage restraint on the Dutch economy in general, and employment in particular, as attributed to it by the CPB. Policymakers even ‘discarded many of their own compromises – often the result of hard bargaining – themselves because the CPB’s computer models concluded that the effects on unemployment were too small or unaffordable’ (Van der Horst 2006: 103). As from 1982, the government refrained from active intervention in wage setting, but it did try to facilitate consensual agreement wage restraint between the social partners by lowering the tax and social premium burden. Consequently, it was of prime concern to the government to control the uncontrollable government expenses for which the CPB became ‘beacon of objectivity’ (Teulings 1993: 58).

A second, and more indirect way in which the CPB helped establish and reproduce a consensus on wage restraint, was via its authority in the Dutch corporatist policy community. As was described in this chapter, the respect and authority the CPB enjoys is considerable, not only among government officials, but also among politicians in general, the social partners, other experts and journalists. This authority of the CPB is important throughout three stages in the consensual negotiation process between the social partners: 1) when formulating policy wishes, 2) when (trying) to negotiate and 3) when negotiations has finished (whether successful or not).

First of all, the CPB influences the political acceptance of wage restraint because the social partners make use of its analyses and forecasts when formulating and discussing their policy wishes. Usually, employers’ associations and unions include CPB prognoses on the state of the Dutch economy in their ‘notes on labour conditions’, or other policy documents (consider for instance MKB 2003 and 2004; FNV 2003; CNV 1998; VNO-NCW 1999). The unions for example base their so-called ‘wage negotiation space’ on CPB estimates very explicitly. In the past, unions have even postponed making wage claims because CPB calculations were not yet finished (Het Parool, 4 August 1997)\(^\text{176}\). Other forecasts are less taken seriously. For example, in reaction to the recalculations made by the Ministry of Social Affairs about the Dutch economy after 9/11 – the example mentioned earlier – the FNV stated: ‘It irritates us that the discussion is contaminated by these meaningless numbers. Our wage demand of 4% maximum for 2002 is based on the Miljoenennota\(^\text{177}\) and we stick to this wage demand until there are new CPB figures’ (NRC Handelsblad, 2 October 2001)\(^\text{178}\). The CNV supported this analysis. The CNV also announced to adjourn its wage demand until the moment when more would be known about the state of the Dutch economy: ‘On 1st November 2001, the CPB will publish new figures. These figures will give us sufficient information’ (CNV 2001: 1). By adopting and sharing the same economic analyses and statistics of the CPB, the social partners can agree on wage restraint more easily. When the CPB analyses show that some degree of
wage restraint might be necessary to restore economic and jobs growth, such a recommendation is usually taken seriously. As was also mentioned before, the CPB can only fulfill this role of providing a common language, when its authority — and the validity of its economic models and analysis — are both undisputed.

Secondly, the CPB influences the acceptance of wage restraint by pointing out the need to cooperate, and to conclude agreements on wage restraint. Usually, the CPB points out in its documents that wage restraint is necessary to restore economic and job growth, without explicitly urging ‘politics’ to act upon it. However, this message is often implicit in these documents and in public debate CPB-directors have appealed to the social partners to restrain wages more directly. In the 1970s, for example, the CPB urged for cooperation rather subtly, because an upward trend in wage costs ‘would not bend by itself’ (MEV 1976: 25). In the early 1980s, the CPB stated more explicitly that ‘tripartite negotiations’ were needed (MEV 1981: 24). The same kind of message was put forward in the early 1990s, when the CPB stated that ‘unfortunately … one cannot always rely on wage restraint to happen’ (MEV 1991: 29). This message resulted in a public appeal by the CPB-director Gerrit Zalm to learn the ‘lessons from the 1970s and 1980s’ and restrain wages (NRC Handelsblad, 11 January 199187). The prospects of a central agreement on wage restraint were dim at that time, but after a swift update of the Macro-Economic Outlook on the ‘alarming nature’ of the Dutch economy (cf. Van den Berg 1993: 25; NRC Handelsblad, 29 October 199288), the social partners agreed rather unexpectedly upon ‘a breathing space’ for wages for 1992 (and later also in 1993). Finally, also the CPB hinted at the need to cooperate on wage restraint in the early years of the new century. Consider the following quotation of the former director of the CPB Henk Don (Fem de Week, 9 June 200189), who makes a plea for moving towards wage restraint in an ‘orderly fashion: ‘It always takes one or two years before higher wages have an effect on exports. We are therefore not immediately confronted with the negative effects of high wage costs. This makes it so risky. It would be a shame if wages jumped up now, resulting in subsiding exports and employment. At that point it takes great effort to implement a moderated wage policy. It would be so much better that we do not need this back drop in employment and that we would move in an orderly fashion towards equilibrium. This calls for moderation on the part of social partners now’.

Thirdly, the CPB influences the reproduction of wage restraint by assessing the (positive) effects of wage agreements. For instance, the CPB welcomed the ‘Foundation Accord of 1982’ because ‘a further increase in market shares is to be expected from it’ (MEV 1984: 22). In the early years of the new millennium, the CPB was far more explicit about the economic effects of two agreements on wage restraint concluded in 2002 and 2003. In 2002, the social partners concluded a one-year agreement on wage restraint. The reaction of the CPB was quite critical: ‘The effect of the Fall Agreement on the economy is nonexistent. Wage restraint is only effective if it is maintained for several years’ (De Volkskrant, 29 November 200290). The next year, the CPB was much more positive when a ‘historical’ agreement was concluded on no wage increases for 2004 and wage increases ‘approaching zero’ for 2005 (StvdA 2003). According to the CPB, this central accord on wage restraint would eventually result in about 35,000 extra jobs in 2007. Though domestic demand as well as capital investments decrease as a result of wage restraint in the short term, the end result of the agreement will be positive because, ‘The reduction of wage costs results in lower export prices, and therefore improves competitiveness. This translates into higher exports […] In the long run, employment increases and investments are restored due to the effects of higher exports on production’ (CPB 2003: 2).

This positive CPB-evaluation of the central accord of 2003 contributes to the reproduction of the idea of wage restraint over time. As was argued in Chapter 4, policy ideas that can be linked or are viewed as successful usually fare better in a consensual society. And when an authoritative expert institute approves the outcome of a consensual process, this substantially legitimises the followed course of action.

5.5 Conclusions

This chapter described how experts – and then particularly the Central Planning Bureau (CPB) – affected the political acceptance and reproduction of a policy of wage restraint in the Dutch corporatist political community. The idea of wage restraint and the CPB go a long way back, and even though the CPB does not solely understand jobs and economic growth
in terms of wage costs, wages are a crucial variable in CPB analyses and models. Both the institutional embeddedness of the CPB in Dutch bureaucracy and the authority this economic institute more generally enjoys offer the CPB a channel into policymaking, in this way affecting how problems, causes and solutions are discussed. While the policy documents of the CPB (like the MEV and the CEP) ‘passively’ offer an analysis of the state of the Dutch economy, CPB-directors have also been known to give more specific advice actively, especially on wage restraint in public debate.

The influence of the CPB on the contours of Dutch socio-economic debate should not be underestimated. However, the eventual political acceptance of its ideas also depends on how CPB analyses and knowledge is politically translated and used in consensual politics. That is, the prominence of wage restraint can only be explained by the two-way interactive process between science and politics. CPB analyses substantiate the appropriateness of a policy legacy that is central to Dutch consensual corporatism, and therefore political actors willingly grasp the opportunity to use CPB-knowledge to further their own goals. As Stone argues: ‘measures tend to imply certain solutions to a problem so people who have particular solutions to peddle will promote the measures that point to their solutions’ (Stone 2002: 184). Reversibly, the expectation to deliver ‘policy relevant’ analyses, directs the attention of the CPB to policy developments in the political sphere. That is, the CPB’s emphasis on wage restraint may be understood by its particular authoritative position as the model builder of the Dutch consultation economy.

The (mis-) use of CPB analyses in the political arena suggests that political actors themselves also play an active part in the acceptance and reproduction of wage restraint as the socio-economic common interest. Until now this (inter-) active role has not been discussed. Chapters 4 and 5 predominantly analysed how the consensual patterns of interaction shaped political discussion about wage restraint by setting the parameters of political discussion; either via the consensual practice to consult and coordinate, or the consensual practice to involve experts in policymaking. This analysis largely followed a what might be called ‘sociological-institutionalist’ logic, where the broader cultural and institutional context shape how actors behave, what ideas they hold and how they come to choose particular courses of action. However, such an analysis runs the risk of portraying political actors as ‘institutional dopes blindly following institutionalised scripts and cues around them’ (Campbell 1998: 383; cf. Finnemore 1996). Then again, political actors actively and deliberately affect the world around them, linking accepted practices and certain ideas to new problems and the various goals they want to achieve. The next two chapters focus on how political actors perceived the world around them, and how the idea of wage restraint was discussed, used and constructed as a successful policy in Dutch socio-economic history.
6.1 The emergence of the WRS

introduction

While the institutional and political-cultural context in which actors operate and interact have an impact upon the ideas they hold and the way they behave, actors themselves also shape the world around them actively and purposefully. In other words, the institutional context facilitates the emergence and reproduction of the idea of wage restraint, but actors themselves determine its fate. They do so, it is argued here, by creating stories about what happens in the world around them, why and how it happens, what needs to be done and by whom. In constructing these stories, actors draw upon the context in which they operate, shaping and reshaping it in the process of storytelling.

Stories are such a common part of politics that we are usually hardly aware of their presence (Stone 2002: 143), or at best consider them as rhetorical devices to persuade others of our point of view. Stories are, however, much more than that, as they have considerable political, economic and distributional consequences. Stories set out the proper way forward in policymaking by emphasising certain important aspects of
This chapter considers how these different stories on the Dutch economy and politics? Who was supporting them, and why? Other storylines. What did these respective storylines have to tell about the contours of the analyses, few actually go back to those days. They may suggest action or passivity, conflict or consensus, justice or efficiency, and so on and so forth. We are usually hardly aware that stories have such a ‘power’ because making brief statements or comments on a political event, uttering policy wishes or fight over issues, does not look much like telling a story from A to Z. However, enclosed in one brief statement usually is a wider story on what is happening. This is the essence of a storyline: it is a ‘condensed statement summarising complex narratives’ (Hajer 2005: 302).

This chapter is about how the story revolving around the idea of wage restraint – the Wage Restraint Storyline (WRS) – emerged and was ‘created’ throughout Dutch socio-economic history. The focus of this chapter is on the period between (roughly) 1975 and 1995, a period in which the contours of the WRS became visible though it was still competing with other storylines. What did these respective storylines have to tell about the Dutch economy and politics? Who was supporting them, and why? This chapter considers how these different stories on the Dutch economy (and on the issue of unemployment in particular) evolved in public debate, and how the WRS gradually became more widely accepted throughout the Dutch corporatist policy community. It does so by tracing back important developments in policy ideas, causal arguments and interpretations held by the key socio-economic players, as well as by experts and the media that also perform an important role in Dutch public debate. This description of Dutch policy discussion will not entail a full historical account of the period in terms of the range of events, implemented policies and economic outcomes, however. The main purpose is to understand what actors thought about wage restraint, and to trace the emergence of the WRS historically.

The policy ideas actors held and the stories they adhered to are analysed using various policy documents and newspaper clippings as published back then. Though many studies on the Dutch Polder Model include this crucial formative period (particularly the early 1980s) in their analyses, few actually go back to those days. Analysing political statements and utterances in public debate as they have been made in the past has the advantage of describing events as they actually took place and not by how people memorise them nowadays (Woods 1995: 172). A potential drawback might be that publicly uttered statements might have been aimed at polarisation for the stage, and might not tell the whole story of what was really going on ‘behind closed doors’. Nevertheless, ‘thick description’ of positions and statements of a particular era – combined with inferences from secondary material – can prove insightful as to how political actors approached, interpreted and experienced developments without hindsight lessons or foreknowledge of outcomes.

First, this chapter takes us back to the end of the 1970s and early 1980s (6.2). This period was characterised by considerable uncertainty and a lack of consensus on the proper course of action. That is, conflicting storylines existed on the diagnosis of the Dutch economy. Subsequently, it will be analysed how these different storylines came together in the ‘Accord of Wassenaar’ of 1982, an accord that has been granted considerable historical importance in recent years (6.3). But what was this accord actually about? Did it mark the breakthrough of the WRS? The third section will move on to the end of the 1980s and early 1990s, a period in which gradually a consensus emerged about the idea that wage restraint had contributed to improved economic – though not employment – circumstances (6.4). As will be demonstrated, the WRS still competed with, and was put under considerable pressure by, alternative storylines.

6.2 Uncertainty (1975-1982) competing storylines

Just as most other European countries, the Netherlands experienced considerable economic decline and stagnation throughout the 1970s. As a small open economy, the collapse of world trade which followed the two oil crises hit the Netherlands relatively hard (Van Ark, De Haan & De Jong 1998: 309). After years of nearly full employment, unemployment reached 4% in 1975, and eventually rapidly moved upwards to about 13% in the early 1980s. Jobs especially disappeared in traditional industries like coal mining, textiles and clothing, and shipyards (Hemerijck, Unger and Visser 2000: 211). Government expenditures started to increase rapidly, and only gas revenues could partly take away pressures on the budget (the infamous ‘Dutch disease’). Economic growth came to an almost complete standstill.
in the early 1980s, inflation was high and the Dutch economy suffered considerable balance of payments pressures. Although in the early years of the 1970s, ‘stagflation’ (inflation combined with economic stagnation) was still considered a temporary and/or political phenomenon, it became increasingly clear to most political actors that it had become a structural problem of the Dutch economy. The Netherlands was in a kind of ‘crisis’ at the end of the 1970s, that was clear enough to most people, but disagreements prevailed on the proper diagnosis of the main problems, and what subsequently needed to be done, and by whom. It might be argued that the 1970s and 1980s were characterised by considerable uncertainty on the nature of the crisis as well as on what was in the interests of actors, and society as a whole (Blyth 2000: 9). In such a situation, it is difficult to know or predict in advance what certain – accepted or new – policies might entail (cf. Notermans 1999: 28).

To reduce this uncertainty, actors need to ‘argue over, diagnose, proselytize, and impose on others their notion of what a crisis actually is before collective action to resolve the uncertainty facing them can take any meaningful institutional form’ (Blyth 2002: 9). That is, actors consider and discuss different stories on the crisis that might reduce uncertainty; stories that create order and simplify the world for them (Hajer and Laws 2006). What stories on the crisis were put forward by the respective actors? Which policy solutions were supposed to solve what problems?

This section particularly focuses on the proposed policies and the processes through which to implement these policies, both of which constituted the main dividing lines in public debate on economic policymaking. Though differences of opinions partly criss-crossed groups (see further below), the main dividing lines were particularly visible between employers’ associations and unions.

6.2.1 Employers’ associations: there is no money to invest

For most employers, and the associations representing them, the key words explaining the economic crises of the 1970s were ‘high costs’ (VNO-NCW 1975; VNO-NCW 1978). The causal logic behind this statement was two-fold. On the one hand, the considerable real wage (cost) increases of the 1960s and 1970s had squeezed business profits and had deteriorated price competitiveness of firms (and thereby also exports). On the other hand, the expanding public sector and government expenditures were thought to contribute to the cost burden of the private sector as well. According to the employers, the oil crises – though also having independent effects on the Dutch economy – revealed the fact that the Netherlands had become an expensive and high-cost economy in the 1970s, which suffocated business activity. This was presented as the bottleneck of the Dutch economy throughout the 1970s.

In constructing this causal story of the Dutch economic crisis, employers depicted themselves as well as society as a whole as ‘victims’ or ‘losers’ of this high-cost situation. The increasingly restricted room for private investment (bad for employers) resulted in the worsened economic and job performance that was obvious to all (bad for society). Moreover, and related, employers did not consider themselves the ‘villains’ of the story (Stone 2002: 133). In other words, employers were not to blame for the detrimental economic and jobs position of the Netherlands; high (wage) costs left them standing with empty hands. This spirit of despair is nicely illustrated by a statement of Chris van Veen, at that time chairman of the largest employers’ association VNO:

‘Basically, there is no money to invest! It is therefore not so much indolence on the part of the Dutch business community that does not want to invest. Some business activity is relocated to other countries simply because in the Netherlands businesses no longer can invest’ (Vrij Nederland, 10 October 1982).

This story also suggested the proper course of action for Dutch employers; creating financial room for investment and business activity should have first priority. Consequently, employers’ associations were vehemently opposed to any measures and agreements that would further increase costs for businesses (VNO-NCW 1975: 1-3). Employers were, for instance, against costly employment plans, collective working time reduction or further expansion of the welfare state. Regarding wage costs, they were particularly opposed to the so-called system of automatic price compensation (APC) that had been in place in many firms since the end of the 1960s. By automatically linking wage increases to price inflation, this system guaranteed purchasing power for employees, but in the eyes of employers it had put business profits under too much pressure, resulting in an unwelcome wage/price spiral. Abolishment of the APC in combination with wage restraint on the part of unions would, according
to most employers, restore business profits, which was presented as a precondition for economic and jobs growth. Such a course of action was to be supplemented by substantial cutbacks on government expenditures and tax reduction.

This story about costs, business profits, and economic and job growth was not widely accepted throughout the 1970s and early 1980s, not in Dutch society as a whole (see further below), but also not amongst employers themselves. Various employers disagreed with this take on the Dutch economy as well as the solution of wage restraint (and cutbacks), particularly various small- and medium sized firms in retail trade, like Vroom and Dreessen (V&D). For them, maintaining purchasing power of employees was of prime concern, because they feared a slump in consumption levels due to wage restraint (Trouw, 9 December 1982; MKB 1982 in SER Bulletin 1982). According to VNO – that predominantly represented big firms – this effect would, however, be more than compensated for by the amounts of new jobs created and old ones preserved (ibid.), as a result of which more people were able to spend their wages and consume.

In order to advance their story on the Dutch economy in the political arena more convincingly, Dutch employers’ associations took two specific steps. First of all, employers tried to substantiate their story by consulting expert advice. In 1974, the employers’ association VNO instructed the Netherlands Economic Institute (NEI) to provide the scientific foundation for the causal relationship between wages, profits and jobs (ESB, 23 October 1974). This research was carried out around the same time as the ground-breaking analysis of the Central Planning Bureau on the same topic (Hertog and Tjan 1974; see Chapter 5). Both economic analyses were used to convince others of the merits of this particular theoretical approach to economic policymaking (cf. Campbell 1998: 388). Secondly, Dutch employers started to organise themselves better at the central level and professionalise their organisation (cf. Van Bottenburg 1995: 177-181). Until the 1970s, the Dutch employers’ movement was still rather fragmented, lacking coordination and cohesion (cf. Visser and Van Ruysseveldt 1996: 218-222). In order to counter increasing union power, Dutch employers tried to speak with a united voice. The employers’ story on the Dutch economy was translated politically in, for example, an urgent letter from the top managers of nine big multinationals to the Dutch government, and the policy document ‘A Road to Recovery’ (Koers naar Herstel) of 1978, both of which were taken seriously by journalists as well as politicians.

Even though employers started to organise themselves at the central level, they – perhaps paradoxically – increasingly believed that no miracles should be expected from central level solutions to the crisis. According to VNO, Dutch governments acted far too ‘centralistic’: steering the economy from the main capital The Hague, where the government is seated (VNO 1981: 102; see also SER Bulletin 1982: 100-102). Centralised intervention in wage setting was considered to be an unwelcome left-over from the period of centrally guided wage policies of the early post-war years, as a result of which the government meddled with issues that should be the responsibility of social partners alone (Telegaaf, 7 October 1982). The position of the government was ‘neither fish nor good red herring’, or as VNO stated in a policy document:

‘The indicative income policy of the government (is) an unrealistic middle-way between free and guided wage policies’ (VNO 1981: 101).

Dutch employers increasingly opted for ‘free’ wage bargaining at the decentral or firm levels. They did not believe that a so-called Social or Central Accord would help in tackling the economic crisis (SER Bulletin 1982: 126). To sum up the employers’ story on the Dutch economy: wage restraint and cutbacks were the preferred policies to boost economic and employment growth, and decentralisation of policymaking processes was the preferred route to implement these policies.

6.2.2 Unions: there are not enough jobs

The story told by unions on the state of the Dutch economy was in various ways diametrically opposed to those of the employers (cf. FNV 1976; 1982; CNV 1982). For unions, not wage costs or government expenditures caused the initial economic slump or job destruction of the early 1970s (cf. Passenier 1994: 202); but it was the crumbling of production in traditional manufacturing industries and exports, which they argued was caused by the rising oil prices. According to unions, this situation only worsened at the end of the 1970s – when the second oil crises kicked in – because of a ‘climate of underconsumption’ (FNV 1983: 5); a focus on cutbacks and a passive attitude of the Dutch government in socio-economic po-
licymaking (CNV 1982: 1). Therefore, unions were not only against wage restraint (policies), they also wanted more government intervention in the economy and centralisation of policymaking (processes). Consider the following quotations of unions which both criticise the passive, ‘waiting’ attitude of the Christian-Liberal government of 1982,

‘This coalition-agreement displays a waiting spirit. Nobody talks about “sitting this one out”, but this is what we can read between the lines. There is no interest in employment and in an equal treatment of all persons’ (CNV in De Volkskrant, 28 October 1982).

‘This economic crisis will end in a deep and long depression. Just as in most countries a policy characterised by cutbacks and the idea of “sitting this one out” is being pursued’ (FNV in NRC Handelsblad, 7 October 1982).

Unions argued that particularly the government was to blame for the continuing bad economic and job performance of the early 1980s. In this story, the government is the ‘villain’, whereas ordinary employees pay the price of the oil and economic crises by (the risk of) losing their jobs.

On the basis of this analysis, the general union federation FNV formulated three political priorities: 1) combating unemployment via redistribution of jobs and working time reduction; 2) maintaining solidarity by ‘linking’ market wages to public sector wages and benefit levels; 3) equal distribution of the burden of cost reduction (FNV 1982). The tone of voice of the Christian federation CNV is a bit more moderate in general, but this union basically shares these political priorities (CNV in SER Bulletin 1982). The voice of the Christian federation CNV is a bit more moderate in general, but this union basically shares these political priorities (CNV in SER Bulletin 1982). Both unions believed that all these priorities required an active and encouraging policy package on the part of the government (CNV 1982: 1): active employment policies. Doing nothing, or simply cutting expenditures like the employers suggested, was not an option for them (SER Bulletin 1982: 84–85).

The first two priorities – unemployment reduction and ‘linking’ wages – are of particular importance for understanding the support, or in fact lack thereof, for idea of wage restraint. Unions widely believed that the best way to create new jobs was to redistribute existing employment through collective working time reduction (Haagse Post, 8 October 1982). Proposals to reduce working time from the 1980-level of 40 hours, ranged from 36 hours (De Volkskrant, 18 November 1982) to 25 hours in 1990 (Crone 1984).

Handelsblad, 20 October 1982) to even 25 hours in 1990 (Crone 1984). Unions therefore came up with a solution to the unemployment problem completely different from the employers’ solution: not wage restraint but working time reduction would do the trick. Moreover, rather than opting for a decentral solution, unions favoured a central accord in which collective working time reduction was to be agreed upon between unions, employers and government. ‘Working time reduction should be an essential aspect in the central recommendations’, one unionist states (De Volkskrant, 18 November 1982).

Within the trade union movement, however, a lot of disagreement existed on how to implement and finance working time reduction. Throughout the 1970s, most unions were unwilling to pay for working time reduction themselves, and accept lower wages. The system of automatic price compensation (APC), that guaranteed purchasing power for employees, was basically non-negotiable (see FNV 1976; 1982). In 1977, one of the largest strikes in Dutch labour history was about the maintenance of the APC-system, which was adapted consequently, but essentially left intact. At the end of the 1970s, some union members and the CNV particularly became more receptive to negotiation and compromise, and said to be willing to finance their own proposals on working time reduction by handing in part of their APC (CNV 1982 in SER Bulletin 1982). The CNV said to be ‘willing to negotiate a different destination for the expected price compensation’ (CNV 1982: 1). This ‘different destination’ was working time reduction. Various affiliated unions were furious about these plans, however, as well as the general federation FNV (Haagse Post, 8 October 1982). While some union federations took cost aspects into consideration increasingly, they generally did not believe that restraint (i.e. wage restraint and cutbacks) on itself would result in more jobs, as the employers did. In their Note on Employment of 1975 the union federations together stated that ‘one should not accept a fixed relationship between profits and investments’ (1975: 12). Unions were not convinced that more profits would be invested in new jobs, in the proverbial sense of ‘you can lead a horse to water, but you can’t make him drink’, as former Prime Minister Ruud Lubbers also formulated it sometimes in the 1980s. It was a ‘politics of illusion’ to restore profits and create jobs solely via wage restraint (FNV 1982). In fact, various unions were afraid that wage restraint and budget cutbacks would only lead to a ‘climate of undercon-
sumption’ (FNV 1983: 5) and a wage restraint rat race between countries in the European community (FNV 1984: 5). Purchasing power and jobs of all people needed to be guaranteed. In this spirit, unions were also vehemently opposed to the so-called ‘delinking’ of public sector wages and benefit levels from wage developments in the private sector (CNV 1982: 1), which was a (eventually implemented) proposal of the government to cut costs in the public sector. In the 1970s, these ideas of unions resonated quite well in Dutch society where beliefs in a just distribution of wealth and more Christian ideas about ‘caring for the weak’ were strongly present (cf. Becker 2000).

In short, the union story on the Dutch economy revolved around working time reduction and other employment plans (policies) as well as an active, centralised role of the government in economic policymaking (processes).

6.2.3 The Dutch government: an ambivalent strategy

The two different stories on the Dutch economy as offered by unions and employers respectively also pervaded the Dutch parliamentary arena, and government circles. In fact, both stories cut through Dutch government, resulting in a rather ambivalent policy strategy until the early 1980s. Between 1973 and 1982, three political parties made up, though in different constellations, the body of Dutch governments: the Social-Democratic Party (PVDA) with the Christian-Democrats ‘CDA’ (or actually two of its predecessors) from 1973 to 1977; and the newly formed CDA with the liberal VVD as from 1977, with a brief and turbulent intervening period (1981-1982) with a government consisting of CDA, PVDA and the small social-liberal party D66.

The Social-Democratic Party (PVDA) reasoned very much in line with the union movement by stating active government intervention in the economy was needed to tackle the economic crisis. More specifically, the PVDA also emphasised job redistribution via working time reduction and active employment policies to counter rising unemployment (PVDA 1977: 2; SER Bulletin 1982). The party was quite sceptical about the immediate benefits of wage restraint in terms of job creation. It stated for example in its election program of 1977 that investments in the private sector should be stimulated but,

‘only if we get the guarantee that increased profits will be converted into jobs and not invested in refined machinery that further casts out labour [...] We do not believe in the fairy tale that jobs will be created automatically when the business community acquires more financial space. Therefore, the government should be actively involved in employment creation’ (PVDA 1977: 2-3). The Social-Democratic Party particularly and vehemently disagreed with the Liberal Party VVD on wage restraint, budget cutbacks and reforms of the welfare state. Unsurprisingly, the VVD argued more in line with the employers’ associations, focusing on the restricted financial room for businesses to invest due to high wage costs, which was also the result of the high tax and social security burden. Therefore, according to the VVD (VVD 1977: 3), ‘combating unemployment and inflation is not possible without curbing the growth of the collective sector’. The political position of the Christian Democratic CDA is somewhere in the middle, emphasising the need to spare the lowest income groups, but nevertheless agreeing that substantial cutbacks and cost restraint is also necessary (CDA 1977: 17-18). Some politicians within the CDA leaned more towards the active social programs of the PVDA, whereas others agreed more with the VVD (see further below).

These differences in party programs of the governing parties generated a multi-tracked, and according to some ambivalent (Therborn 1986: 152), government strategy between and within the various coalitions. The leftist Den Uyl government (1973-1977) was still very much Keynesian expansionist in outlook (Bootsma and Breedveld 1999). Confronted with the negative impact of the oil crisis (and rising oil prices), the government opted for a ‘policy directed at maintaining an acceptable level of domestic demand’, as without such a policy ‘we can expect a severe increase of unemployment’ (1974: 2-3)\footnote{207}. Consequently, the government implemented all kind of ‘job plans’ – like the program ‘Fighting Excessive Unemployment’ or the ‘Extra Employment program’ – and raised minimum wages and benefit levels. This to ensure purchasing power for these low income groups and to achieve a just ‘dispersion of knowledge, power and income’ (cf. Keerpunt ’72), the main slogan of that government. Moreover, the government supported ailing industries, stimulated business activity in important industries like construction, by direct investments and tax reductions (1974: 3)\footnote{208}. In this policy package, wage restraint was essential, though above all to keep inflation under control, and not so much for cre-
In his Note on Labour Conditions for 1980 (Tweede Kamer 1979: 3), Albeda stated that wage restraint is ‘more necessary than ever’, particularly now ‘the belief in the effects of such a moderation policy’ was put under pressure, because of a ‘disappointing employment development’. Working time reduction was also considered a serious option by Albeda to distribute available jobs more evenly, though this should not lead to more costs for firms (ibid. 4-5).

To sum up, throughout the 1970s and early 1980s, the Dutch political arena – including unions and employers’ associations – was divided on the diagnosis of the crisis and the required courses of action. Which was more necessary: wage restraint or working time reduction, cut backs or expenditures, an active or more passive government policy? With respect socio-economic policy in general, and employment policy in particular, there seemed to be two main dividing lines (see Table 6.1): one on effective policies (wage restraint or a more extensive policy package including working time reduction) and one on government intervention (centralisation versus decentralisation).

Table 6.1
Main dividing lines in socio-economic debate

<table>
<thead>
<tr>
<th>Policies/processes</th>
<th>Active intervention, centralisation</th>
<th>Passive intervention, decentralisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage restraint and cutbacks</td>
<td>e.g. Van Agt 1</td>
<td>Employers, Lubbers 1, CPB, Wagner, various economists</td>
</tr>
<tr>
<td>Active employment programs and working time reduction</td>
<td>Unions, Den Uyl-government, WRR, various economists</td>
<td>Employers in retail-trade</td>
</tr>
</tbody>
</table>

Most (particularly big) employers and the Christian-Liberal government as from 1977 supported a story on the Dutch economy involving wage restraint, cutbacks and decentralisation of policymaking. Some ministers in this government, however, still pushed for an more active attitude and intervention in the economy on the part of the government. Unions,
6.2.4 Experts: industrial regulation or self-activation?

Over the 1970s, policy experts did not seem to be able to provide politics with an unambiguous story on the economic crisis; that is, no professional consensus on the proper diagnosis of the crisis and effective solutions existed in the Netherlands either (Haagse Courant, 8 October 1982; see various issues of the Economisch Statistische Berichten, 1977-1980). Example of this absence of consensus among experts was the inability of the Social and Economic Council (SER) to come up with unanimous advice on economic policymaking (Het Parool, 18 December 1982). Not only the unions and employers’ associations represented in the council disagreed, but also the so-called Crown Members, the government-appointed experts. Because of the lack of professional consensus, they were unable to perform their function as an intermediary between organised capital and labour (Passenier 1994: 200). Individual experts as well as organised expert institutes were also roughly divided along the above-identified two stories, though more overlap existed (see Table 6.1).

Let us first consider expert support for the unions’ story on working time reduction, and active government intervention in the economy. As a means to create employment, working time reduction was also supported by various expert bodies, like the Scientific Council for Government Policy (WRR 1977) and the Social and Cultural Planning Bureau (SCP). This latter institute calculated that 10% working time reduction would lead to 450,000 new jobs (SER Bulletin 1982: 212). Prominent Crown Members of the Social and Economic Council (SER) also shared this union line; one member for instance argued about jobs redistribution: ‘it is a general interest. It deserves better than breaking down on fear and a lack of willpower’ (SER Bulletin 1982). According to the CPB, however, working time reduction would only have a limited effect on job creation (CEP 1979: 21). Furthermore, the focus on active government intervention and demand stimulation was also shared in the expert field. A substantial group of economists frequently and publicly favoured a more activating and ‘guided’ road to economic recovery (De Volkskrant, 23 October 1982; see also SER Bulletin 1982; NRC Handelsblad, 23 December 1982). The report ‘Place and Future of Dutch Industry’ (WRR 1980), published by the Scientific Council for Governmental Policy (WRR), was a crucial publication in this respect. The main thrust of this report was that the self-generating capacity of Dutch industry proved insufficient and therefore a selective structure-oriented ‘active’ governmental policy was deemed necessary to boost the diversity as well as eminency of Dutch exports. Improving financial room for businesses was not enough; an ‘active’ industrial policy (industriebeleid) on the part of the government was considered to be required. The report also briefly pays attention to the policy of wage restraint. The WRR argues that:

‘Even after the end of centrally guided wage policies, wage levels continue to be an important instrument in economic policymaking [...] However, the relation between the level of wages and the level of economic activity is not as unambiguous [...] Apart from wage developments, other important and more structural and specific factors determine our competitiveness. Selective investment might be of importance here. It is this conviction that underlies the claim that wage restraint tout court is not the only way to economic recovery’ (1980: 307).

This report of the WRR heightened the political awareness of the problems of Dutch industry, though its suggestions for an active industrial policy were not planted on fertile ground, as this notion increasingly acquired a negative connotation. In its reaction to the report, the government explicitly stated that ‘in the WRR-report an approach is advanced, which is more centralistic than the one of this government’ (Tweede Kamer 1980: 3). The government of Prime Minister Van Agt pursued more general macro-economic policies to the stimulate business climate. In relation to the policy of wage restraint, the government also points out some ‘contradictions’ in the WRR-report. ‘Keeping recent studies of the CPB in mind, the WRR underestimates the effects of an improvement of costs and prices,
as compared to foreign countries, for imports and exports’ (1980: 17). And therefore: ‘reducing the collective burden and labour costs is very effective to boost employment’ (1980: 18).

In its response to this WRR-report, the Van Agt-government immediately requested an ad hoc independent expert committee to give (a new) advice on industrial policy\(^{224}\). This committee ‘Advice Progress Industry Policy’ went down in history as the so-called Wagner committee, named after its chair Shell-manager Gerrit Wagner. Though not an ‘expert body’ in the literal sense – apart from some scientists, the committee consisted of various top managers of big concerns like Unilever, DSM, Vroom & Dreesman, and Philips as well as some union policy experts – its advice substantially influenced socio-economic debate at the time. The Wagner-report called ‘a New Industrial Elan’ strongly advised to make top priority of a favourable macro-economic climate, postulating the ‘self-activation of individual companies. Government policy is constitutive and stimulating’ (Wagner 1981). This analysis firmly supported the employers’ point of view and the government’s policy on wage restraint, abolition of the automatic price compensation system, decoupling of private sector to public sector wages, cutbacks and decentralisation of wage setting. With respect to general cost restraint, ‘recommendation number seven’ more specifically states that,

‘A policy directed at economic growth and recovery of employment requires a shift from consumption to investment […] A policy directed at cost restraint is necessary in this respect. The collective burden should be stabilised and the budget deficit should be reduced’.

This report heavily influenced the program of the first Christian-Liberal government of Prime Minister Ruud Lubbers (1982-1986). It meant a definite shift towards supply-side economics within the Dutch government, according to a newspaper commentator at that time (*NRC Handelsblad*, 28 October 1982; cf. Tweede Kamer 1983: 3-4). Most prominently, this government announced to freeze social benefit levels and the salaries of civil servants, effectively ‘de-linking’ the public from the private sector. Budget deficit reduction became the highest priority. As was extensively analysed in *Chapter 5*, the analyses of the CPB also supported this Wagner-story on the Dutch economy, and though the CPB shaped government policy in particular, its ideas were also discussed in the SER, in which the CPB has a seat (*SER Bulletin* 1982: 216-217)\(^{225}\). Moreover, the Dutch Bank also thought around the same lines\(^{226}\). The President of the bank stated that wage restraint and cutbacks would be necessary for many years into the future. Otherwise ‘Belgian situations’ would arise: high inflation levels, low growth and no jobs (*Jaarverslag DNB* 1981)\(^{227}\).

To conclude, over the 1970s no consensus on the proper diagnosis of the crisis existed in the Netherlands; neither in the political arena nor in the field of policy experts. At least two stories on the state of the Dutch economy existed alongside each other, and were supported by a variety of political actors, economists and expert bodies. The support for the respective stories partly reflected traditional distinctions in interests between the main socio-economic players\(^{228}\), but also partly criss-crossed groups; some employers were against too much wage restraint and cutbacks, some unions were taking cost aspects into consideration, political parties were often divided, as were some economists and expert bodies.

Given this lack of consensus it probably bears no real surprise that unions and employers’ associations were unable to strike a deal throughout the 1970s, except in 1972 (see for an overview Van Bottenburg 1995). In 1979, an accord was almost concluded (‘bijna-akkoord’), but the FNV union federation withdrew at the very last moment because it could not commit its rank-and-file. As a consequence of this failure, trust in a joint solution to the crisis further deteriorated. When the new Christian-Liberal government of Prime Minister Ruud Lubbers announced a renewed ‘breathing space’ for wages in 1982, employers even said to be willing to accept this wage measure instead of concluding a central accord where the automatic price compensation was exchanged for working time reduction (*Haarlems Dagblad*, 15 October 1982)\(^{229}\). The union federations were willing to make such a central deal, but did not want to give up their compensation system completely. Despite these polarised positions, a central accord was agreed upon on the 24th of November 1982 in the coastal town of Wassenaar. It was officially dubbed ‘Recommendations concerning an Employment Policy’. Nowadays, the accord is named after the town in which it was concluded, the Accord of Wassenaar, but at that time people referred to the accord as the ‘Foundation Accord of 1982’, the ‘Kok/Van Veen Accord’ (*Haarne Post*, 27 November 1982) or even ‘The Hague Accord’ (*Telegraaf*, 27 November 1982). What happened? How did the two different stories as identified in this section become reconciled in this accord, if at all?
6.3 The Accord of Wassenaar

storylines combined

In academic and political writings on the Dutch Polder Model, the Accord of Wassenaar usually marks a turning point towards renewed cooperation between the social partners, based on a newly found consensus on wage restraint (see Chapter 7). Given the previously identified differences of opinion, it seems plausible to claim however that the central accord of 1982 was not the product of consensus, and did not reflect an agreement between unions and employers on the most ‘effective’ course of action. As a newspaper commentator argued at that time: ‘The significance of the accord is not that differences of opinion are reconciled’ (Provinciaal Zeeuwse Courant, 20 November 1982)\(^{228}\). Rather than a consensus agreement, it was depicted as a compromise agreement.

Why were unions and employers’ associations able to conclude such an agreement now, whereas they had failed to do so for ten years? A combination of factors seems to explain this relatively unexpected event. More than anything, the ‘breathing space’ for wages that the Christian-Liberal government announced in fall 1982 worked as a catalyst, driving the social partners together (cf. NRC Handelsblad, 20 November 1982\(^{229}\); Provinciaal Zeeuwse Courant, 20 November 1982\(^{230}\)). Particularly unions feared this new loss of influence and further marginalisation of their organisations (cf. Bottenburg 1995: 193). For them, control over wage bargaining was the only way to get working time reduction on the political and bargaining agenda. For employers, who actually preferred decentralised wage bargaining, a central agreement would ease the growing social unrest substantially (De Volkskrant, 23 November 1982\(^{231}\)). Unions and employers’ associations therefore had a shared interest in keeping the government away from wage setting: to avoid a wage freeze and keep some control over working conditions. In the accord they consequently made an ‘urgent appeal towards the government to enable free negotiations at the decentral level between parties’ (StvdA 1982: 1)\(^{232}\).

In this sense, the central accord of 1982 was an ‘agreement to agree’. As a newspaper commentator stated at that time: ‘the accord proved that this time around, the willingness to agree was stronger than the differences in opinion’ (Provinciaal Zeeuwse Courant, 20 November 1982\(^{233}\)).

This willingness to agree was mostly inspired by the lousy state of the Dutch economy in the early 1980s. The crisis atmosphere that prevailed in politics and society urged political actors to negotiate change (cf. Hay 1999). FNv-union leader Wim Kok – the later social-democratic prime minister in the 1990s – stated that ‘negotiations are urgent’ to combat the crisis, acknowledging that under the current circumstances purchasing power could not be maintained (NRC Handelsblad, 7 October 1982)\(^{234}\). Employers seemed less convinced that a central agreement would solve the crisis, but – as mentioned above – the ominous wave of strikes are said to have contributed to their change of mind (De Volkskrant, 23 November 1982)\(^{235}\). For both, the rapidly worsening economic situation offered an opportunity to overcome the internal divisions on both sides – which was one of the main reasons why central negotiations had failed over the 1970s (Visser and Van der Meer 2010).

Though both these conditions – the threat of a wage measure and the deepening economic crisis – were necessary for the social partners to start negotiations, they are not sufficient in themselves\(^{236}\). Given the historical-political and institutional context, negotiating a central agreement also was the ‘appropriate’ thing to do. Despite the fact that no consensus on socio-economic policymaking could be forged over the 1970s and relations were quite tense and ideologically charged, ‘elements of coordination’ (Wolinetz 1989: 95), and consultation and compromise (Daalder 1995: 183) were still present in political interaction. As Van Bottenburg (1995: 183) analysed: ‘No matter how severe conflicts between employers and employees were, people at the top always saw to it that the connections were not cut off completely’. Also, it was expected that the government should coordinate its actions with the social partners; the government also seemed willing to do so (in various Notes of Labour Conditions the government incited unions and employers to play their part in solving the crisis; cf. Woldendorp 2005). Hence, when economic circumstances deteriorated in the early 1980s, it was widely expected that organised capital and labour would find a solution together, and cooperate as they did in the early post-war period. The willingness to live up to this expectation, and hence adhere to the consensual rules of the game, was pointed out by FNv-leader Wim Kok by stating that unions are ‘behaving reasonably’ because ‘we do not choose polarisation’ (NRC Handelsblad, 7 October 1982)\(^{237}\). After extensive formal and informal negotiations, giving and taking, and a secret meeting with union leader Wim Kok at the home residence of employers’ chairman Chris van Veen in Wassenaar, an agreement was finally concluded on November 24th 1982\(^{238}\). Therefore, the
accord of 1982 implied a return to an older practice of consultation (cf. Van Zanden 2002), though this practice had to be made congruent with both prevailing stories on the state of the Dutch economy: the one on wage restraint and decentralisation, and the one on working time reduction and centralisation.

How did the two different stories on the Dutch economy fit into this central accord? Did the accord reflect the choice for one particular story over the other? In essence, the accord is a compromise agreement, where both stories were combined, though not completely; each party had to ‘give in’ on some issues, while ‘taking’ others. Consider the following paragraphs of the accord that give a diagnosis of the Dutch economy and suggest the proper courses of policy action:

‘The central organisations of employers and employees represented in the Labour Foundation consider that:

- the following is essential for a structural improvement of employment: recovery of economic growth, price stability, strengthened competitiveness of companies and a related improvement of business profits […];
- required is a long-term policy approach directed at a better distribution of existing employment, an approach in which various forms of redistribution might qualify, like a reduction of working hours, part time jobs and fighting youth unemployment;
- the starting point of the negotiations between parties on the specific form, phases and employment effects should be, taking into consideration the weak financial situation of firms, that redistribution of jobs does not lead to increased costs’ (StvdA 1982: 1).

Both parties had to accept part of the analysis of the other party. Unions obtained redistribution of existing employment via e.g. working time reduction but had to accept the starting point that ‘redistribution of jobs does not lead to increased costs’ because of the ‘weak financial situation of firms’ (StvdA 1982: 1). Employers gave up their resistance to working time reduction as a means to fight unemployment, but obtained an acknowledgement that profits and competitiveness, for example, were ‘essential for a structural improvement of employment’ (StvdA 1982: 1). This condition had previously been rejected by unions. Therefore, the agreement contains elements of both stories, also regarding the level and extent of government intervention. Though the Accord was a central agreement (as the unions wanted it), it was only a ‘recommendation’ based on the ‘freedom to negotiate at the level of collective agreements’ (StvdA 1982: 2). In other words, the accord also acknowledged the importance of decentralised wage bargaining, as the employers preferred. Above all, the accord defined a clear division of responsibilities between the government (general economic policies) and the social partners (wage bargaining).

This amalgamation of the two stories in a compromise deal did not eradicate the differences in opinion that still existed between unions and employers. Some of these differences could be masked, or nuanced, by the ‘vagueness’ or ‘ambiguity’ (Schmidt 2008: 311) of rather general formulations. No concrete goals or explicit numbers were mentioned, and highly sensitive terms such as ‘automatic price compensation’ or ‘wage restraint’ were also avoided, leaving their message only encoded in the agreement. The differences that could not be put aside in this way were finally neutralised by including the statement that each signing party was allowed to ‘maintain their own opinions on the intentions of the new government’ (StvdA 1982: 1). In this sense, the central accord of 1982 was also an ‘agreement to disagree’, particularly on government policies.

Though drafted and formulated as a compromise agreement, did the accord eventually – in its discussion and subsequent political interpretation – favour one story over the other? As a compromise agreement, the accord was sufficiently general to leave room for various interpretations. It allowed the actors to read into it the issues they value, and to present the agreement as beneficial to themselves as well as society at large. That is, it allowed every actor to present themselves as a winner. It immediately became clear that the central accord of 1982 was open to substantial interpretation when journalists started discussing its implications. The general opinion amongst commentators was that unions had the best part of the deal. This was mainly due to the fact that – contrary to current ideas about the central accord – the main interpretation given to the accord by commentators and political actors was that it was an accord on working time reduction and job redistribution, and not so much on wage restraint. Consider the following reactions: ‘The main result of this accord is that the employers’ associations finally accept the redistribution of jobs’ (commentator in De Volkskrant, 22 November 1982)244; the accord is a “breakthrough on jobs redistribution” (Elsevier Weekblad, 27 November 1982)245. Or, according to the Social-Democratic leader Den Uyl the accord indeed was a breakthrough in this sense. He argued that,
'Redistribution of jobs is central to our party program. As a Minister of Social Affairs I have experienced how fiercely employers have resisted systematic redistribution of jobs. It should thus be appreciated that they agree to it now. There are reasons to congratulate the FNV union' (De Volkskrant, 22 November 1982).244

Though cost aspects were part of the central accord, not all newspaper commentators or politicians considered the central accord as a clear agreement on wage restraint, which was a pity in the eyes of a journalist because only a 'recovery of profits will abate unemployment' (Het Financiële Dagblad, 25 November 1982).441 Even some employers’ representatives considered the central accord to be a victory for the unions. In the words of the chairman of the largest employers’ association in the metal industry: ‘The accord basically supports the union movement. The union movement wants working time reduction’ (EW, 27 November 1982)244.

Despite these interpretations of the accord in terms of working time reductions, and the central role of this issue in CAO-negotiations, only few concrete steps were taken on this issue during wage negotiations between unions and employers. Employers proved unwilling to reduce working time by claiming that the financial position of their firms needed to be improved by wage restraint first. Unions, in turn, were reluctant to accept wage restraint without a commitment to reduce working time and redistribute jobs. According to a wage expert at the FNV, Frans Drabbe, the employers,

‘Interpret the accord wrongly. Why? Because during negotiations they say that the room for wage increases should first be used for a recovery of profits. But that is not what the accord is about. We never agreed to that, but only to work on it […] do I have to believe that a few percentages wage restraint – and our wages lag twenty percent behind those of our main competitors already – will improve exports? Concerning wages, we have behaved in way that might be expected from us, but there are limits to what we can do’ (De Volkskrant, 2 February 1983).145

This unionist suggests that unions had already behaved ‘reasonably’ in terms of wage costs for some time, a claim that seems to be substantiated by the development of nominal wages that was indeed rather moderate at that time.446 This moderation had in fact already started long before the Accord of 1982 (NRC Handelsblad, 23 December 1982244; see also various issues of the Macro-Economic Outlook of the CPB 1977: 22; 1978; 1979). In this sense, the Foundation Accord of 1982 only confirmed wage developments that already were going on in the economy (Het Parool, 18 December 1982)248. The President of the Dutch Bank even warned just after the conclusion of the Central Accord that wages should not become too low vis-à-vis Western Germany in order to maintain a certain level of well-being (Het Parool, 18 December 1982)248. Though unions had seemingly lived up to their part of the bargain, and had accepted that full employment was not to be expected in the next few years (the third ‘consideration’ of the accord, SVDA 1982: 1), they were highly disappointed that employers did not redistribute jobs and hence create new employment.

In short, the Accord of Wassenaar of 1982 was a compromise agreement, reflecting parts of both stories on the Dutch economy – on wage restraint and working time reduction, centralisation and decentralisation. All parties could interpret the agreement in terms of their preferred policies. While a central agreement may not so much have reduced economic uncertainty, at least it reduced political uncertainty and instability, by forging a much-desired coalition between unions, employers’ associations and government. With this compromise, the ‘competition’ between the different stories that was so intense over the 1970s seemed to be settled, though none of the stories was victorious. Did this change over the 1980s and 1990s? How was the accord of 1982 evaluated afterwards?

6.4 Corporatism under pressure (1985-1995) storylines at crossroads

As from 1985 the Dutch economy gradually recovered from the deep recession of the early 1980s. Between 1983 and 1986, Dutch economic growth averaged 2.9% a year, and between 1986 and 1991 even 3.6% on average (Kool et al. 1998; cf. Salverda 2005: 46). Although new jobs were being created, however, unemployment figures remained high, with an OECD standardised unemployment rate of 9.5% in 1988 (Kapteyn et al. 1989: 794). This figure gradually declined in the early 1990s, but the economic recession of 1992 and 1993 brought this decline to a halt. Moreover, the Netherlands suffered from a high level of ‘hidden unemployment’, where less productive (usually older and more expensive) workers were channelled into disability schemes (WAO)250 over the 1980s; the number
of disability claimants reached a staggering one million around 1990 on a working population of only seven (Hemerijck, Visser and Unger 2000: 218).

How did political actors interpret these improved economic circumstances, alongside the worrisome unemployment and inactivity figures? As will be demonstrated in this section, the storyline on working time reduction and centralised government intervention in the economy lost influence over the 1980s, and the storylines on wage restraint and decentralisation gained more and more support. However, rather than announcing the widespread acceptance of the Wage Restraint Storyline (WRS), the wish for decentralisation alongside the critique on centralised consensual interaction and intervention seemed to imply the end of negotiated wage restraint between the social partners: that is, Dutch corporatism was put under substantial pressure in the early 1990s.

6.4.1 The appraisal of wage restraint: gradual support for the WRS

Over the 1980s and early 1990s, the improved economic circumstances were increasingly linked to the idea of wage restraint. The gradual acceptance of the WRS essentially took place in two phases: 1) from 1983 to 1988, when continuing economic problems halted the rapid diffusion of this storyline, and 2) from 1989 to 1995, when the relatively good economic position of the Netherlands was more widely and explicitly linked to wage restraint and decentralisation gained more and more support. However, rather than announcing the widespread acceptance of the Wage Restraint Storyline (WRS), the wish for decentralisation alongside the critique on centralised consensual interaction and intervention seemed to imply the end of negotiated wage restraint between the social partners: that is, Dutch corporatism was put under substantial pressure in the early 1990s.

This financial improvement due to cost restraint – so the government continues – also had positive spill-over effects for the closed sectors of the economy. Moreover, cost restraint was not only profitable for firms, but also for employees and the unemployed. The increasing room for private investment resulted in a ‘bend in unfavourable unemployment developments. The loss of jobs has come to a halt’ (ibid). This was however not solely the result of wage restraint, according to the government252, but also because of the redistribution of jobs via working time reduction, as agreed upon between the social partners in 1982. As the government stated: ‘Due to working time reduction and the redistribution of jobs, more people were able to get a job […] In this way, unemployment can be stabilised, despite the substantial increase of labour supply’ (1985: 19-21)253. Halfway through the 1980s, therefore, the government still firmly supported the central deal of 1982, where wage restraint was exchanged for working time reduction (cf. Tweede Kamer/Miljoenennota 1984: 8, 22).

By contrast, unions (as well as employers, see further below) considered this central deal a flimsy affair, because they had not seen any improvements yet. According to the late FNV union leader Johan Stekelenburg (De Volkskrant, 4 April 1987)254, unions ‘had stuck to the recipe of 1982 far too long’. Whereas employers had profited from the deal in terms of their financial position as a result of wage restraint, employees still had problems keeping or getting a (new) job. That is, unemployment remained high, and the unions were disappointed in the amount of jobs created via working time reduction by employers (De Volkskrant, 12 February 1987). Halfway through the 1980s, unions did not believe that wage and costs restraint alone would boost employment, a conclusion shared by various economists (cf. Van Schaaijck 1983; Bakhoven 1988255). In the words of the aforementioned union leader,

‘Employers, politicians and members of the government make a fatal miscalculation if they think that we will just restrain wages. Wage restraint will not lead to jobs automatically. We have learned our lesson. The effect proved to be insufficient. Unemployment is still far too high […]’ (De Volkskrant, 4 April 1987).257

Unions therefore still did not support the WRS around this time. However, the widespread support that the story on working time reduction enjoyed in the 1970s also crumbled away. The campaign for working time reduction seemed to be dead on the part of the labour movement. Various af-
 filed ated union members did not want to fight for working time reduction anymore, and demanded substantial wage increases instead (Trouw, 21 September 1987; NRC Handelsblad, 30 September 1987)\(^{22}\). According to them, they had practiced wage restraint for too long, without substantial employment results, and therefore they saw ‘no reason to further ameliorate the financial position of companies’ (ENV 1987: 1-2) by restraining wages. Consequently, wage demands as well as real wages started to increase for the first time since a decade. According to various newspaper commentators these wage demands of unions were understandable because wage restraint had not resulted in more jobs (Haagse Courant, 19 February 1987\(^{23}\); NRC Handelsblad, 26 April 1990)\(^{24}\). Moreover, having difficulty to hire skilled workers, various employers in some sectors of the economy were also willing to pay these higher wages.

The central accord of 1982 thus risked to disappear into the annals of Dutch socio-economic history. Whereas various unions were unwilling to exchange working time for wage restraint, employers’ associations in general considered a central deal – in whatever form – as altogether unnecessary. According to an employers’ representative, ‘There is a lot of fuss about wage restraint in exchange for jobs. But that is an incorrect assumption. Employees have an interest in wage restraint, even without extra jobs. We should all dedicate ourselves to oppose a further loss of profitability’ (De Volkskrant, 8 October 1987).\(^{25}\)

Therefore, employers’ associations went on a collision course with unions; wage restraint was sufficient to restore employment growth, and did not need to be exchanged for a further commitment to create jobs. The Christian-Liberal government\(^{26}\) basically agreed with the first part of their analysis, linking it to the need to maintain a competitive position in world markets. In the words of the Minister of Social Affairs and Employment, Jan de Koning, unions and employers are, ‘not stupid. Higher wages will lead to higher prices. And if our products are expensive, we sell and produce less. Both have negative consequences for employment’ (De Volkskrant, 28 December 1987).\(^{27}\)

However, the Dutch government still believed in central cooperation and continuously tried to persuade the social partners to strike a deal; a ‘social convenient’ compensating unions for their wage restraint (NRC Handelsblad, 20 February 1987)\(^{28}\). Given the laborious campaign for working time reduction, the government tried to change the logic of exchange from working time reduction in exchange for wage restraint, to tax reductions in exchange for wage restraint in order to maintain purchasing power (cf. Hemerijck, Visser and Unger 2000: 221). In 1989, this attempt of the government culminated in a ‘Joint Policy Framework’\(^{29}\), a comprehensive tripartite central accord full of good ‘intentions’ on, for example, wage restraint, tax reductions and employment. This accord, however, immediately instigated dispute between the social partners particularly because unions and employers’ associations could not agree on how to tackle the high level of inactivity and disability (cf. StvdA 1990), that constituted a new pressing problem in Dutch society (see further below).

In short, though economic circumstances improved over the 1980s, these could not be linked to wage restraint unambiguously. Wage restraint had improved the financial position of firms, but had not substantially ameliorated the unemployment or ‘inactivity’ situation. This led the Swedish professor Göran Therborn to conclude that the Netherlands was one of the most ‘spectacular unemployment failures in the developed capitalist world’ (Therborn 1986: 152). The storyline on wage restraint therefore started to gain ground, but it was not yet widely supported because of still obvious economic problems. The alternative storyline on working time reduction, however, started to crumble away.

Around the turn of the decade, the balance between storylines definitely shifted. German re-unification boosted economic growth in the Netherlands (Hemerijck, Visser and Unger 2001: 221), and unemployment started to decline as a result of that. The government heralded ‘this obvious success’ more pronounced than in the 1980s (Miljoenennota 1989: 8). Employers emphasised that ‘thanks to the labour movement’, wage restraint had created more jobs in the Netherlands as compared with the rest of Europe (NRC Handelsblad, 12 September 1990). A hallmark in the political acceptance of wage restraint as a successful policy of the 1980s was the publication of an analysis of the Central Planning Bureau\(^{30}\) that calculated that 400.000 jobs would not have been created without wage restraint and the ‘de-linking’ of public and private sector wages of the 1980s (MEV 1992: 82-87; see Chapter 5). The CPB contributed to the ‘return of insight that there is a connection between wage shares and econo-
mic growth and that wage restraint proved effective in solving economic problems’ (Van Zanden 2002: 289). This analysis was highly influential to central level dialogue on wages and the economy in the early 1990s (Slomp 1993: 81).

The support for the Wage Restraint Storyline by the government and employers’ associations is not particularly surprising, given that the two had, in the 1980s, been pushing for a more ‘neo-liberal’ road to economic recovery emphasising cutbacks and reform. However, around the turn of the decade unions also hesitantly acknowledged that a moderated wage development – as agreed upon in the accord of 1982 – might have paid off in terms of jobs. As the general union federation FNV for instance stated in its yearly report:

‘Looking back at the 1980s, one can see that the line of controlled wage development that started in 1982 has been effective. Due to this strategy, a substantial growth in the number of jobs, small jobs included, was realised in the second half of the 1980s’ (FNV 1991: 7; cf. FNV 1989: 3).

Also, the Christian Union CNV and the white-collar union MHP started to stress the importance of continuing wage restraint to preserve existing jobs, and create new ones (NRC Handelsblad, 18 September 1990; NRC Handelsblad, 16 November 1990; NRC Handelsblad, 8 January 1991). The rapidly improving employment situation seems to have triggered this change of heart, and the above-mentioned analysis of the CPB (CPB 1992) offered proof that it was indeed wage restraint on the part of unions that brought forth this positive development. However, though the federations seemed to support the idea of wage restraint more and more, their member organisations were still unwilling to conform to this central line (NRC Handelsblad, 22 November 1990; NRC Handelsblad, 4 January 1991). They still aimed at higher wage increases.

With the unions’ hesitant support of the idea that wage restraint may have been beneficial for employment, the road seemed free for a rapid diffusion of the Wage Restraint Storyline. And indeed, when the economic crisis of 1992 seemed to undo the upward trend in job creation, the social partners came to agree on two further central accords on wage restraint relatively quickly (StvdA 1992; 1993). In the accord of 1993, called ‘A New Course’, unions and employers’ associations even agreed on a specification, which they had not been able to do over the 1970s and 1980s:

‘Given the economic situation, the space for wage increases is limited and sometimes even zero in most sectors and companies’ (StvdA 1993: 5-6).

Apart from wage restraint, the social partners also agreed on investments in education, part-time jobs and flexible working time, and on more ‘differentiation’ in labour policies (see further below).

Though a government threat to freeze wages – just like in 1982 – contributed to bringing about the two central accords, it was around 1991/1992 that ‘one could notice an increasing consensus on the priorities of required policies: improvement of employment and competitiveness’ (SER Bulletin 1995: 12-13). Did these accords imply the definite ‘victory’ of the Wage Restraint Storyline over the story on working time reduction? This indeed seemed to be the case within the Dutch corporatist policy community. Unions continued to point out the limits of wage restraint once in a while (cf. NRC Handelsblad, 18 February 1993; Algemeen Dagblad, 9 November 1993; NRC Handelsblad, 5 January 1995), but they were unable to come up with an alternative story that would explain the economic and employment successes of the 1980s.

Outside the community, however, the support for the WRS was still less widespread, and critique even returned in 1994, when the Professor of Innovation Alfred Kleinknecht, nowadays based at the Technical University in Delft, shocked the nation by suggesting the need for wage increases rather than wage restraint. According to Kleinknecht, wage restraint – though having brought about substantial gains in employment – impeded the innovative capacity of the Dutch economy (cf. Kleinknecht 1998). In more political terms, wage restraint was ‘a bounty for non-innovative fools’ (NRC Handelsblad, 26 September 1994). Kleinknecht, who based his theories on Joseph Schumpeter’s ‘creative destruction’, pushed the wage costs analysis of Den Hartog and Tjan (1974; see Chapter 5) one step further: if wage increases shorten the economic life span of capital goods, wage restraint will lengthen it, postponing innovation (interview 2005). He received a biting response and people called him derisively ‘Professor Wage Drift’. Nevertheless, the relevance of wage restraint was discussed and criticised more widely amongst economists around this time (see various issues Economisch Statistische Berichten 1993). Even the IMF pointed out the one-sidedness of a policy of wage restraint for the Netherlands: a view that was also reflected in some party programs (D66 1994: 6) and even in official government documents itself (cf. Tweede Kamer/Miljoenennota 1995: 10).
In short, the Wage Restraint Storyline really started to take shape at the beginning of the 1990s. The improved employment situation mattered a great deal in the support unions gave to this storyline, combined with the fact that they lacked an accepted alternative explanation (cf. Capano 2003). The WRS, however, still competed with alternative, though minority, storylines. In the 1980s the competition came from the story on working time reduction that still lingered on, and in the 1990s a story on productivity and innovation offered a new (critical) view on the nature of hesitant Dutch successes. More importantly, however, it was not so much another policy that constituted a real alternative to the WRS, but the wish for a different process: decentralisation.

6.4.2 Consensus cornered: the ‘viscosity storyline’

Though wage restraint was increasingly linked to the improved economic and employment circumstances around 1990, it proved difficult for the social partners to claim credit for this success. The consultation economy, central dialogue and the consensual style of decision-making were put under considerable pressure in the early 1990s, a critique that also stained the policy of wage restraint that this consultation economy had arguably generated. The WRS was not embraced full-heartedly by politicians, social partners and journalists alike for two related reasons: 1) the appreciation of bipartite and decentralised wage bargaining, because of which negotiated wage restraint was viewed as outdated; and 2) consensual central level dialogue was blamed for a variety of problems in the Dutch economy. Particularly the latter became a very influential storyline in the early 1990s.

Let us first consider the decentralisation of wage bargaining. Since the deadlock in centralised dialogue of the 1970s, the call for decentralisation of decision-making had been paramount. As mentioned earlier, the idea that the state – or organised capital and labour for that matter – could steer the economy ‘from above’ was refuted especially by employers, the Liberal party and the Christian-Liberal government after 1977. Unions, the Social Democratic Party and expert bodies like the WRR were still in favour of central intervention. In 1982, the social partners found a certain compromise to bring the practice of central consultation in line with the wish for decentralisation. The Accord of 1982 was only a ‘recommendation’ to lower-level negotiators. Moreover, the government withdrew from central level wage bargaining; Dutch corporatism became more bipartite rather than tripartite (consider Compston & Berger 2002). Although this accord of 1982 announced a period in which various central accords were concluded on, for example, youth unemployment (1984) and ethnic minorities (1989), wage bargaining gradually became a decentralised affair.

Unions and employers’ associations both became more sceptical about the benefits of central dialogue at the end of the 1980s, even though the government continuously tried to facilitate an agreement (cf. Woldendorp 2005). The unions only wanted to negotiate centrally if there was a real basis for exchange, which they doubted there was: ‘The past years, we were the requesting party. And though we came with reasonable arguments, we obviously lacked power’ (FNV 1989: 15). The time of waiting patiently was over, according to unions. A union negotiator remarked that ‘we are not schoolboys that beg for central agreements with our caps in our hands’ (NRC Handelsblad, 29 September 1990). For their part, employers made it clear in a ‘pas-op-de-plaats’ (standstill) letter of 1991, that ‘centralistic’ coordination was no longer an option for them. Disappointed about a final attempt to revive central dialogue with the tripartite ‘Common Policy Framework’ of 1989, they consequently withdrew from the main consultative bodies in the early 1990s. Although central level dialogue was restored when the crisis of the European Monetary System jumped over to the real economy in 1992, the wish for decentralised wage bargaining became more pronounced, and was eventually laid down in the ‘New Course’ agreement of 1993. In this accord, unions and employers’ associations agreed that ‘good fit’ and ‘diversity of options’ were the key words for the predominantly decentralised bargaining of the rest of the century (StvdA 1993: 4). Central level dialogue became outdated, because ‘The Hague’ cannot just determine what kind of agreements will be concluded’, according to former union chairman (NRC Handelsblad, 30 April 1992). Consequently, the negotiation of wage increases or wage restraint increasingly became a decentralised affair. The emerging WRS did not really fit this picture.

A second, and perhaps more important, reason why the WRS could not be fully embraced, was that central level dialogue was heavily criticised in the early 1990s. Several commentators, experts and policymakers agreed that the Dutch economy was in a ‘monumental crisis’ (Timmer 1994: 24, 58), among others because ‘our unemployment figures are alarmingly high’ (Van der Zwan 1994: 22). Particularly the levels of ‘broad’ and ‘hidden’ unemployment were a major source of concern; around 1990,
about one million people made use of the disability scheme (WAO). The social partners were largely blamed for these high levels of inactivity and disability claimants, as their role in the implementation of social security schemes had arguably allowed them to remove older (and less productive) workers from the labour market into disability in a socially accepted way. According to a chairman of a large insurance company, this huge problem remained largely unnoticed until now, because ‘our ears ring from all the talk of wage restraint. Because of this, there was basically no attention for sick leave and disability’ (NRC Handelsblad, 4 March 1991). Therefore, the gradual successes of wage restraint could not save the social partners from responsibility for this huge problem. The alleged misuse of the disability scheme by unions and employers’ associations culminated in a parliamentary investigation of the Commission Buurmeijer (1992-1993).

The critique on the Dutch consultation economy was more fundamental than the (mis-)use of the disability schemes, however. The Dutch consultation economy in general was associated with consensual ‘viscosity’ (stroperigheid): with slow, ineffective and undemocratic decisionmaking processes. This ‘viscosity storyline’ was supported by, ‘viscosity’ (stroperigheid): with slow, ineffective and undemocratic decisionmaking processes. The practice of consultation and consensus-seeking behaviour was said to impede a proper functioning of the increasingly globalised market, which would function more effectively without it. As was argued for by a former top civil servant, Ad Geelhoed, and one of the fiercest critics of the Dutch consultation economy in the early 1990s, the liberal leader Frits Bolkestein, respectively,

‘It is completely inconsistent. If you choose maximal openness, but a part of the economy operates as a closed Goelag Archipel where everything needs to be balanced against each other, then the economy becomes vulnerable when confronted with external shocks’ (Geelhoed 1994: 14).

‘The consultation economy might be typified as follows; while the storm rages outside, it is gezellig indoors. However, if we do not open the shutters—that is, if we are unable to shake off this provincialism—our house of cards will be blown away. Consensus is nice, but good policy is better’ (Bolkestein in NRC Handelsblad, 17 June 1993).

Just as in other European countries, neo-liberal economic thinking became dominant in the Netherlands over the 1980s (cf. McBride 1988; Blyth 2002). The belief in the self-regulating capacity and efficiency of markets became stronger. Central level negotiation and corporatism did not quite fit this picture, and in the academic field, the study and practice of corporatism was even declared dead (cf. Lash and Urry 1987; Molina and Rhodes 2002). This market-based critique persuaded the social partners themselves to reposition their role in the globalised economy. A report was consequently written in the face of deepening European economic integration: Convergence and the Consultation Economy (SER 1992: 136). This report was produced in record time by the Social and Economic Council (SER) and one of its main recommendations was that political coordination could only complement coordination by market mechanisms, which were in fact given priority. ‘Government intervention, self-regulation, consultation and cooperation may support and complement an adequate functioning of the market’ (SER 1992: 136).

The Dutch consultation economy was also criticised from the other side of the state-market continuum; consensual decision-making was said to be slow and undemocratic, impeding a proper functioning of the government and parliament. The main problem with the practice to consult all the established economic actors was, so it was said, that there is ‘no consensus about what has to happen’ these days (Timmer 1994: 24. 58), which arguably was detrimental to a political system with so many veto points. Decision-making took too long. Indeed, as was also demonstrated in this chapter, there was no consensus on the proper course of action between the social partners and government over the 1980s. The general climate on the central level was ‘icy’ (Wolinetz 1989: 93). The media even spoke of an ongoing ‘war’ in Dutch politics (De Volkskrant, 28 December 1987). In such a situation without consensus, the Dutch ‘consensus democracy’ becomes,

‘closed, ‘viscous’ (not vigorous), and boring. This might be accepted if a consensus democracy resulted in a real dialogue and triumph over disagreements. In practice, however, only agreements without obligation are produced, with no effect at all. Critical matters are eschewed and the system is a license to veto or privilege’ (quoted from the program of the Social Democratic party PVDA 1994: 27).
This line of critique originated in the 1970s and 1980s. Starting with the Christian-Liberal government of 1982 that was ‘there to govern’, Dutch governments have tried to regain the ‘primacy of politics’, by monopolising the political arena and the responsibility for the common interest (Leijnse 2000: 74). The attack on the privileged position of the social partners however only really took shape after 1994, when for the first time in Dutch parliamentary history the Christian-Democrats were out of government. The first so-called ‘purple’ government, which consisted of Social-Democrats, Liberals and Social Liberals, really made an issue of reducing the ‘iron ring’ of bureaucratic and consensual policy-making (cf. Oldersma et al. 1999). A most salient reform was that the legal requirement of the government to ask the Social and Economic Council (SER) for advice on socio-economic matters was abolished in 1995. It was particularly this Council that was considered to have functioned as a ‘shelter’ of Dutch politics (Bolkstein in NRC Handelsblad, 17 June 1993), and as a pun the council was called ‘Social and Economic Brake’.

The ‘viscosity storyline’ depicting the Dutch consultation economy as economically ineffective and/or undemocratic, constituted an influential storyline that impeded the broad acceptance of the WRS. Wage restraint might have contributed to economic recovery, so this storyline goes, but it covered up other more pressing problems of the Dutch economy. Because of a lack of consensus and constructive dialogue, the Netherlands would be better off without the social partners. Alongside the continuing process of decentralisation, this critique seemed to announce the end of the Dutch consultation economy, as well as the WRS.

### 6.5 Conclusions

This chapter analysed the historical evolution of the Wage Restraint Storyline (WRS) in Dutch public debate on socio-economic policymaking. The idea of wage restraint (re-) emerged in the 1970s, in times of considerable economic and political uncertainty and turmoil. Over the 1980s and early 1990s, the WRS became more prominent in public debate, though it never dominated it. There were alternative storylines, and the lack of obvious positive results did not unequivocally favour one story over another. In the 1970s and 1980s, the story around working time reduction and active government intervention was widely approved of. In the early 1990s, it was supplemented by a storyline on productivity and innovation. The ‘viscosity storyline’ of the 1990s, finally, did not so much challenge the WRS, but nevertheless undermined the ability of the social partners to take full credits for having achieved wage restraint.

Therefore, various storylines have emerged and competed with each other in Dutch public debate. Political actors constantly created specific stories to further their own interests and views on how society and the economy should be organised. Purposeful action, strategy and power relations therefore seem important for understanding the emergence of the WRS and the other storylines. Employers’ associations constantly pushed for an understanding of the economic crisis of the 1970s in terms of (wage) costs. Unions supported working time reduction until well into the 1990s. The Dutch government was ambivalent; as from 1977 it supported wage restraint and decentralisation, but until the end of the 1980s, it also favoured working time reduction as a means to distribute jobs more evenly. Finally, politicians from all political colours uttered their ‘viscosity’ critique directly at those organisations that operated outside parliamentary control. Nevertheless, no single actor could determine the acceptance and evolution of their storyline over time. As was pointed out in Chapter 2, ‘individuals may strategically (seek to) insert a particular story, but whether this will organize a policy domain depends on how others respond to it, twist it, take it up’ (Hajer and Laws 2006: 258). Despite the improved power base of employers, and even having an influential policy legacy at their side, their causal narrative on wage restraint was not widely accepted until the early 1990s. Unions lost power over the 1980s, and consequently the storyline on working time reduction gradually disappeared from view; but it did not return when the bargaining situation of unions improved after 1987. It was around this time that unions also gradually accepted the causal narrative on wage restraint, as supported by the government and employers, and substantiated by the CPB. The lack of an alternative and the improving employment situation seem to have contributed to this gradual shift.

Although the contours of the WRS were present for a substantial time, it was only considered a partial success in the early 1990s. At that time, nobody thought about characterising the Netherlands as a model (Salverda 2005: 39), and according to many experts, wage restraint – and the institutions supporting it – had not delivered in accordance with expectations. The Dutch consultation economy was gradually de-institutionalised.
But then economic circumstances improved remarkably after 1995, and foreign observers came to notice the Dutch performances and its specific consensual style of politics. As the next chapter will show, this international appraisal arguably saved the Dutch consultation economy (cf. Koole & Daalder 2002: 36), and unexpectedly turned the WRS into the dominant storyline on Dutch socio-economic policy-making.

chapter 7


7.1 Reproducing the WRS introduction

It is difficult to pinpoint the exact moment, but somewhere between 1995 and 1996 international attention for the Netherlands increased suddenly and quite unexpectedly. Many foreign newspapers and magazines such as Le Monde, Le Nouvelle Observateur, Business Week, The Economist, Die Zeit, and Wirtschaftswoche started to praise the Dutch economy and particularly its ‘job machine’. Though this international appraisal was not solely (though predominantly) directed at the policy of wage restraint, it did give an important boost to the Wage Restraint Storyline of which the contours were already beginning to become visible at home. It pushed the WRS forwards as the dominant storyline on Dutch socio-economic policy-making, which for a while even reached mythical proportions. Employers (and their representatives), unionists, politicians from all political colours, government officials, but also journalists and experts came to support the WRS, though they supported it for entirely different reasons. Even the public at large came to share in the conviction that wage restraint did do the employment trick for the Netherlands. Dissonant
voices were barely present or were marginalised in public debate.

This chapter looks into this near-universal acceptance of the WRS after 1995. Why did such a broad variety of actors come to share and support the same storyline? And what implications did this have for Dutch socio-economic policymaking? This chapter tries to answer these questions by analysing what the WRS entails exactly. It starts (7.2) by (briefly) mentioning the international praise of Dutch economic performance and the development of the Polder Model image after 1996. What was most striking about the Netherlands – according to many foreign observers – was its culture of consensus and consultation: the very same culture that was still subject to ‘the viscosity’ critique of Dutch policymakers and experts. This ‘Dutch consensus’ consequently became an important element or ‘narrative’ of the WRS, as it had developed over the 1980s and early 1990s, as the subsequent section of this chapter will show (7.3). This link between consensual practices and the policy of wage restraint seems crucial for understanding its widespread acceptance (7.4). The final part (7.5) describes how the WRS substantially shaped and structured debate on socio-economic policy-making after 2001 when economic slowdown became again apparent. Though the shine of the Polder Model image faded, the WRS was still very much alive.

7.2 It started with international praise...

Halfway through the 1990s, most of Europe was still recovering from a severe economic crisis, partly triggered by the crisis of the European Monetary System of 1992. Unemployment reached peak heights in most European countries. The Netherlands was doing relatively well, however, and this performance came to be noticed internationally somewhere around 1995. Particularly German and French politicians looked with envy upon the Dutch ‘jobs machine’ as their respective countries struggled with high levels of unemployment. For them, and others, the Netherlands became the ‘model country, the example for the continent’, as said by the President of the German Bundesbank Hans Tietmeyer (The Observer, 7 October 1997). This exemplary function led to a model which was termed ‘Tulip’, ‘Delta’ or – the most widely accepted term nowadays – ‘Polder’ Model. This international appraisal led to considerable ‘Polder tourism’ (NRC Handelsblad, 27 July 1997), where policymakers from all over the world came to the Netherlands to learn the ways of the Dutch Polder Model. Likewise, Dutch politicians, employers’ representatives and unionists – after initial scepticism (see below) – went abroad as a kind of missionaries. ‘In those years, we frequently went abroad to explain how the Polder Model worked’, a former unionist reminisced (Interview 2004). The ultimate moment for the international tour on the Polder Model was when the American President Bill Clinton invited the Dutch Prime Minister Wim Kok to talk about the Dutch model at a G7 meeting in Denver in 1997.

The ‘Polder Model’ came to mean many different things, but it basically relates to two core, and intertwined, elements: neo-liberal reforms and consensus. The first element involved a successful policy mix of sound monetary and fiscal policies, flexibilisation of the labour market, structural reforms of the welfare state and wage restraint. The second element involved the agreement on this particular policy mix between all relevant political actors and a joint effort to bring about economic growth (cf. The Economist, 5 April 1997). Indeed, what was thought to be so ‘miraculous’ about the Netherlands was the combination of these elements: the Netherlands had been able to reform its welfare state and create a healthy macro-economic climate, without disrupting harmony, solidarity and stability (cf. Financial Times, 18 September 1997). The Netherlands seemed to have found a middle way between the harsh reality of neo-liberalism and the soft utopia of social democracy. It became an example of the ‘Third Way to Prosperity’ (New York Times, 16 June 1997; Cuperus et al. 2001). Or, as argued by a Dutch economist in the Independent: ‘In Holland, capitalism has a friendly face’ (The Independent, 8 June 1997).

It was this ‘friendly capitalism’, and the consensus and cooperation at its core, that became the most heralded by international commentators and policymakers. Rather than imposing neo-liberal reforms on society, the Dutch government cooperated with organised interests: with unions and employers’ associations. As observed in The Guardian (4 April 1997), some of the Dutch reforms ‘might sound a touch Thatcherite, but that would be to miss the crucial point of the Dutch system: it is based on consensus, on a partnership between government, unions and employers’. This ‘partnership’, particularly between organised capital and labour, was presented as typically Dutch. The Washington Post (19 January 1997) noted that ‘in other European countries, employers and workers are constant adversaries. Here, they do a good imitation of being partners.'
Strikes are rarer in the Netherlands these days than in any industrialised country except Japan’. In 1997, the institution that symbolises this Dutch ‘social partnership’ most – the bipartite Labour Foundation (Stichting van de Arbeid) – even received the prestigious Carl Bertelsmann Prize. The Labour Foundation arguably ‘ spearheaded the transformation of the Dutch social welfare state and in doing so made the country’s globally admired “economic miracle” possible’. Consequently, the chairman of the jury emphasised the exemplary role of the Dutch way of talking and overcoming conflicting interests for other countries like Germany: ‘Konsens und rund dem Tisch, das brauchen wir’ (Het Financieele Dagblad, 20 September 1997). Therefore, as The Economist concluded (The Economist, 5 April 1997), it is ‘consensus’ that ‘lies at the heart of the Dutch successes. The most striking (and often internationally mentioned) consensus was the one on wage restraint. For instance, the Financial Times (23 October 1997) stated: ‘the current Dutch economic successes (…) can be traced back to a wage restraint accord struck as long as fifteen years ago’. This newspaper refers to the ‘Accord of Wassenaar’ of 1982 that provides the real or ‘deeper’ explanation of the Dutch successes (The Economist, 18 August 2001).

In short, in foreign political and journalistic circles, a story developed that linked Dutch economic successes to specific neo-liberal policies to the Accord of Wassenaar of 1982 and to the Dutch preoccupation with consensus and consultation. These individual elements were, of course, no foreign inventions at all: ‘Wassenaar’ is a real historical event, consensus is appreciated within the Dutch corporatist policy community and wage restraint has been practiced over several years. In fact, foreign apparaisal was firmly based on the Wage Restraint Storyline as it was hesitantly accepted in the Netherlands in the early 1990s. Therefore, foreign apparaisal did not invent a complete new story. What the international appraisal on Dutch economic developments did do was firmly link these individual elements in one single causal story; it was not only wage restraint that had contributed to Dutch economic recovery – as the ‘old’ WRS of the 1980s would have it – but also the Dutch consultation economy and its search for consensus. The combination of these elements – or narratives – made up the heart of the ‘new’ WRS of the second half of the 1990s, as the next section will show.

7.3 The wage restraint storyline
three narratives

Both in the Netherlands and abroad, the Dutch ‘success story’ (cf. Schram and Soss 2001) came to be linked to a coherent policy mix of wage restraint, budget cuts, tax reductions and structural reforms of the (passive) Dutch welfare state (cf. SER 1998: 53-54; Miljoennota 1998: 32). ‘The story of Dutch economic recovery is a long one, and was not written painlessly’, as Ad Melkert, the former Minister of Social Affairs and Employment, explained to the press in 1997. But despite the complexity of, and discussion about, the main causes of economic recovery, there is an ‘unambiguous core of the story’, which he argues is:

‘the implications of the Accord of Wassenaar, an agreement concluded fifteen years ago between unions and employers’ associations. An accord that generated protracted wage cost restraint that was being exchanged for job creation via working time reduction and the extension of part-time jobs’.

In other words, despite all the other policies, it was the wage restraint accord of 1982 that was said to be the ‘secret to the successes of the “Polder Model”’ (NRC Handelsblad, 8 September 1998); it constituted its ‘sex-appeal’ (De Volkskrant, 8 March 1997). In fact, as time passed, the accord on wage restraint was increasingly equalled with the Polder Model itself. The Polder Model was first of all presented as a ‘job miracle’ with wage restraint at its roots. This contraction of the Polder Model with wage restraint became particularly clear when unions and employers’ associations appeared unable to restrain wages at the end of the 1990s. Because wage restraint was forestalled, the Polder Model was declared obsolete and dead (cf. NRC Handelsblad, 20 December 2001; see section 7.5). While the Polder Model itself lost most of its attractiveness after a while, its core – wage restraint – firmly stood ground.

This section describes this core of the Polder Model, the Wage Restraint Storyline. It is argued here that WRS basically consists of three narratives. Each of these narratives draws upon a variety of storytelling techniques, symbols, and metaphors (Stone 2002: 157-161). The first causal narrative claims that Dutch job growth is caused by wage restraint, above all because of its positive impact on competitiveness and exports (the wage restraint-competitiveness-jobs nexus). It was this narrative that the Dutch
government and employers particularly tried to put forward as from the 1970s (see previous Chapter). The second historical narrative states that wage restraint was the (intended) effect of a central accord concluded fifteen years earlier between unions and employers’ associations: the Accord of Wassenaar of 1982. The third and final political narrative states that unions and employers were able to conclude this central accord on wage restraint because they talked with each other in the Dutch consultation economy and committed themselves to a common interest. These latter two narratives were new ‘inventions’ of the 1990s, and are important for understanding the widespread acceptance of the WRS after 1995.

7.3.1 The causal narrative: competitiveness, exports and jobs

The first narrative enclosed in the WRS states that the Dutch economic and job miracle of the second half of the 1990s was caused by wage restraint. Statements such as ‘wage restraint is an important cause of the economic recovery of the Netherlands’ (NRC Handelsblad, 4 February 1997; cf. Het Financieele Dagblad, 24 January 1997[3]) or ‘wage restraint is good for preserving jobs’ (Telegraaf, 17 September 2003[4]) implicitly articulate two particular cause-and-effect relationships between wage growth, economic growth and job growth: jobs were directly created due to wage (cost) restraint because of improved profitability of firms (which means more financial room for job investment) and indirectly via improved competitiveness of firms and exports (see for instance Forum, 26 August 1999[5]; Den Butter 1991: 16; Van den Berg 1993: 22). The first causal logic is considered to be of particular importance for job creation in the closed-sector of the (service) economy. The second causal logic is considered to be of particular importance for job creation in the open exporting sector, where economic growth due to increased exports has positive spillover effects on jobs.

It was especially this latter logic – which might be called the wage restraint-competitiveness-jobs’ nexus – that is at the very heart of the Polder Model of the second half of the 1990s. Wage restraint has been ‘Holland’s single most important weapon in international competition’, according to the Central Planning Bureau, an important economic policy research institute advising the government (CPB 1995: 268). Since the early 1980s, so it was claimed, Dutch wage and wage cost growth has substantially lagged those of the country’s main competitors like Germany (cf. VNO-NCW 1999a: 14-15; Miljoenennota 1997: 21[6]), which ‘was beneficial for many Dutch firms that are exposed to international price competition’ (NRC Handelsblad, 10 January 1997[7]), as two unionists state. Or, as is formulated in more detail, by the Dutch ‘Purple’ government of that time:

‘The Netherlands has been able to lower its wage costs substantially as compared with our main competitors, and was thus able to enlarge its export share. Relative wage costs have dropped 10% compared to 1982, cumulatively. At the same time, our market share has increased with 5% […] The wage cost index for Germany has mounted to 30%, which is attended with a loss of market shares of about 2%’ (Miljoenennota 1997: 21).

Though these enlarged market shares are important in their own right, the crucial point of the causal narrative of the WRS is that these also have considerable positive spillover effects on job growth. Consider the following argumentations of the CPB and an employers’ representative respectively.

‘The moderated wage costs development – moderate as compared with our main competitors in the euro area, starting in the early 1980s – did bring grist to the mill of the Dutch economy in general and the export sector in particular. Strongly improved competitiveness of firms contributed to the good performance of the exporting sector. The profitability of firms has improved strongly at the same time. Consequently, employment did develop most favourably, particularly in European perspective’ (CEP 2001: 20).

‘Wage restraint has been very successful over the past few years. Between 1990 and 1996, Dutch wage costs increased with only 17%, resulting in a job growth of 7%. In Germany, wage costs increased with 35%, and consequently jobs only grew with 3%. Wage restraint is the only instrument that helps employment’ (Algemeen Dagblad, 26 April 1996).

This causal narrative about wage restraint, competitiveness and jobs essentially follows a logic of economic necessity (cf. Van Dyk 2005). Given the openness and trade-dependent nature of the Dutch economy, wage restraint is ‘necessary’ and ‘inevitable’ in order to improve competitiveness and stimulate growth (Tweede Kamer 2004: 5, 11[8]). As the former British Prime Minister Margaret Thatcher would say it: There
Is No Alternative (TINA) to wage restraint for the Netherlands (cf. Hay 1998). This statement also seemed to be firmly acknowledged by unions; two unionists of the general union federation FNV argued that ‘In the Netherlands, it is widely accepted, also by unions, that we need to adjust our small open economy to international competition’ (*NRC Handelsblad*, 10 January 1997\(^{123}\)). Or, as is stated in a Note on Labour Conditions of the Christian Trade union CNV: ‘Competitiveness is increasingly determined by (per unit) labour costs. This has considerable consequences for unions’ policies. In the past, unions did not have to take into consideration foreign developments: now we have to’ (*CNV* 1999, 1–2\(^{124}\)). In this causal narrative, therefore, the Netherlands needs to take cost aspects into account, or otherwise it would lose its competitive edge, which would have negative affects on economic growth and the job situation. In this view, it is rational or only ‘natural’ (cf. Stone 2002: 143) to support wage restraint. It is ‘sound economic thinking’, as is claimed by the former chairman of the employers’ association for small and medium-sized enterprises MKB Nederland on public television (NOVA, 1 November 2001), whereas high wage demands are considered ‘dangerous and unrealistic’ (*Het Parool*, 15 September 1998\(^{125}\)). Various metaphors are used to further substantiate this causal narrative. For example, the metaphor of expensiveness is often employed in public debate. The Netherlands – or in fact Dutch products – should not become ‘too expensive’ (*Volkskrant*, 22 October 2001\(^{126}\)), lest it loses its competitive edge in international markets. The former employers’ chairman Schraven often claimed that ‘we are becoming too expensive’ (*Schraven 2001\(^{127}\); see also *Algemeen Dagblad*, 5 December 2000\(^{128}\). On these occasions, the Netherlands is sometimes also compared with a company ‘B.V. Nederland’; just as a company, a country cannot overspend very long (cf. *Trouw*, 3 May 1997\(^{129}\)). Furthermore, historical references to the ‘struggle against the water’ of the Middle Ages (see also Chapter 4) are sometimes used to underpin this causal element of the WRS. When economic circumstances declined after 2001, the CPB for example stated that ‘a good dike reinforcement is necessary. The recovery of profitability and the improvement of our competitiveness are highly dependent on a responsible wage development’ (*Algemeen Dagblad*, 19 September 2001). Also, the same deteriorating economic circumstances led former Prime Minister Kok to conclude that ‘social-economically, the water has reached our lips’ (*Trouw*, 8 November 2002\(^{130}\)); wage restraint was thus necessary.

To sum up, the first causal narrative of the WRS states that wage restraint created jobs, particularly because of its positive impact on competitiveness and exports. In other words, wage restraint is firmly linked to the conviction that ‘the country that becomes cheaper, exports more’ and therefore experiences more growth and creates more jobs (cf. Bomhoff 1994).

### 7.3.2 The historical narrative: the Accord of Wassenaar of 1982

The second narrative of the WRS states that wage restraint was politically agreed upon on the 24th of November 1982, when unions and employers’ associations concluded the Accord of Wassenaar. ‘Wassenaar’ is considered to be the historical birthplace of the Polder Model as it was the beginning of wage restraint that continues until the present (*Eindhovens Dagblad*, 28 November 1997; cf. *NRC Handelsblad*, 9 September 1998; *Het Financieele Dagblad*, 18 September 1996\(^{131}\)). This historical narrative of the WRS links this historical event to policies and economic outcomes, and consequently draws a direct and largely uninterrupted line of development between a political agreement of the early 1980s to economic successful outcomes of the second half of the 1990s.

The Accord of Wassenaar is generally considered to be a ‘breaking point’ in Dutch political history (*NRC Handelsblad*, 29 August 1997\(^{132}\). As is argued in a government policy document:

‘The Accord of Wassenaar in 1982 marks a turning point. In this accord, employers and unions confirmed a consensus on the necessity of wage restraint. The resulting wage restraint (as compared to the main competitors) has had favorable consequences for the economy. It led to improved profitability and competitiveness. The result was a strong recovery of employment’ (*Miljoenennota* 2007: 70).\(^{133}\)

This quote nicely summarises the essence of the historical narrative of the WRS. The Accord of Wassenaar marked this ‘turning point’ in Dutch socio-economic history in three interrelated ways. First of all, it is claimed that ‘Wassenaar’ marked a turn from the high wage increases of the 1970s to wage restraint of the 1980s and 1990s. At ‘Wassenaar’, a consensus emerged (and was formalised) on the necessity of wage restraint to restore jobs and economic growth. As quoted above: at Wassenaar, ‘employers
and unions confirmed a consensus on the necessity of wage restraint’ (Miljoenennota 2007: 70; cf. Het Financieele Dagblad, 18 September 1999640). Since employers had already advocated wage restraint for a while (see Chapter 6), particularly unions now (finally) accepted wage restraint in 1982; in 1982, unions chose ‘jobs over income’ (cf. NRC Handelsblad, 26 February 1998; De Volkskrant, 30 November 1999639). As is for example stated by Lodewijk de Waal, former FNV-chairman: ‘After difficult negotiations, we struck the Accord of Wassenaar in 1982, where we exchanged wages for jobs’. ‘In hindsight’, so he continues, ‘the agreement was three years too late’ (Parool, 17 April 2003649); the employment situation had deteriorated dramatically in the early 1980s, and many jobs were lost for good. In this historical element of the WRS, therefore, the Accord of Wassenaar is essentially interpreted as an accord on wage restraint to create jobs and restore economic growth, even though the word wage restraint is not mentioned explicitly in the text itself (see Chapter 6). Henceforth, ‘a broad consensus on wage restraint’ has existed in the Netherlands since 1982, so the Central Planning Bureau claims (CPB 1998: 131)640.

Secondly, the Accord of Wassenaar on wage restraint is said to have marked a turning point from economic crisis and failure to economic recovery and success. As is stated in the government quote above: ‘Wassenaar’ had very ‘favorable consequences’, lasting until the very day. And in the words of a former Minister of Social Affairs and Employment, ‘we still profit from the consensus of 1982’ (Melkert 1997)640. This turn towards success could only happen because of a shift from bad to good policies: from wage increases to wage restraint. ‘The Accord of Wassenaar provided the basis for a long-term moderated wage cost development that eventually resulted in economic successes’, another former Minister of Social Affairs and Employment argued (De Vries 1999)639. These were not only successes for employers, but also for employees. As is stated in a yearly report of the Dutch Bank: ‘jobs above income proved to be a choice for work and income’ (Jaarverslag 1994648). Though it took some time for these positive economic effects of the political accord in 1982 to take hold, ‘the historical importance of the accord was clear immediately’, as is remembered by an employers’ representative, as a junior present at the negotiations (Van den Braak 2002: 12)641. People present at the negotiation table in Wassenaar, as well as the larger part of Dutch society, knew in 1982 – so the WRS goes – that this accord was necessary at that time to restore economic and job growth.

The metaphors of disease and cure have been often used to underscore this turn towards better policies and strategies (i.e. wage restraint) in 1982. Consider the following quote from a Dutch newspaper:

‘In the 1970s, the Netherlands was ill. It suffered from a “Dutch Disease”’. But then a consensus of change developed. The Accord of Wassenaar confirmed wage restraint between unions and employers’ (NRC Handelsblad, 22 October 1999).642

The term ‘Dutch disease’ was coined as such by the Economist in 1977643 to describe the negative impact of the discovery of Dutch natural gas resources in the 1960s on the development and competitiveness of the exporting manufacturing industry in the Netherlands. Over time, one came to speak of ‘Dutch disease’ in relation to the use of gas revenues to finance government transfers to households (Van Ark, De Haan & De Jong 1998: 309). In 1982, or so this narrative runs, it was acknowledged that wage restraint constituted the proper ‘cure’ for this Dutch disease (Miljoenennota 2007: 71; cf. Volkskrant, 8 November 1997644). In that same year, therefore, a change took place from the ‘nonsensical’ Keynesian policies of the 1970s to the ‘no-nonsense’ neoliberal policies of the 1980s and 1990s, which was the motto of the newly installed Christian-Liberal government.

Thirdly, it is usually claimed that ‘Wassenaar’ marked a turning point from the polarised 1970s to the consensual 1980s and 1990s. Dutch politics ‘found the road towards consensus at Wassenaar’, argues the Social and Economic Council (SER 2000: 9). An employers’ representative remembers that

‘before 1982, employers and employees basically could not agree, even if they wanted to […] Conflicts were completely different at that time, much more ideological’ (Van den Braak, Het Financieele Dagblad, 12 December 2002; NRC Handelsblad, 10 April 2006).645

After 1982, however, unions and employers acted in a more ‘business-like’ manner and concluded many agreements on topics such as youth unemployment (1984), the unemployment situation of minorities (1989), flexibility and security (1996) and pensions (1997). The Accord of Wassenaar of 1982 paved the way for these follow-up agreements, and is in that sense
considered to be the ‘mother of all accords’ (SER-Bulletin, 7 January 1998). At Wassenaar, unions and employers’ associations became social partners again; they talked to each other, cooperated and came to trust each other again. ‘Trust […] is based on mutual respect and mutual credibility. That is the essence of Wassenaar’, said former Prime Minister Wim Kok, who was as a union leader one of the founders of the Accord of Wassenaar.

In short, the Accord of Wassenaar marked a turning point in many ways. ‘Wassenaar’ separates economic policymaking of the 1970s from that of the 1980s and 1990s: it marked a turn from bad to good policies, from wage drift to wage restraint, from economic decline to economic growth, from instability to stability, from dissensus to consensus. That is, ‘Wassenaar’ implied a shift away from the ‘Dutch Disease’ to the ‘real beginning of the Dutch miracle’ (in the words of former Prime Minister Ruud Lubbers in NRC Handelsblad, 16 September 1997).

7.3.3 The political narrative: cooperation and the common interest

The third and final narrative of the WRS states that the Dutch social partners were able to agree on wage restraint (in 1982 but also later on) because of the ingrained habit of cooperation within the Dutch consultation economy and especially their commitment to the socio-economic common interest. The Minister of Social Affairs said the following about the Netherlands in 1996:

‘In my country, wage restraint proved to be a very effective means to combat unemployment. This can be explained by the fact that the social partners – employers and employees who make up the heart of our consultation economy together with the government – were able to give priority to the common interest instead of their respective group interests’.

This political narrative links economic successes and wage restraint to specific political institutions (like the Labour Foundation), the Dutch search for consensus and dialogue, and ‘public-regarding behaviour’ and actions on the part of the social partners. In the Netherlands, unions and employers were able to agree on wage restraint – much earlier and longer than similar organisations in other countries – because they were arguably able to focus on long-term common goals rather than on their short-term self-interests (cf. Trouw, 16 October 2003). They were able to ‘look further than one’s own nose’, as the Dutch expression goes, said a former Minister of Social Affairs and Employment (De Vries 1999). Or, finally, as was stated by the government in 1999: ‘At the basis of this [economic] improvement is […] a constructive attitude of the social partners’ (Miljoennota 1999: 7).

This ‘constructive’ attitude on the part of the social partners arguably started at Wassenaar in 1982, though it was by no means perceived as an entirely new phenomenon. In fact, this political narrative of the WRS states that the older Dutch tradition of consultation and cooperation was revived at Wassenaar. According to former Prime Minister Wim Kok, the accord symbolises ‘the Dutch tradition to avoid conflicts as much as possible […] This negotiation model existed well before 1982, but acquired a new form in 1982’ (NRC Handelsblad, 2 November 2002). This Dutch tradition to avoid conflicts is usually revived in times of economic crisis, when cooperation is particularly urgent. Historical references to the Dutch ‘struggle against the water’ of the Middle Ages are frequently made in public debate to explain this cooperative tendency (cf. Interview 2004a). As a former Minister of Social Affairs and Employment for instance argued: ‘When the dikes break, alliances are forged’ (Forum, 17 September 2003).

It was particularly this positive narrative about the Dutch consultation economy and consensus-seeking behaviour that was emphasised by foreign observers after 1995; at home, as the previous chapter showed, consensual practices were still subject to the viscosity critique. However, this political narrative became a firm component of the WRS in the Dutch corporatist policy community rather quickly as well.

7.3.4 Reconstructing socio-economic history

The previous sections showed that the WRS is composed of three interrelated narratives. These narratives, individually or together, picture the Dutch political economy, its history and the way it developed in a specific way. There are two what might be called ‘meta-narratives’. First of all, and taken together, the WRS essentially is a ‘story of control’ (Stone 2002: 143). It argues that the open and trade-dependent Dutch economy is highly sensitive to the capriciousness of the international market, but that there is a way to ‘control’ these circumstances; by cooperation and central accords, unions and employers’ associations – together with the government – can manipulate wage costs and, consequently, can steer the
Dutch economy towards growth in terms of jobs and national income. The Accord of Wassenaar is a crucial element of this story of control. In most ways, the Accord of Wassenaar symbolises all the WRS stands for; it is emblematic for the WRS (Stone 2002: 137). ‘Wassenaar’ is about the economic benefits of dialogue, consultation and cooperation; about wage restraint as the key to economic growth; about political intervention in, and ‘control’ over, economic developments.

Secondly, the WRS is a ‘story of rationality’. It argues that political actors support wage restraint and cooperate because they know it is in their best interest. They came to cooperate on wage restraint at Wassenaar in 1982 because they knew (or learned) such a policy would pay off considerably. This rational behaviour is contrasted with more irrational or ideological behaviour, and the pursuit of short-sighted self-interests that will in the end lead to economic failure. By linking this purposeful and rational action at Wassenaar to the economic successes of the second half of the 1990s, the WRS also draws a linear and largely uninterrupted line of development between 1982 and 1996/1997. Political actors were driven by a sense of purpose, namely the need to restore the Dutch economy via wage restraint.

These ‘meta-narratives’, as well as the WRS as a whole, present a specific interpretation or construction of Dutch historical, political and economic developments. Some elements, events and developments are emphasised, others go unnoticed or are pushed out of view. The previous chapter showed that Dutch socio-economic actions and developments of the 1980s and 1990s were indeed characterised by much more uncertainty, conflict, power games and ‘irrationality’ than suggested by the WRS. Moreover, the Accord of Wassenaar was not so much the turning point in Dutch history as it is nowadays widely believed to be so; the accord was not the product of consensus, and actors were highly uncertain about what to do, and what would be effective; wage restraint started well before 1982, but was not appreciated until the early 1990s; the 1980s and early 1990s were definitely not a very harmonious era. Several scholars (and fewer politicians) have indeed concurred that ‘Wassenaar’ – or any other central accord – had nothing to do with the Dutch successes. They refuted the ‘story of control’ or ‘story of rationality’ altogether, arguing that the market would have brought about wage restraint anyhow (cf. Hartog 1999; Het Financieele Dagblad, 23 June 2000). In short, the WRS reconstructs Dutch socio-economic history, presenting a rather linear, harmonious and rational view on economic developments and actions of actors. This is the essence of a storyline; it creates order in the range of events, and selects aspects to look at. The extent to which a storyline ‘accurately’ reflects developments is not of decisive importance. As Mark Blyth (2002: viii) has put it: ‘irrespective of their true content […] so long as something about the economy is believed by a large enough group of people, then because they believe it, it becomes true’. After 1996, the WRS came to be accepted by the majority of the established socio-economic players as well as experts and journalists, as the next section will show. Consequently, the WRS was disseminated throughout Dutch public debate like a ‘virus-like’ entity (Richardson 2000: 1017).

7.4 Supporting the WRS
its near-universal acceptance

The international appraisal of the Dutch Polder Model, with the WRS at its core, came up rather suddenly after 1995, and in fact took the Dutch a little by surprise (Hendriks & Toonen 2001: 268). As the previous chapter showed, nobody considered characterising the Netherlands as a model country in the early 1990s. The initial response to the international praise was therefore relatively sceptical. For instance, the Minister of Financial Affairs Gerrit Zalm asked the German Bundesbank director Tietmeyer not to overstate the Dutch economic successes (Süddeutsche Zeitung, 14 December 1996). Other politicians were hesitant to speak of a Dutch model that might serve as an example for other countries (Het Financieele Dagblad, 9 October 1997) because of the unique Dutch economic and cultural circumstances (cf. interview 2004b). Nevertheless, after this initial scepticism a large majority of politicians and interest group representatives embraced the Polder Model and WRS wholeheartedly, and claimed their part in the Dutch success story (cf. Trouw, 15 August 1997; NRC Handelsblad, 16 September 1997).

This section describes the widespread acceptance of the WRS by a variety of actors: government officials, politicians, unionists, employers’ representatives but also a large group of experts, academics and journalists. These actors do not necessarily share an overall view on the economy – nor a belief system, episteme, or worldview. This is actually a basic characteristic of storylines; it can be supported by many actors with different
ideas and interests (C.M. Hendriks 2005). Moreover, these actors do not always ’tell’ the complete WRS and its three constituting narratives in every utterance. Actors often only emphasise certain aspects or elements that fit their own individual ideas or worldview best. However, even by ‘uttering specific elements one effectively invokes the storyline as a whole’ (Hajer 1995: 62). Which elements of the WRS were most attractive to the respective actors, and what did the WRS ’do’ for them? That is, what interest did they have in supporting the WRS?

7.4.1 Dutch government and political parties

A most fervent protagonist of the WRS was the so-called ’Purple’ government (1994-1998 and 1998-2002) consisting of Social-Democrats (PVDA), Liberals (VVD) and a small Social-Liberal Party (D66)\textsuperscript{369}. Especially the Ministers of Social Affairs and Employment embodied and disseminated the WRS at home and abroad (cf. Groene Amsterdammer, 5 March 1997)\textsuperscript{362}. A policy of wage restraint, supported by this government’s policy of tax reduction, was presented as the core of a ’Third Way’ to prosperity. This ’Third Way’ showed how concerns for competitiveness and growth could be successfully combined with social protection (cf. NRC Handelsblad, 24 January 1997\textsuperscript{362}).

All three narratives of the WRS are strongly present in (public) utterances of the Purple government. In its official policy documents, this government explicitly linked the economic and job successes in the second half of the 1990s to a moderated wage cost development (e.g. Miljoenennota 1996: 25; Miljoenennota 1999: 29). The government claimed that success was due to its positive impact on Dutch competitiveness and export market position (Miljoenennota 1997: 21). Moreover, the government frequently claimed that this Dutch wage restraint strategy started in 1982 (the ’Wassenaar’ narrative). Consider the following quote:

’The end of 1982 proved to be a turning point in Dutch socio-economic policy-making. Forced by disastrous increases in unemployment, the social partners agreed on measures in the field of employment and a moderated labour cost development. Since then, real labour cost development is moderate, particularly in international perspective [...]. [because of this positive development], our competitiveness increased’ (Miljoenennota 1997: 20-21).

Though not explicitly mentioning the Accord of Wassenaar, the government suggests that this agreement, and ’a joint effort of employers, employees and the government’ *(ibid. 20)* was important for Dutch economic recovery (the political narrative). ’The Purple government praised the ’constructive attitude’ of social partners regularly (Miljoenennota 1999: 29). Consider, for example, Minister Melkert of Social Affairs who stated that ’Dutch institutions were crucial’ for the Dutch miracle to take place: ’A wage restraint policy to create employment relied on a consensus between the social partners, the employer ’associations and unions’ (Financiele Dagblad, 22 November 1996\textsuperscript{362}). Also, as quoted earlier, this Minister applauded the ability of the social partners to ’give priority to the common interest instead of their respective group interests’\textsuperscript{363}.

However, this ’Purple’ government did not give the social partners the sole credit for achieving economic recovery via wage restraint. In fact, to some extent this praise was even surprising, because it was the first Purple government that tried to reinstall the ’primacy of politics’ over the Dutch consultation economy as from 1994 by, for example, abolishing the obligation to ask the Social and Economic Council (SER) for advice on socio-economic matters (cf. Snels 1997; see also the previous chapter). For the Purple coalition, ’more market and less government was its first priority, more government (initiative) and less concertation its second one’ (Slomp 2002: 238). Therefore, the international praise of Dutch consensualism suspended the de-institutionalisation of Dutch corporatist concertation quite suddenly. The Purple government even came to emphasise how this government had supported corporatist wage restraint by ’controlling taxes and social premiums’, which had in turn been made possible by ’reducing public expenditures’ (Miljoenennota 1997: 20)\textsuperscript{364}.

The coincidence of the economic boom of the second half of the 1990s and a ’historical’ government constellation of Social Democrats and Liberals thus offered the Dutch Purple government considerable opportunities to prove the success of its ’painful adjustment’ strategies (Miljoenennota 1997: 5). As the Minister of Economic Affairs stated in the preface to the Macro-Economic Outlook, the Dutch successes show that the ’perseverance of this government in cutting back the budget deficit, in tax reduction and in a moderated wage developments have unequivocally strengthened the Dutch economy’ (MEV 1997: 7). That is, the economic successes of the WRS legitimised the appropriateness of Dutch government policies. As Larsen (2002: 731) argued, the Purple government
Therefore ‘had an obvious interest in promoting [its] policy as the cause of reduced unemployment’. The fact that Purple’s Prime Minister Wim Kok was also one of the founders of the Accord of Wassenaar of 1982 further contributed to the acceptance of the WRS. Though elements of the WRS are put forward in official documents, the Purple government disseminated the WRS particularly in public debate and/or to (foreign) journalists (cf. Melkert 1997; Vries 1999). Only infrequently did the government itself nuance the WRS (cf. Miljoennota 1997: 13) or did individual Ministers propagate a different view (e.g. Hans Wijers in Het Financiële Dagblad, 10 December 1996).

The three political parties constituting the Purple coalition government also shared the WRS individually. In their respective party programs they focused on the benefits of wage restraint in particular, though each party had their own take on this causal narrative. The Liberals emphasised the importance of neo-liberal reforms and wage restraint. They argued that, even though they had always advocated these successful strategies, ‘it took a while before these reforms […] were more widely recognised’ (VVD 1997:7). According to a VVD-politician, however, the success of these neoliberal reforms had nothing to do with ‘Rhineland’ cooperation (NRC Handelsblad, 4 February 1997). The Social-Liberals D66 pointed out that the Dutch economy was doing well, and that therefore ‘their’ Purple government had taken a sensible attitude towards economic growth: tax reduction to further reduce labour costs (D66 1998: 3). For the Social-Democrats, the Netherlands was living proof that ‘international interdependence can go together with the improvement of social provisions’ (PVDA 1998: 54). For them, therefore, the ‘Third Way’ image of the Netherlands was the most attractive.

This claim by the ‘Purple’ government on the Polder Model and the WRS was, however, not silently accepted by the Christian Democrats, who were in opposition for the first time in decades. According to various Christian Democrats, Dutch economic successes were not a ‘Purple’ invention but started under Christian Democratic rule (NRC Handelsblad, 3 June 1997). Wage restraint and the Wassenaar agreement both happened over the 1980s, when the Christian Democrats were in charge (cf. NRC Handelsblad, 36 September 1997; Steinmetz 2000). For them, the WRS post hoc restored the effectiveness of their neo-liberal adjustment program that had been criticised so widely over the 1980s and early 1990s. As compared to the Purple government, the Christian Democratic government had continuously tried to forge a central deal with the social partners, whereas the Purple attack on Dutch consensualism had undermined the willingness of the social partners to further continue successful wage moderation, so a Christian Democratic politician argued (De Volkskrant, 18 September 1996).

In short, Dutch governments – the ‘Purple’ as well as previous ones – actively supported the WRS by emphasising their particular role in achieving its successes. The government, as well as the parties, had an obvious interest in doing so. The WRS proved that their proposed policies were the proper road towards economic recovery.

7.4.2 The social partners: employers’ associations and unions

The social partners – individually and together – also became active protagonists of the WRS. Employers and their associations supported the WRS first and foremost by underscoring, unsurprisingly, the importance of the wage restraint-competitiveness-jobs nexus (the first causal narrative therefore), as they had done so in the past as well. Due to the economic successes of the 1990s, however, employers now appeared to have evidence for their argumentation. The improved profitability and competitiveness of firms had irrefutably benefited employers and employees, because of the substantial positive spill-over effects on other fields, like employment, economic growth, and the welfare state (Forum, 17 April 1997). VNO-NCW, the largest employers’ association, and an employers’ representative, argued respectively:

‘Dutch businesses were able to improve their competitiveness due to a moderated wage cost development. A competitiveness business life is an indispensable precondition for a healthy and enduring growth of jobs and prosperity’ (VNO-NCW 1997: 6; cf. Eindhovens Dagblad, 28 October 1997).

‘The biggest success is a contradiction […] it is wage restraint that resulted in the improvement of our well being. Many people don’t realise this’ (NRC Handelsblad, 10 January 1997).

After 1996, employers also increasingly pointed out the benefits of cooperation (the political narrative), exemplified by the Accord of Wassenaar (the historical narrative). For them, ‘1982’ also became an
important turning point in Dutch socio-economic history because it was the beginning of wage cost restraint, a necessary policy strategy that would not have happened without the cooperation and consultation with unions (VNO-NCW 1999a: 14-15). That is, employers started to appreciate central dialogue, which implied a definite break with the past (see previous chapter). Consider the following argument of former employers’ chairman Jacques Schraven of VNO-NCW:

‘Should we be satisfied with the system we have? The President of the Dutch Bank does not think so. He argues that the reorganisation of the economy and subsequent employment growth would have happened without the Accord of Wassenaar on wage restraint. I disagree, because in the European situation with unions and collective agreements, the market either enforces wage restraint on parties far too late, or not at all […] In my view we can only adjust wages, labour law and social security effectively in cooperation with unions […] This has usually worked in the Netherlands, except in the 1970s’ (Het Financiële Dagblad, 12 January 2002).296

Whereas employers’ associations started to accept the political narrative of the WRS on central level cooperation, unions came to support the causal narrative on wage restraint, as the cause of the Dutch job machine (FNV 1997: 2; 1998: 2-3; CNV 1995). Now that a policy of wage restraint seemed to have coincided with the improved employment situation, unions could do no less than also interpret this policy in their own direct interest. ‘Wage restraint has worked’, a unionist of the Christian federation CNV exclaimed (25 November 1998). Or consider in more detail the following argumentation of the late Johan Stekelenburg, who chaired the FNV from 1988 to 1997. He explained to foreign journalists that:

‘Over the past thirteen years, (per unit) labour costs have risen 30% in France, and even 40% in Germany. In the Netherlands, these costs decreased with 1%! Then consider employment (in persons). In the Netherlands, employment increased with 21%, [which is] ten times as much as France, and four times as much as Germany’ (quoted in Van Empel 1997: 12).

Therefore, unions came to support the first causal narrative of the WRS, also – though not always – in relation to Dutch competitiveness and exports. As two unionists of the FNV stated in a Dutch newspaper: ‘In the Netherlands, it is widely accepted, also by unions, that we need to adjust our small open economy to international competition’ (NRC Handelsblad, 10 January 1997297; CNV 1999: 1-2). Unionists even defended the Dutch wage restraint policy when it became subject to critique in the economic journal Economische Statistische Berichten (Schuit & Driessen 1999: 229).

Unions also came to articulate the historical importance of the Accord of Wassenaar and the economic benefits of a cooperative attitude on the part of the social partners (cf. De Waal 1999298, Interview 2004a). FNV-leader Lodewijk de Waal, for instance, recommended to German and French union colleagues to ‘make sure to start talking to employers. I am convinced that this is one of the keys to Dutch successes’ (Groene Amsterdammer, 5 March 1997)299. And in the same article in a magazine, he argued that in 1982,

‘The Dutch economy was doing particularly bad. The labour movement was confronted with a choice: to radicalise or to strike a deal. Such a deal is more likely in the Netherlands because here unions and employers sit around the same table to jointly analyse the economy’. De Waal obviously referred to the Accord of Wassenaar when he said ‘a deal’, though he also admitted that he learned this lesson about the necessity to strike a deal only afterwards. ‘In 1982, I was not at all in favour of such a deal. Back then, I thought that the rich part of society should pay for the crisis’ (Ibid.). Nevertheless, unions started to cooperate on wage restraint in the 1980s. In fact, so De Waal claims in another newspaper article, ‘it were unions that made a low wage development possible’, and not so much employers (Algemeen Dagblad, 10 January 1995)300. The fact that unions sacrificed wage increases to restore economic growth caused some unionists to claim that it is first and foremost the cooperative attitude of unions that made the Dutch miracle possible. As argued by a union negotiator Henk Krul (Het Financiële Dagblad, 14 January 1997301): ‘We are basically the only bearers of the Dutch model’. The social partners also underscored (elements of) the WRS together after 1996. Although the Social and Economic Council still stated in its yearly report of 1996 that the Dutch consultation economy did ‘not automatically lead to favourable results’ (SER 1996: 3)302, they later (in the ‘year of the Poldermodel’; SER 1997: 3) endorsed the view that the government and the social partners ‘keep our society on its socio-economic
course. If one aims to undermine this communication model, irreparable damage will be done to our society’. Furthermore, at the end of 1997, unions and employers concluded a new central agreement on wage restraint (‘Agenda 2002’), which was presented as a continuation of the Accord of Wassenaar of 1982 and the New Course of 1993. These were policy agendas ‘that were both based on a responsible wage cost development’ that ‘were not without effect’ (SVDA 1997: 1–3). As a result of this moderate wage development, so the text in the accord continues, ‘we have seen a considerable recovery of economic growth, an improvement of government finances and the profitability of firms. As a result of this, job growth (in years and persons) has been formidable’ (ibid., cf. SER 1998: 52). Similarly, and as a final example, in a joint article in a newspaper, employers’ chairman Hans Blankert and union leader Anton Westerlaken argued that the Accord of Wassenaar ‘is the beginning of the success of the Polder Model’, which proves the ‘effectiveness of the Dutch consultation economy’ (Trouw, 13 December 1997)\(^3\).

Why did unions and employers embrace the WRS so wholeheartedly after 1996? More specifically, why did unions finally come to support the causal narrative on wage restraint, and why did employers accept the political narrative on central level cooperation more than in the past? It is argued here that the WRS offered unions and employers’ associations a very welcome opportunity to restore their reputation, and hence influence, in the Dutch consultation economy that had been put under so much pressure by the consensual viscosity critique in the early 1990s. It has been argued before that this opportunity to restore lost positions particularly applied to unions (Cox 2001; cf. Van Dyk 2005). The 1980s and 1990s seemed to herald the ‘end of the labour movement’, as sociologist Van Doorn titled one of his columns in the newspaper NRC Handelsblad (23 August 1986; cf. Van Doorn 1981). One FNV-economist humoured that unions seemed to be a ‘dinosaur on the verge of extinction’ (Vos 1990: 62). Membership losses undermined the bargaining position of unions. In the early 1990s, therefore, the position of unions was not particularly rosy. The WRS consequently allowed unions to ‘put on a good face in a bad situation’ because ‘employers and government praised the positive effects of wage restraint, while unions congratulated themselves for their ability to set the public interest above their class interest’ (Cox 2001: 484). Though unions definitely benefited from the praise of their responsible or ‘reasonable’ attitude regarding wages, employers also reaped the benefits of the WRS. Most obviously, the appreciation of orchestrated wage restraint legitimised their policy preferences that had been put under critical scrutiny frequently (in the early 1990s), but with the appraisal of the WRS, wage restraint seemed to be guaranteed for a while. Furthermore, by agreeing on cooperation at the central level, employers could also present themselves as a ‘reasonable’ party that not only considers its own interest, but also commits itself to reducing unemployment, for example. In short, both unions and employers had a political interest in supporting the WRS. By illuminating their responsible and effective attitude in the past, unions and employers’ associations could restore their legitimate role in socio-economic policymaking, securing their future policy involvement in this field (cf. Koole & Daalder 2002: 36).

7.4.3 Experts and the media

The WRS was not only supported by the main socio-economic players of the Dutch corporatist policy community that arguably played a specific role in bringing it about, or (politically) benefited from the Dutch wage restraint-induced job miracle. The WRS also came to be shared by a diverse group of experts, academics as well as newspaper commentators and journalists.

First, policy experts and expert knowledge played an important role in the emergence as well as the dissemination of the WRS in public debate. As was already pointed out in the previous chapter, the Central Planning Bureau (CPB) was one of the first expert bodies that came to link the improved Dutch economic and job performances to wage restraint (CPB 1992: 80–87), and its economic analyses became the scientific underpinning of the WRS in the political arena. After 1996, the constituting narratives of the WRS were also repeated by other expert bodies, like the Social and Cultural Planning Bureau (cf. SCP 1998: 398), the Dutch Bank (cf. DNB 2001: 9)\(^4\), the Central Bureau of Statistics (cf. CBS 1996: 13) and – important for international dissemination – the Organisation for Economic Cooperation and Development (OECD Employment Outlook 1998). Besides official publications, individual experts of these research institutes also commented on the WRS in public journals (cf. CPB-director Don in Het Financiële Dagblad, 4 April 1997; or the director of the Dutch Bank DNB in Het Financiële Dagblad, 27 April 1997\(^5\)). As two CPB-economists, for example, stated: ‘wage restraint has
been a constant factor in Dutch policy debate about employment since the Accord of Wassenaar of 1982. The benefits of wage restraint in terms of reducing unemployment is undisputed’ (Huizinga and Broer 2004: 7). Other experts, however, nuanced some of its narratives: the CPB-deputy director Casper van Ewijk argued that wage restraint had nothing to do with the Dutch consultation economy: ‘Was there a Polder effect? I do not really believe so. Wages would have been restrained even without the Accord of Wassenaar’ (Het Financieele Dagblad, 25 June 2000)386.

Not only these kind of expert bodies had an official ‘function’ in Dutch socio-economic policymaking that disseminated the WRS. Though it is not of direct concern to this study, the WRS also gained ground in academia. Since the publication of a Dutch Miracle, which was written by Jelle Visser and Anton Hemerijck in 1997, entire libraries (books and articles) have been written about the ‘Polder Model’ and the role of orchestrated wage restraint and the Accord of Wassenaar (the WRS) within it (to name a few; Hartog & Theeuwes 1997; Andeweg 2000; Delsen 2000; Den Butter and Mosch 2003; Woldendorp 2005). The WRS was also accepted internationally, where it became a prominent aspect of the so-called ‘Social Pact literature’ (Hassel and Ebbinghaus 2000: Hassel 2003) or literature on ‘competitive corporatism’ (cf. Rhodes 2001; Jones 1999). Though various scholars considered the policy of wage restraint within the broader socio-economic reforms of the Netherlands and sometimes nuanced the importance of ‘Wassenaar’ (cf. Delsen 2000; Hartog 1999), the narrative elements of the WRS figured prominently in the academic field.

Most agree that ‘in the Netherlands, wage restraint resulted in high economic growth over the past few years’ (Hollander and Ziesemer 1999: 40). But the political and historical narratives of the WRS were also often repeated in academia, yielding comments such as these: ‘Dutch social partners negotiate on wages and employment in a “consensus seeking environment” in which the common interest plays a crucial role’ (Gorter 2003: 181) and ‘a gradually emerging consensus on the necessity of a different strategy on wages was formalised in November 1982, when labour unions and employers reached the “Wassenaar agreement” – an understanding to pursue moderate wage growth to stimulate employment creation’ (Bakker 2001: 79). For a while, the study of Dutch Polder politics (F.Hendriks 2001) seemed to be fashionable in academia (cf. Karsten and Van Veen 2008).

Apart from policy experts and academics, the media were a crucial factor in the dissemination of the WRS after 1996. The media played an important role in framing this issue in a specific way, setting the political agenda (cf. Kingdon 1984), and starting or enhancing mobilisation and expansion of issues. Once Dutch journalists and commentators came to cover foreign media analyses about the Netherlands, mainly European or American analyses, (cf. Het Financieele Dagblad, 1 February 1996; De Volkskrant, 5 November 1996; Het Financieele Dagblad, 19 October 1996387), a snowball began to roll, because these stories were picked up by other media and subsequently by interest and issue groups, and political parties (cf. De Volkskrant, 8 March 1997; NRC Handelsblad, 21 December 2001)388. The ‘media logic’ (cf. Luhmann 1990) is important in this respect because unexpected or deviating events trigger the attention of the media. In our case this was the international appraisal of the Polder Model, which indeed surprised the Dutch. Moreover, the complexity and ambiguity of unexpected occurrences had to be reduced by the media to simple, clear and consistent stories, which are preferably personalised. Indeed, it was perhaps in Dutch newspapers and magazines that the WRS was disseminated most straightforwardly after 1996/1997. Consider, for example, the next to quotes of newspaper commentators that most concisely summarise the three constituting narratives of the WRS.

‘If we look more closely for an explanation of the current economic successes, international studies show that it has mainly to do with wage restraint, which we have practiced for fifteen years. Wage restraint has become a joint effort of employers and employees since the Accord of Wassenaar in 1982’ (Het Financieele Dagblad, 24 January 1997).389

‘In 1982, the social partners concluded the Accord of Wassenaar, which constitutes the basis of the successful Polder Model. In 1982, unemployment reached 12% and something had to be done about it. The time was right for measures to reduce unemployment. Unions sacrificed 2% of their price compensation in return for an agreement on shorter working hours. This was the start of a period of wage restraint and employment stimulation’ (Algemeen Dagblad, 20 November 1998).

Both quotes point out the causal relationship between wage restraint and economic successes, the importance of the Accord of Wassenaar and the cooperation between the social partners. The first also refers to expert
knowledge to underpin the argument and the second suggests that around 1982 there was a sense of urgency which allowed actors to compromise to stimulate employment growth. In many other articles, the WRS is not presented as a story this explicitly, but it is implied in statements such as ‘wage restraint is an important cause of the economic recovery of the Netherlands’ (NRC Handelsblad, 4 February 1997; cf. Het Financiele Dagblad, 24 January 1997) or ‘wage restraint is good for jobs’ (Telegraaf 17 September 2003). By necessity, the media were selective in the way they reported issues, and consequently most of the nuances of narratives often disappeared from view.

Though the WRS was supported and disseminated firmly by newspaper commentators, there was also room for dissenting voices. Sometimes these were unionists (Vogelaar: ‘wage restraint does not lead to more job investments’; NRC Handelsblad, 20 March 1996); sometimes newspaper commentators and journalists themselves (cf. Trouw, 28 December 1996; De Volkskrant, 8 March 1997), sometimes former politicians (cf. Minister of Social Affairs Albeda; Het Financiele Dagblad, 9 September 1998), sometimes also academics and experts (cf. Bomhoff in NRC Handelsblad, 15 January 1996; Van Wijnbergen, Parool, 23 April 1997; Het Financiele Dagblad, 23 June 2000). These dissenting voices, however, were the exception rather than the rule.

In short, this section showed that the WRS acquired a near-universal acceptance after 1996. Not all unionists, employers, politicians, journalists or experts supported the WRS for the same reasons, nor focused on the same aspects or narratives. Nevertheless, all these actors found something attractive in this storyline, which consequently constituted the glue of a new (discourse) coalition between the main socio-economic players, with the CPB (see previous Chapter) at its authoritative core (cf. Becker and Hendriks 2008). It was particularly the shine of success of the WRS that led to its rapid dissemination, as a ‘virus-like entity’ or snowball, throughout the Dutch political arena. In politics, nothing is as attractive as success. Successful policies/ideas generate a lot of support because all actors want to be associated with it and want to be on board with the winner (Stone 2002: 24). This ‘bandwagon effect’ (cf. Baumgartner and Jones 2002) appears to be of crucial importance for the case at hand; a variety of actors jumped on the bandwagon because the ‘successful’ WRS offered considerable political opportunities for them to restore lost reputations and positions, re-establish past practices and revalue implemented policies. If the perception of success was an important factor for the acceptance of the WRS, what happened to the WRS once the shine of success wore off?

### 7.5 The wage restraint storyline after 2001

After years of a booming and thriving economy, signs of economic downturn became apparent in the Netherlands around the turn of the century. After 2001, the Netherlands rapidly descended from the list of European star performers and instead became one of the laggards in the European Union. Economic growth declined from 1.4% in 2001 to 0.6% in 2002 and with -0.9% in 2003, the Dutch economy officially experienced a recession (CBS 2004: 166). After years of average employment growth of about 2 or 3 a year (MEV 2003: 109) job growth came to a complete standstill in 2002. Consequently, unemployment increased from 4% of the working population in 2002 to 5% in 2003 (MEV 2003: 111), figures that were still relatively low in international comparison.

What happened to the Wage Restraint Storyline in this context of economic slowdown? Was it just a fair-weather phenomenon, or did it ‘stick’?

First of all, with respect to the causal narrative on wage restraint, the WRS did definitely stick. The economic recession after 2001 was predominantly interpreted as caused by (too) high wage increases, which arguably had detrimental consequences for the competitiveness of Dutch firms and products, and subsequently for economic and job growth. An analyst of a big bank phrased the problem concisely yet accurately: ‘The Netherlands has become too expensive’ (De Volkskrant, 22 October 2001). Particularly expert bodies like the Central Planning Bureau and the Dutch Bank were among the first to raise the alarm about rising wages and the accompanying loss of competitiveness. In 2001, the President of the Dutch Bank argued that due to high wage increases since 1996, Dutch competitiveness had been deteriorating to the European low level of 1987 (NRC Handelsblad, 16 May 2001). Earlier that year, the Central Planning Bureau (CPB) had published its Central-Economic Plan in which this loss of competitiveness was described as ‘the price of success’ (CEP 2001: 20); rising wages could be explained by the considerable labour market shortages that were the result of the economic boom of the second half of the 1990s. Though there was no reason to panic yet – economic growth...
was ‘still considerable’—high wage developments contained a risk to Dutch economic and employment growth, in the eyes of the CPB (Het Financieele Dagblad, 28 March 2001; cf. MEV 2002).

As a response to these worrisome economic analyses, the Minister of Social Affairs and Employment asked unions and employers’ associations in a formal letter to restrain wages (De Volkskrant, 22 March 2001). A wage-price spiral should be avoided at all cost, so Prime Minister Wim Kok argued, because by ‘playing leapfrog with higher prices and higher wages, we wash away our advantages in competition that we have built up over the last twenty years’ (Trouw, 19 May 2001). Due to the grim CPB calculations, the government decided in June 2001 – during the ‘spring consultations’ – to start the fall negotiations early in order to come to an agreement about wage restraint (Tweede Kamer 2001). VNO-NCW stated this was indeed highly urgent, because ‘if wages continue to rise, a serious problem emerges (…) the Dutch economy has lost its competitiveness due to cost increases’ (Forum, 18 October 2001; cf. De Volkskrant, 4 October 2002). According to some, the need to restrain Dutch wages became even more urgent because other countries copied the Dutch ‘trick’ (e.g. Minister of Financial Affairs, Gerrit Zalm in Het Oog op Morgen, 16 June 2001; VNO-NCW chairman Blankert in Volkskrant, 19 May 1999).

Unions were initially – and perhaps unsurprisingly – not that enthusiastic in committing themselves to wage restraint. In their eyes, it were in fact already behaving ‘responsibly’ (Doekle Terpstra in Forum, 31 March 2002; see also Johan Stekelenburg in Forum, 3 April 1997). More wage restraint was not necessary according to them, because economic slowdown was not (yet) urgent, considering that profits of companies were still considerable and the labour market was still very tight (cf. Trouw, 2 June 2001). According to some unionists, wage restraint might even have negative consequences for consumption levels in this period (cf. Het Financieele Dagblad, 17 November 2001). Moreover, according to some unions, wage increases were not the main cause of high inflation levels, but government policy was (cf. Parool, 19 May 2001), alongside the introduction of the euro (De Waal 2002). This conclusion was in turn shared by various academics (Het Financieele Dagblad, 22 May 2001). And finally, unions were quite angry about the high salaries and bonuses for managers in the public and private sector, which, according to them, undermined the willingness to restrain wages of ordinary employees. In the words of CNV union leader Doekle Terpstra: ‘it is outrageous to ask employees for wage restraint whereas these people increase their own rewards insolently’ (De Volkskrant, 10 June 2002; CNV 2002: 3).

Despite these critical remarks, however, unions did not fundamentally question the causal narrative about wage restraint as such. ‘The realisation of a responsible wage cost development has been the starting point of our policy over the last few years’, as both the CNV and NvC claim in their yearly notes on labour conditions (CNV 2000: 3; cf. NvC 2000: 1-2). Though the Dutch economy was still performing well, ‘rising wage costs, falling economic growth and deteriorating competitiveness point out that we should be watchful’, as the Christian union CNV wrote in its note on labour conditions (CNV 2002: 1). That is, ‘we have to act now to preserve our position in world markets’, as otherwise production as well as jobs would be lost (chairman CNV in NRC Handelsblad, 10 April 2002).

Therefore, the ‘wage restraint-competitiveness-jobs’ nexus of the WRS dominated political debate after 2001. Only in the margins of political debate did some people try to challenge this causal narrative. Alongside the European-wide discussion about the Lisbon Agenda (2000), another storyline emerged in the Netherlands about ‘the knowledge economy’, and a small group of people seized this opportunity to plead for a different strategy for the Netherlands based on increased productivity rather than restrained wages (this was a discussion that had already started in 1994 (see previous chapter)). This discussion mainly took place between academics (see various issues Economische Statistische Berichten 2004), but infrequently extended to the public arena as well. ‘Employers can only think about wage restraint’, as a union negotiator argues, ‘whereas the increase of labour productivity is much more important for the Netherlands’ (De Volkskrant, 5 June 2003). This storyline, however, did not fundamentally challenge the WRS, as the need for short-term wage restraint (to reduce unemployment) did not undermine long-term productivity growth via, for example, improved competition (cf. Broer and Huizinga 2004; Don 2003).

The second historical narrative of the WRS – about the Accord of Wassenaar –became a particularly important shaping factor throughout 2002 and 2003, when the economy further deteriorated and when voices could be increasingly heard that a new Accord of Wassenaar was needed to solve the approaching economic crisis (cf. NRC Handelsblad, 28 May 2002; cf. PVDA in Volkskrant, 17 May 2001). For example, a commentator for the newspaper Trouw (19 August 2002; cf. 22 February 2002) made a plea for
a new Accord of Wasenaar because ‘it is an illusion and even arrogant to think that we can turn these economic bad times around without the Polder Model’. The plea for a new Accord of Wasenaar was of particular symbolic importance in November 2002 because exactly twenty years had passed since this famous historical accord was agreed upon. The outgoing government of Prime Minister Jan Peter Balkenende416 aimed to bring about a central accord between the social partners, and even met the social partners – in early November 2002 – in the coastal place Wasenaar (Trouw, 8 November 2002417). When unions initially backed out of a central agreement, this situation was compared by newspaper commentators to the almost concluded accord of 1979 that preceded the Accord of Wasenaar (NRC Handelsblad, 12 November 2002418).

The political climate was rather ‘hot’ in Fall 2002, however, particularly between the government and unions that accused each other of ‘playing games’. It proved difficult to conclude a central accord because of the by then tense relations. The third narrative of the WRS – about cooperation and the common interest – still shaped political debate, but in a reversed sense; political actors were blamed for not having a cooperative and responsible attitude. In the eyes of unions, for instance, the Christian-Liberal government was behaving unilaterally, and therefore did ‘not speak the language of the Polder’, as CNV union leader Doekle Terpstra claimed (cf. Eindhovense Dagblad, 13 September 2003). That is, the government was blamed for not consulting the social partners, a view the employers more or less shared (Interview 2004a; Interview 2007b). Reversibly, the Dutch government – but also newspaper commentators, though less so employers – blamed the unions for being irresponsible, because they were hesitant to commit themselves to wage restraint (cf. Het Financieele Dagblad, 19 November 2002; De Telegraaf, 12 November 2002).419

On a more fundamental level, this third narrative about the economic benefits of consensus became subject to critique in the early years of the new century. Just like in the early years of the 1990s, consensus and consultation came to be associated with ‘viscous’ or ‘undemocratic’ decision-making again (cf. Huygen 2000). This critique started around 2000 when some political actors and journalists became somewhat fed up with the so-called ‘p-word’ (p of Polder Model) and the Polder Model was frequently declared dead by newspaper commentators (NRC Handelsblad, 25 July 1998; Het Parool, 18 September 1997; De Volkskrant 23 May 1998; Het Financieele Dagblad, 9 September 1998). At this point in time, this critique mainly related to the inability or unwillingness of the social partners to restrain wages420. It was particularly the controversial politician Pim Fortuyn who later on criticised the closed and ineffective consensus decision-making processes of the ‘polder model’ (Van der Toren 2002) as well as the ‘Purple government’ (Fortuyn 2002). This critique was taken up after his death in 2002 by the even more controversial right-wing politician Geert Wilders.

Despite these strained political relations and critique on consensualism, two central accords were agreed upon between government, unions and employers in 2002 and 2003. After several rounds of negotiations about various package deals, a one-year central accord was agreed upon on the 28th of November 2002. This accord decreed that social partners committed themselves to wage increases that should not go beyond inflation levels for 2003, which were estimated at 2.5% (StvdA 2002: 1). The government supported this agreement financially by reserving 500 million euro for tax reduction, and by supporting people on minimum incomes financially. According to various political actors and experts the one-year-agreement of 2002 was not sufficient, however, because only protracted wage restraint would improve competitiveness, stimulate exports and create jobs (CPB in Volkskrant, 29 November 2002; employers’ chairman Schraven in Het Financieele Dagblad, 26 November 2002; outgoing Minister of Finance Hoogervorst in Volkskrant, 18 December 2002). Nevertheless, the government was very pleased with the accord, which arguably gave ‘oxygen’ to employment, according to Prime Minister Balkenende (Leeuwarder Courant, 29 November 2002). Also, the accord demonstrated that the social partners were once again able to put the common interest above their self-interests: ‘The biggest winner is the common interest. Everybody benefits from a strengthened economy’ (Het Parool, 28 November 2002). Union leader Lodewijk de Waal shared this view: the 2002-agreement is ‘a united accord in the common interest’ (De Volkskrant, 29 November 2002).

Consequently, throughout 2003, formal and informal negotiations continued between government and social partners and on the 14th of October 2003, a new central accord was agreed upon involving freezing wages for 2004 and wage increases ‘approaching zero’ for 2005 (StvdA 2003: 1). According to the social partners, this accord was truly ‘historical’ because,
‘never before [. . .] have such conclusive recommendations been agreed upon. That is, recommendations were never so concrete with regard to the agreed percentages of wage increases. And this while there has been a trend towards decentralisation since the Accord of Wassenaar: a trend which is still approved of’ (StvdA 2003: 4).

Both accords, therefore, countered the critique on consensus politics and largely restored the political and historical narratives of the WRS. Despite decentralisation, central accords about wage restraint – like the Accord of Wassenaar – were still approved of and considered beneficial to the Dutch economy. Both accords also confirm the causal narrative of the WRS about wage restraint. According to the main players, this 2003 agreement reflects a consensus on the necessity of wage restraint in light of deteriorating competitiveness, lagging innovative capacity and productivity as well as continuing unemployment growth (StvdA 2003: 1). For employers, this accord was an essential condition for economic recovery. And for unions, such an agreement was necessary because of the fact that, as a union leader argues, ‘600 jobs disappear every day. Long-term wage restraint, and I am not talking about a continuous “line zero”, is also inevitable for unions given the entry of low-wage countries to the European Union and the relocation of production to low-wage countries’. (NRC Handelsblad, 10 October 2003)417

The public reactions to this ‘historical’ accord of 2003 were quite positive in general. The Central Planning Bureau calculated that this accord would lead to 35,000 extra jobs in 2007 mainly because of the positive impact of wage restraint on exports (CPB 2003: 2; ANO 15 October 2003)418. Newspaper commentators and journalists also generally welcomed the accord because ‘wage restraint is good for jobs’ (De Telegraaf 17 September 2003)419; see also similar comments on the accord in NRC Handelsblad, 13 October 2003; Het Financieele Dagblad 15 October 2003; NRC Handelsblad, 15 October 2003; De Gelderlander, 15 October 2003)420. And when the members of the FNV union also ratified the central accord by referendum early November 2003, this was considered to be a choice ‘for work above income’ because ‘wage restraint is good for the Dutch economy, which is highly dependent on exports’ (commentator in Parool, 4 November 2003)421. And finally, according to many, the central accord of 2003 showed that cooperation and negotiation between the social partners could still be very beneficial to the Dutch economy. Statements from the media include ‘the Polder Model is very much alive, which serves the Dutch economy’ (De Telegraaf, 15 October 2003)422 and ‘the Netherlands still is a polder country’ (Dagblad Twentsch/Noordhollands Dagblad, 14 October 2003)423. The strained political relations of 2004, the year when the government and unions clashed on the reform of the early retirement scheme, did not shake the Dutch emphasis on wage restraint fundamentally, as it was still ‘beyond question’ (Groebrief 2004: 4; Het Financieel Dagblad, 6 April 2004)424.

This episode of economic downturn in the early years of the 21st century shows how very much alive the WRS still is. Though some political actors (still) criticised the one-sided focus on wage restraint and the economic ineffectiveness of consensualism, these critiques were easily incorporated in the WRS. By incorporating the need for long-term productivity increases as well as by countering the renewed critique on consensusalism, the WRS slightly adapted to new circumstances, though remaining essentially intact. That is, the WRS remained a stable storyline in Dutch socio-economic debate albeit through change (Hinnfors 1999; Hendriks 2005).

7.5 Conclusions

This chapter described the Wage Restraint Storyline (WRS), and its constituting narratives, as it emerged as part of the Polder Model image after 1996/1997. Initially, the story on what happened to the Dutch economy was a relatively complex and long one, but in the process of model-building, most of the shadings and nuances largely disappeared from view, leaving its core – the WRS – firmly intact. The WRS is about wage restraint as the key to economic and job growth (the causal narrative), about the importance of the Accord of Wassenaar of 1982 (the historical narrative) and the economic benefits of consensus and cooperation (the political narrative). Most key actors in the socio-economic field supported the main elements of the WRS, employing them individually. For them – government, employers and unions – the WRS offered considerable opportunities to restore their lost positions and frame their policies and actions as beneficial, effective and legitimate. Though these actors supported elements of the WRS, and as such reinvoked the storyline as a whole, it was particularly in the media that the WRS was ‘told’ as a complete storyline, where it even reached mythical proportions.
Once accepted, the WRS acquired a ‘ritual character and gave [give] permanence to the debate’ (Hajer 1995: 63), particularly after 2001. Once economic slowdown became apparent, it was almost immediately interpreted as caused by a loss of competitiveness due to high wage increases. Other ‘key variables’ like productivity and the knowledge economy were present in public debate, but only marginally. A new historical Accord of Wassenaar on wage restraint was considered necessary to tackle the approaching economic crisis. The realisation of two central accords on wage restraint in 2002 and 2003 demonstrated that the practice of consultation is still being appreciated, even though it was subject to increasing critique. But, as the previous historical chapter showed, this critique is a repeating affair, and until now has not fundamentally undermined the relevance of cooperation and the WRS in public debate.

8.1 introduction

Since the middle of the 1970s, it has not been en vogue in the Netherlands to question the economic benefits of wage restraint. Politicians, unionists, employers’ representatives but also journalists and policy experts generally support the idea that wage restraint is the key to economic and job growth, especially for such a small open economy as the Netherlands. This support seems to be unique in the Western industrialised world. Whereas in Germany or Belgium, for instance, critics immediately rise to protest when the issue of wage restraint is put on the political agenda, such a fundamental debate about the necessity of wage restraint for the economy has only incidentally taken place in the Netherlands. In the 1980s, not only unionists but also some economists questioned the positive effects of wage restraint on job creation, as unemployment figures remained high. And in the early 1990s, various economists started a debate about labour productivity versus wage restraint; this debate re-emerged in the early years of the 21st century in the slightly different terms of the ‘knowledge economy’. Despite this (marginal) critique, Dutch political actors – though less so unions – have usually agreed on wage restraint.
8.2 The cultural and discursive dimensions of policymaking: theoretical contributions

This research positioned itself against the interest-based and rational-institutionalist explanations that tend to dominate academic thinking in the political-economic field. According to these kinds of approaches, the emergence and acceptance of a particular policy idea – like wage restraint – can be explained by an analysis of predefined material interests, possibly mediated by a specific institutional setting which is understood as an incentive structure determining rational choices made by actors (cf. Becker 2003: 12). Instead, my research builds upon more sociological-institutional and discursive-institutional approaches that focus on how ideas are negotiated and struggled about through a process shaped by the specific institutional/cultural context in which actors operate. This choice allowed me to make the following contributions.

Firstly, this study advances a particular understanding of both socio-economic policymaking and consensus-building as an essentially political process and phenomenon. Advocators of the mainstream explanations of (recent) Dutch economic developments usually consider the Dutch emphasis on wage restraint from a ‘functional’, ‘interest-driven’ and/or ‘institutional’ perspective, which respectively state that 1) wage restraint is so prominent in the Netherlands because it fits the needs of an open, export-based Dutch economy, or 2) wage restraint is supported by a particular dominant coalition of interests (firms and unions in the export sector), or 3) wage restraint is the outcome of an institutional form of decision-making in which ‘general’ interests take precedence over ‘particular’ interests. Instead, it has been argued here that politics is a struggle about the definition of those very interests in the first place, rather than a reflection of pre-given (common) interests. This political struggle is shaped by the political and cultural context in which actors operate. The conceptualisation of the idea of wage restraint as a storyline is highly significant in this respect; it suggests that the political acceptance of, and consensus about, wage restraint are not straightforward, but need to be constructed using stories that link interests, ideas, and institutions.

Secondly, this study demonstrated that for analysing this political context in which wage restraint has become lauded, both (formal) institutions as well as ‘cultural’ practices are of importance. Historical-institutionalist or sociological-institutionalist approaches usually include ‘institutions’ when considering both these dimensions. This research suggested to make an analytical distinction between formal rules and organisations (institutions) and more informal, unwritten norms of behaviour (culture) in order to demonstrate the relative independence of the latter in shaping the behaviour and preferences of actors. Following authors like March and Olsen (cf. 1989), I have argued in this study that human and political action is regulated by rules of appropriate or exemplary behaviour. That is, policymaking was portrayed not so much as efficiency-driven, but as rule-driven: the balancing of political and personal relationships was at least just as important as finding optimal policy solutions. The concept of policy community was introduced to analyse how political actors interact – as members of that community – and adhere to the accepted ‘rules of the game’, because these rules are considered natural, expected and legitimate. I have argued in this study that in the Netherlands, these rules of the game are directed at achieving and maintaining consensus between a variety of political actors.

Thirdly, it was suggested that this ‘rule-driven’ dynamic of political interaction most fundamentally affects the way in which political discussion takes place. Drawing on the discursive-institutional approach of Vivian Schmidt (2002, 2003), I have argued that in the Netherlands, a ‘coordinative discourse’ prevails which facilitates coordination – that is, which helps to solve conflict and maintain consensus – among the key political and economic actors relevant to the field. Within such a discourse, certain ideas fare better than others. Most notably, the ideas that were consensually accepted in the past (policy legacies), and those that
were formulated in terms of some ‘common interest’, substantiated by expert knowledge, quantifiable, and relatively simple. In this way, the ‘coordinative discourse’, shaped by the consensual patterns of interaction, operate as the famous institutionalisation of bias: some ideas are accepted in politics and others are left out.

Fourthly, though the consensual environment ‘structures’ the way in which actors behave and look at the world around them, actors themselves have an active role in mediating their environment. This study showed that unions, employers’ associations and politicians, as well as experts and journalists, all perform a crucial role in constructing and disseminating ideas throughout the political arena. Applied to the Dutch case at hand: consensus is not an automatic outcome of the consensual rule-driven process, but needs to be constructed actively. Actors do so, I have argued, by employing narratives or storylines that link specific definitions of (common) interests to actors, or to historical events and cultural practices, or to responsibilities and actions. The Wage Restraint Storyline (WRS) served to build a coalition between different actors with different overall worldviews or policy goals. These actors eventually came to a consensus with each other around a single story.

This concept of storylines was borrowed from discourse analysis (Hajer 1995), as an improvement to the ‘discourse analysis’ of Vivian Schmidt. Though Schmidt focused on how actors employ and communicate ideas to change their policy environment, she reserved the term ‘discourse’ as speech and communication that is used by actors to legitimise new ‘right’ policy actions that deviate from, or overcome, established ‘wrong’ conceptions of specific interests, values or institutions. When making this distinction between ‘right’ and ‘wrong’ ideas (Schmidt 2003: 133), she seems to largely have fallen back on rational-institutionalist assumptions, where the ‘rightness’ could be determined as such on the basis of objectively and exogenously defined problems and situations. Moreover, she suggested that ‘ideas’, in line with most ideational approaches, matter particularly for explaining institutional and policy change, whereas ‘interests’ or ‘institutions’ matter for explaining stability.

My research however, and this is the fifth contribution to this field, tried to improve on both these arguments by demonstrating how political actors are confronted with considerable uncertainty about which policies are ‘right’ or ‘wrong’, and how in the process of solving this uncertainty, particular ‘ideas’ or ‘storylines’ might either produce relative stability or change. In many situations, particularly in times of economic and political crisis, actors do not know or cannot agree on what the problem really is, and therefore what adequate solutions might be. It is difficult to predict in advance what exactly causes or leads to economic success and/or failure; the historical lessons to draw from either past experiences or other countries do not present themselves that straightforwardly. Political actors continuously have to negotiate about what happens around them, they have to interpret past and foreign experiences, and they have to select, define and gain acceptance for a course of effective action. Storytelling is a principle way of sorting and interpreting, of constructing shared meanings and understandings that enable actors to (inter-)act. Storylines create order by linking different aspects of problems, causal factors, institutional practices and historical events; they offer a relatively consistent view on the world in which actors operate, and tell them what to expect and do. A storyline may suggest change by pointing out the need to deviate from accepted policies and practices, but it may also lead to (relative) stability when storylines confirm the appropriateness or effectiveness of past policy. There is however, so it was argued, no ‘ongoing rational process of discovery’ where new and ‘better’ ideas automatically replace older and ‘wrong’ ideas (Woods 1995: 166-167); empirical failure is not enough to discredit a mode of thought (cf. Blyth 2002: 235; Menahem 1998: 305), and some ideas or storylines may remain influential over a long period of time.

Sixthly, therefore, the results of this research show that over time, some storylines might become more influential than others – political actors might become ‘locked-in’ certain beliefs and ideas – a process that depends on choice, learning, power, conflict and accidental circumstances. Actors may also try to strategically insert certain (elements of) storylines, but whether or not this is successful depends on the way others ‘respond to it, twist it, and take it up’ (Hajer and Laws 2006: 260). Therefore, storylines emerge and are reproduced both in and through political interaction. The distribution of power resources is important in this respect, though it does not predicate its outcome. In the Dutch case, the ‘powerful’ employers’ associations have continuously tried to push for the causal narrative about wage restraint since the 1970s, but it only became universally accepted in the 1990s when it was linked unexpectedly to Dutch consensual practices by foreign commentators. Once storylines are accepted, however, they may attain an almost sacred status and may come to dominate the field, particularly once they are disseminated in, or turned into, accepted practice.
In short, my research aimed to show how more cultural and discursive dimensions are important for understanding the development of Dutch socio-economic policymaking. More specifically, I focused on how storylines might help to construct a consensus among a variety of often antagonistic political actors with different ideas and interests.

8.3 The story behind the Dutch Model

empirical findings

The main research questions can now be answered against this theoretical background. The analysis of the cultural and discursive dimensions of Dutch socio-economic policymaking proceeded along two broad lines of empirical research: 1) an analysis of the consensual patterns of interaction and 2) an analysis of the development of storylines in and through this political interaction. The following section presents the main empirical findings and draws conclusions from them that are important for answering the research questions. To reiterate these questions: Why was wage restraint viewed as the core of Dutch economic successes over the 1990s (in the Netherlands)? And: Why and how did wage restraint receive a near-universal acceptance amongst Dutch political actors over this period?

The first three empirical chapters identified the consensual practices of the Dutch corporatist policy community that shape actors’ behaviour and the ideas, preferences and beliefs they hold and negotiate about. These chapters showed that Dutch consensual policy-making is strongly directed at achieving consensus. This implies that consensus is not so much the starting point of the negotiation process. Instead, it suggests that conflicts between actors are resolved in a consensual way. This consensual balancing of political relationships cause actors to look for solutions that others in the policy community consider ‘appropriate’ or, a term the Dutch use often, ‘reasonable’. Chapter 4 described how various norms of behaviour – the so-called ‘rules of the game’ – facilitate consensus-building among a variety of actors by directing their attention to what binds them rather than what separates them. It was argued that the notion of the common interest is crucial in this regard because it acts as a kind of ‘focal point’ in consensual negotiation. Chapter 5 showed that expert institutes play an important role in determining the common interest. Expert knowledge facilitates consensus-building by defining this common ground and by giving it an objective basis for further political discussion. The Netherlands has a long tradition of solving conflicts by employing technocratic knowledge. In the socio-economic field, especially the Central Planning Bureau (CPB) has become highly influential.

This potential for consensus-building in the Dutch corporatist policy community is usually evaluated in quite positive terms, and particularly in the discourse on the Polder Model. This positive evaluation is due to the fact that actors with vastly different interests can seemingly still come to an agreement. However, this study also showed that this consensus-building also has a flipside; it only works as long as non-consensual behaviour is punished and some ideas and conflicts are not discussed. That is, inherent in Dutch consensusism are conformity pressures to live up to what is considered ‘reasonable’ to the outside observer (cf. Teulings and Hartog 1998). Moreover, usually only the established actors of the policy community are invited to joint consensual discussion: the Dutch corporatist policy community is a relatively closed community. The success of consensus-building to a large degree depends on whether or not actors know and behave according to the consensual rules of the game.

Following from this analysis was the argument that the consensual practices set rather narrow parameters for policy discussion: what people can ‘reasonably’ talk about and to whom (the ‘coordinative discourse’). Too much room for disagreement, uncommon or extreme ideas, would undermine the possibilities for the highly appreciated consensus-foundation. In a consensual context, political actors are expected not only to find solutions to newly arising problems, but also to acquire widespread support for it. This leads actors to interpret new situations in terms of existing frameworks and to match problems with solutions they have applied in the past. Hence, the consensual patterns of interaction promote stability and continuity rather than change. The Dutch corporatist policy community is (institutionally) conservative (Andeweg 1989), though it is conservative with a ‘small c’ (Rhodes and Marsh 1992: 196); it is a dynamic conservatism, where actors adapt to changing circumstances, albeit in a gradual and incremental way (cf. Hinnfors 1999). Chapter 4 showed that consensus-building does not fare well with those actors who behave in an unpredictable way and often change their point of view so.

Though the margins of discussion are set relatively small, there is still room for debate about what behaviour or ideas are ‘reasonable’ or ‘appropriate’. The last two empirical chapters of this study analy-
owed how actors negotiated about these terms, and how over time some ‘storylines’ might become more influential that more or less hinge back on these consensual practices. The 1970s and 1980s, so the historical Chapter 6 showed, were a period of considerable uncertainty, and unions, employers’ associations, politicians and experts negotiated about the proper diagnosis of the crisis and about ‘appropriate’ solutions. Various policy ideas competed for dominance, namely those (i) on working time reduction and government intervention, and (2) on wage restraint and decentralisation. Though both were part of broader overall economic theories, they are in their national variety and political usage presented as storylines. Storylines link certain definitions of problems to specific practices, solutions and political responsibilities. Whereas the first policy idea mentioned above seemed more ‘appropriate’ given the high levels of unemployment, the second was more ‘reasonable’ because it was supported by economic analyses of the CPB. In 1982, both storylines were brought in line with the consensual expectation to conclude an agreement at Wassenaar, but neither storyline dominated the discussion. It proved difficult to link either to the common interest in the 1980s. Whereas the first would imply increased costs for employers, the second did not obviously result in a reduction of unemployment throughout the 1980s. Though the influence of the Wage Restraint Storyline (WRS) gradually increased, it ‘competed’ with alternatives until the early 1990s. The storyline on working time reduction was replaced by a storyline on labour productivity as well as an overall ‘viscosity’ storyline that pointed out the ineffectiveness of consensual corporatism.

Chapter 7 showed that this situation changed quite dramatically after 1995, when international attention for the Dutch model overwhelmed the Netherlands. The WRS successfully linked the causal narrative about wage restraint that emerged in the 1970s (competitiveness and jobs) to a historical event (Wassenaar in 1982) and to the Dutch tradition and ingrained habit of consensual policy-making. The WRS was supported by the main socio-economic players, but also by journalists and experts, and it even reached mythical proportions when it was linked to historical references of cooperation in the ‘battle against the water’ during the Middle Ages. The influence of the WRS proved lasting, too. Whenever economic downturn became apparent, notably after 1995 and again after 2001, the WRS structured the way members of the Dutch corporatist policy community conceptualised the world around them. Economic successes (1995–2000) as well as economic crises (2001–2004) were interpreted in terms of wage costs, and led to actors pointing out the need for cooperation and a central agreement on wage restraint like the Accord of Wassenaar.

With these empirical findings in mind, how can one answer the main research questions? With respect to the first question – Why was wage restraint singled out as the core of the Dutch successes? – three factors seem to be of importance. First, wage restraint has a long tradition in the Netherlands, and is linked tightly to the actors and institutions of Dutch corporatism. In times of economic crisis, Dutch political actors usually fall back on this policy legacy of orchestrated wage restraint, as the need for rapid consensual action inhibits a long search for entirely new and different solutions. When the economy subsequently improves it seems obvious, and politically beneficial, to link it to this policy people agreed upon in the past. Secondly, the emphasis on wage restraint as agreed upon in 1982 at Wassenaar offered unions and employers’ associations a very welcome opportunity to restore lost positions. In the early 1990s, Dutch corporatist institutions and consensual practices were subject to considerable critique at home: critique which undermining the influential political position of organised capital and labour. By accepting wage restraint as the cause of the Dutch successes, this substantially boosted the reputation of the social partners as responsible and reasonable negotiation partners for the government. The WRS was particularly attractive for unions, because they had lost bargaining ground since the 1980s. In order to become part, or even the creator, of the Dutch success story they presented themselves as the bearers of the Dutch model because they had been so ‘reasonable’ to restrain wages for the sake of the common interest.

Thirdly, wage restraint was more easily accepted as the core of the Dutch model particularly because it could be formulated in terms of the common interest. Both employers and employees seemed to have profited from it: the co-occurrence of wage restraint and economic and employment growth could be interpreted sensibly as a causal nexus. The availability of a scientific framework substantiating this causal nexus furthered the acceptance of the WRS throughout the Dutch corporatist policy community. Halfway through the 1980s (see Chapter 5), the Central Planning Bureau started to emphasise the positive impact that wage restraint had on the Dutch economy since 1982. In the early 1990s, the CPB made an explicit link between wage restraint (and de-coupling...
and some ideas ‘suit’ consensus-building better than others. Most notable, so it was argued, already accepted, quantifiable, scientifically underpinned and relatively simple ideas. And the idea of wage restraint fit this profile rather well.

8.4 The need for further research

This dissertation is about consensus-building around wage restraint in the Netherlands, and is as such a single country study. The used research design and methodology has obvious strengths, but also disadvantages. For understanding how consensus might come about, focusing on more cultural and discursive mechanisms, an in-depth investigation of a single country case seems a logical step; such a research keeps the institutional/organizational make-up and cultural practices relatively constant, and allows the researcher to explain different actions over time (that is, different cases) by looking at how actors mediate their surroundings. Such an analysis of this particular Dutch case informs us about more general mechanisms and processes of conflict resolution and consensus formation relevant for a broader set of cases (Gerring 2004: 344). Cross-case comparison is needed, however, to delineate which causal mechanisms explain variation across different cases, and might subsequently also shed light on the specifics of the Dutch case.

One interesting line of further comparative research is to compare the consensus in the socio-economic field to other policy fields in the Netherlands itself. To what extent does the way consensus is built around wage restraint say something about consensus formation and political interaction in others field such as labour law, pensions, education or, a relatively ‘conflictual’ field such as migration or integration. Such a comparison would have the advantage of keeping general country specifics stable. Particularly the first two examples incorporate the same actors, cultural practices and overall institutional make-up – did consensus come about in a similar way regarding ‘flexicurity’, another consensus – next to wage restraint – the Netherlands is famous for. Consensus-building also seems relevant for different institutions and organisations outside the socio-economic sphere. A 2007 parliamentary research about educational reforms in the Netherlands suggested that the expectation to build consensus – or to create, what is coined in the Netherlands as
the latter, some comparative ideational work has done on how overall economic theories, from Keynesianism to neo-classical economics, spread across political systems (cf. Blyth 2002), but it would be interesting to find out which national varieties of these theories can be found. In the Netherlands, the idea of wage restraint has been stressed as part of supply-side theories, but in Sweden and Denmark, for instance, activation policies are much more dominant. Can one explain this difference – as this particular study would suggest – by looking into the historical patterns of political interaction and the stories that highlight aspects of these patterns to events, policies and circumstances?

When considering differences between corporatist and more pluralistic societies, it might also, and finally, be interesting to explore the question what ‘smallness’ has to do with consensus-building. Katzenstein argued in 1985 that the development of corporatist political systems – and by implication in this research ‘consensualism’ – is related to the size of the country: small countries have to adjust to the international economy, whereas bigger countries can more easily navigate their own course. Corporatist institutions allow for such a flexible adjustment strategy for small countries, so Katzenstein observed. Several persons that were interviewed within the context of this dissertation also suggested that ‘smallness’ is important for consensus-building, because frequent formal and informal meetings reduce the possibilities for prolonged conflict. In a small community, people often run into each other and need to cooperate on a daily basis. It would be interesting to find out, perhaps with the help of qualitative and quantitative network analyses, whether smallness indeed is a relevant variable (cf. Heemskerk 2007).

8.5 Prospects for policymaking
from a low to a high road?

In conclusion, it might be interesting to briefly speculate about the prospects of wage restraint within Dutch socio-economic debate and policymaking. The first ten years of the new millennium are characterised by increasing internationalisation of trade and a deepening European economic integration. On the European continent, the development towards a single market has contributed substantially to the free movement of capital, goods and services. On the one hand, concerns for
productivity is a test-case to see whether this model and the idea of wage restraint in the upcoming years if this other hand, European integration has seemingly tightened the room for economy has always been relatively open to international trade and, as from 1983, it had already pegged the Dutch guilder to another currency, the German mark.

Nevertheless, as from more or less 2000, a public discussion has been going on about how to adapt the Netherlands to these changing economic and political realities. The general belief is that the Netherlands should develop into a competitive and dynamic ‘knowledge economy’ revolving around high productivity, innovation and human capital (these are also the main elements of the European ‘Lisbon Strategy’ of 2000). It is increasingly argued that a ‘beggar-thy-neighbor-style’ wage restraint might be a viable short-term strategy for (emerging) economies, but that in the long run the high-income, high-wage economies have to move towards a different strategy focusing on labour productivity and innovative capacity (cf. Porter 1998). That is, the Netherlands should take a high ‘productivity’ road to economic growth rather than the low ‘wage restraint’ road (cf. Milberg and Houston 2005). As the historical Chapter 6 showed, this is not an entirely new storyline. In the early years of the 1990s, economists like Klein Knecht and Bomhoff shocked the nation by suggesting a move away from wage restraint towards a focus on productivity, quality and efficiency. However, though the high road is viewed as the proper road to take, it proves difficult to turn these words into effective deeds, on Dutch as well as European levels. Policymakers seem uncertain about how to develop a ‘knowledge economy’. As union leader Doekle Terpstra argued: it is ‘innovation at any rate, but how?’. (Trouw, 11 July 2000)

It will be interesting to see what will happen to the Dutch consultation model and the idea of wage restraint in the upcoming years if this alternative storyline gains more supporters. As a secretary-general of the Ministry of Social Affairs phrased it a while back: ‘the discussion about productivity is a test-case to see whether this model [the consultation model, CH] will remain the answer [to our economic problems, CH]’ (SER Magazine, January 2003). The storyline about productivity poses a considerable challenge to an institutional system sustained by consensual practices, a system that is so closely tied up with the idea of wage restraint. Can the social partners conclude agreements that involve measures to improve labour productivity? What would such an agreement look like? Concepts and measures such as ‘employability’, ‘smart work’ and ‘investments in education’ have been incorporated in central agreements for many years, but do not constitute the core of the agreement, which is usually still about wage restraint. In fact, the alternative storyline on the ‘knowledge economy’ has been gradually incorporated into the Wage Restraint Storyline. Wage restraint is viewed here as an effective short-term strategy to improve employment, whereas other measures to improve productivity in the long run are required, like investments in education and competition policy. That is, the low and high roads towards economic growth are complementary in the WR.

In the meantime, the Netherlands – as well as other countries – are confronted with a new economic and financial crisis, which is compared to the deep recessions of the early 1980s and the 1990s. Despite all the talk about the ‘knowledge economy’ and the apparent failure of neo-liberal policies, of which wage restraint is part, wage restraint returned on the political agenda in the Netherlands quite rapidly. When the financial crises of 2007 also heralded an economic depression, appeals to restrain wages were again paramount. In 2009, the Minister of Social Affairs, for example, suggested to freeze wages and benefits (Parool, 25 February 2009), a message that was frequently repeated by the Dutch government. And though unions and employers were hesitant to agree on general wage restraint across sectors (Parool, 24 February 2009), they concluded an accord in which ‘work prevailed above income’: ‘the realisation of wages would be differentiated, but are modest right down the line’ (StvdA 2009). Therefore, the WR seems to continue to shape political debate about ‘appropriate’ policymaking.

This research investigated the central role of the idea of wage restraint in the Dutch Polder Model. Though the Polder Model, nationally and internationally, lost most of its attractiveness, the story on wage restraint behind it, still stands strong. Whether the new and seemingly unprecedented financial crisis of the last years will change this story on the Dutch economy remains to be seen.
The idea of wage restraint has a long history in the Netherlands and has been presented as the key recipe for economic recovery for many years now. As early as the 1930s for instance, the Dutch government responded to the Great Depression by supporting industry efforts to bring wage levels down and by cutting wages in its own public works. The idea of wage restraint was also pivotal to the centrally guided wage and price system of the early post-war period to restore the Dutch war-torn economy. This centralised system faltered throughout the 1960s, although the government still tried to fight the oil and economic crises of the 1970s by implementing wage controls. As from the early 1980s onwards the policy of wage restraint to restore economic growth was being practiced again, although now on a more voluntary basis. Since then, in times of economic (and political) crisis, wage restraint has been the standard response of Dutch policymakers: in the early 1980s, early 1990s, early 2000 and also now, during the latest economic recession, triggered by failing financial markets, wage restraint seems to be the magic word.

Why do we always talk about wage restraint in the Netherlands? This is the central question of this dissertation. Specifically, this study is about the Dutch fascination for wage restraint throughout the period 1980 to 2005.
period that has become known as the ‘Polder Model’ period. This concept was invented in the second half of the 1990s, and became popular in Dutch and foreign press. In that period, the Netherlands was performing particularly well as compared to other countries concerning economic growth, inflation, income equality, and – above all – employment growth. Though the Netherlands was still an employment laggard in Europe at the beginning of the 1980s, its employment rate dramatically increased over the 1990s to the top in Europe. In public and academic debate, this success was linked to the specific way in which Dutch politics took place: the negotiation culture directed at consensus and compromise, in which necessary and harsh reforms were implemented not by raw force but in dialogue with the most important societal actors. Wage restraint is at the core of this Dutch Polder Model story. Starting in the beginning of the 1980s, it presumably caused the economic and employment successes of the second half of the 1990s. Wage restraint could do this because of its positive impact on particularly business profits and exports: via wage restraint the Netherlands could better compete on international markets. This was not solely result of government policy: wage restraint was supported by trade unions and employers alike, who concluded in 1982 the, by now world-famous Accord of Wassenaar on wage restraint and working time reduction.

This dissertation analyses why and how this notion of wage restraint has become so central to this Polder Model story. Raising this question suggests that the answer is not that simple. Most studies on the Polder Model assume that wage restraint is so prominent because it is and has been good for the Dutch economy. In this line of reasoning the why-question is less relevant: wage restraint is good and that is why it has been adopted. Wage restraint is, however, not only a question of economic success. For instance, it is also important for understanding the prominence of wage restraint: the dynamics of the rules of the game, the process of inclusion and exclusion, are important for understanding the prominence of wage restraint. Wage restraint is such an idea. Once formulated as a common interest, the rules of the game facilitate agreement on some common interest, a notion that is also central to Dutch corporatism. The rules of the game are not always explicitly formulated. They are informal and often taken-for-granted, though not without consequence: people who do not live up to the rules are being sanctioned and isolated. The dynamics of the rules of the game, the process of inclusion and exclusion, are important for understanding the prominence of wage restraint: the margins of consensual discussion are relatively small, and some ideas are more suitable for consensus formation than others. Wage restraint is such an idea. Once formulated as a common interest, the rules of the game facilitate their reproduction.

Chapter 5 subsequently discusses in detail a particular rule of the game: of depoliticising ideological conflicts as much as possible. The role of experts is crucial in this regard, and then particularly the role of the Central Planning Bureau (CPB). Expert knowledge enlarges the chances of compromise and consensus, by offering neutral and scientific information on the basis of which further political discussion can take place. The prominent position and authority of the CPB is im-
Wage restraint fits this picture. On the other hand, they way in which political actors themselves use and legitimise ideas is also of importance. Even though employers have a strong position under Dutch corporatism their support for wage restraint is not sufficient to explain its prominence. Wage restraint seems to be an idea that can be easily brought in line with Dutch traditions and accepted practices by all political actors, linking it to success for all. That also seems to be the final decisive factor: policy ideas that have been considered a success in the past, usually constitute the core of policymaking for the future.

Portant for understanding the acceptance and reproduction of the idea of wage restraint. Ever since her foundation, the CPB has stressed the importance of wage restraint, and its authority gives the CPB a channel into Dutch politics. The CPB impacts on political negotiations by setting the parameters of what people can reasonably talk about: by outlining the state of the Dutch economy and by assessing the impact of political accords on economic developments.

After this analysis of the Dutch consensual rules of the game, shaping the 'discourse' of Dutch politics, Chapters 6 and 7 analyse how actors themselves also shape the acceptance and reproduction of the idea of wage restraint. Chapter 6 dives into Dutch history and analyses how the idea of wage restraint has developed as from the 1970s when the world economy experienced a deep crisis, triggering a change in economic thinking from Keynesianism to supply-side economics. This chapter introduces the concept of storylines to emphasise how ideas are part of a broader story on the economy: on the causes of a crisis, on desirable and effective solutions and the division of responsibilities. The Wage Restraint Storyline (WRS) emerged in the 1970s, but still had to compete until the early 1990s with other storylines on the economic crisis: most notably, the storyline on working time reduction.

Chapter 7 analyses how and why throughout the 1990s the WRS turned into the dominant storyline on Dutch socio-economic history. It shows that the WRS consists of three separate narratives: 1) the causal narrative on the impact of wage restraint on competitiveness and exports; 2) the historical narrative on the Accord of Wassenaar of 1982; and 3) the political narrative on the importance of consensus and negotiation in Dutch politics. Most actors in the Dutch corporatist policy community do not utter all these narratives at the same time, but focuses on those narratives that attracts them most. In fact, that is the power of storylines; it can be shared and supported by many actors with different ideas and interests.

Finally, in the conclusion of this study the main research question are being answered: why do we always discuss wage restraint when tackling economic crises? The answer to this question is not simple; it is the result of a combination of political-cultural and discursive practices. On the one hand, the consensual negotiation culture leaves little room for disagreement; some ideas can reasonably be discussed, others not. Particularly those ideas that can be formulated in the terminology of some common interest or are supported by experts usually have a competitive edge.
Loonmatiging is al vele jaren de beproefde manier van Nederland om economische crises het hoofd te bieden. In de jaren dertig van de vorige eeuw bijvoorbeeld meende de Nederlandse regering, onder leiding van Hendrikus Colijn, dat de beste manier om de Grote Depressie te lijf te gaan was door loonmatiging in de industrie te steunen door loonkortingen in de publieke sector. Na de Tweede Wereldoorlog zette de Nederlandse regering, in samenwerking met de vakbonden en werkgevers, een van de meest strikt gereguleerde systemen op van loonvorming in Europa om de Nederlandse loongroei in bedwang te houden. Alhoewel dit systeem uit elkaar viel in de jaren 60 en 70, kent Nederland vanaf de jaren 80 een systeem van vrijwillige loonvorming waarbij loonmatiging een terugkerend fenomeen is tijdens elke economische crisis; begin jaren 80, begin jaren 90, begin 2001 en ook nu tijdens de laatste grote, door de problemen van de financiële markt veroorzaakte, crisis lijkt loonmatiging het toverwoord.

Waarom hebben we het in Nederland altijd over loonmatiging? Dit is de vraag die in deze studie centraal staat. Specifiek gaat het over de Nederlandse fascinatie voor loonmatiging in de periode 1980 tot 2005, een periode die ook wel bekend is komen te staan als de periode van het

Nederlandse samenvatting

Het verhaal achter het Nederlandse Model

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gebrek aan consensus in de economische wetenschap roept de vraag op en het effect van Nederlandse loonmatiging in het bijzonder. Het verschil van mening over de rol van loonmatiging in het algemeen, verklaring onbevredigend is. Economen in binnen en buitenland

Hoofdstuk 2
zet ik uiteen waarom deze, zogeheten 'functionalistische' en daarom steunen de regering, werkgevers en vakbonden dit beleid. In naar het waarom doet er in dat geval niet zo toe: loonmatiging is goed centraal staat omdat het goed is voor de Nederlandse economie. De vraag naar een overweg in Nederlandse corporatistische beleidsgecommunity. Op basis van interviews, worden in Hoofdstuk 4 enkele zogeheten 'spelregels' geïdentificeerd waaraan politici, vakbonds- en werkgeversvertegenwoordigers zich moeten houden in overleg zoals een flexibele en pragmatische houding en/of zo lang mogelijk doorpraten. Deze spelregels hebben tot doel om gezamenlijk tot een invulling te komen van het 'algemeen belang', een concept dat centraal staat in de beleids-gemeenschap. Deze spelregels worden niet altijd zo expliciet geformuleerd tijdens onderhandelingen, ze zijn informeel en worden vaak routinematig toegepast. Het is 'normaal' gedrag. Dit betekent echter niet dat ze zonder consequentie zijn: mensen die zich niet aan de regels houden, worden buitengesloten en worden beschouwd als onbetrouwbare onderhandelingspartners. Deze dynamiek van de geaccepteerde spelregels, de in- en uitsluiting van mensen en ideeën is van belang voor het begrijpen van de centrale rol van loonmatiging in de Nederlandse loonmatiging in het algemeen, en het effect van Nederlandse loonmatiging in het bijzonder. Het gebrek aan consensus in de economische wetenschap roept de vraag op waarom er dan wel een politieke consensus over loonmatiging lijkt te bestaan. Deze vraag wordt versterkt door het gegeven dat loonmatiging politieke verdelingsconsequenties heeft (simpelgezegd: werknemers minder, werkgevers meer) en andere landen niet eenzelfde enthousiasme opbrengen voor dit soort beleid. Waarom Nederland wel?

Deze studie zoekt het antwoord in meer culturele en discursieve benaderingen: ik kijk naar de manier waarop Nederlandse politici, vakbonds- en werkgeversvertegenwoordigers politiek bedrijven en overleggen, welke normen en waarden van belang zijn, en hoe woorden, symbolen, en verhalen een rol in dit overleg spelen. De Hoofdstukken 3, 4 en 5 gaan allereerst in op de vraag hoe de Nederlandse consensuspolitiek in het algemeen, en het Nederlandse corporatisme in het bijzonder, werkt. Dit laatste begrip – corporatisme – is een term die met name vanaf de jaren 70 veel gebruikt werd om een politiek system te beschrijven waar vakbonden en werkgevers overleggen en onderhandelen over in ieder geval lonen, maar vaak ook over andere sociaal-economische thema’s. Nederland wordt vaak genoemd als een gemiddeld tot sterk corporatistisch land. Maar alhoewel er veel aandacht is geweest voor Nederlandse corporatistische instituties, is er weinig onderzoek gedaan naar hoe dit corporatisme precies werkt; hoe en waarom vindt overleg plaats?

Na een beschrijving van corporatistische instituties en actoren in Hoofdstuk 3, analyseren Hoofdstukken 4 en 5, in detail de manier van overleg binnen de Nederlandse corporatistische beleidsgemeenschap. Op basis van interviews, worden in Hoofdstuk 4 enkele zogeheten 'spelregels' geïdentificeerd waaraan politici, vakbonds- en werkgeversvertegenwoordigers zich moeten houden in overleg zoals een flexibele en pragmatische houding en/of zo lang mogelijk doorpraten. Deze spelregels hebben tot doel om gezamenlijk tot een invulling te komen van het ‘algemeen belang’, een concept dat centraal staat in de beleids-gemeenschap. Deze spelregels worden niet altijd zo expliciet geformuleerd tijdens onderhandelingen, ze zijn informeel en worden vaak routinematig toegepast. Het is ‘normaal’ gedrag. Dit betekent echter niet dat ze zonder consequentie zijn: mensen die zich niet aan de regels houden, worden buitengesloten en worden beschouwd als onbetrouwbare onderhandelingspartners. Deze dynamiek van de geaccepteerde spelregels, de in- en uitsluiting van mensen en ideeën is van belang voor het begrijpen van de centrale rol van loonmatiging in een op consensus gerichte overlegcultuur is de marge voor discussie relatief klein, over sommige ideeën kan makkelijker overeenstemming
worden bereikt dan andere ideeën, met name in tijden van crisis. Loonmatiging is zo’n idee. Eenmaal geaccepteerd als het algemeen belang, zorgen de consensuele spelregels voor de continuering ervan.

*Hoofdstuk 5* behandelt vervolgens een specifieke uitwerking van een van deze spelregels; de verwachting om ideologische conflicten zooveel mogelijk vermijden, te depoliticiseren. Hierbij is de rol van experts cruciaal, en dan met name de rol van het Centraal Planbureau (CPB). Om de kans op consensus en compromis te vergroten, worden veel politieke onderhandelingen gebaseerd op ‘neutrale’ wetenschappelijke inzichten. De prominente rol van het CPB in de Nederlandse beleidsgemeenschap heeft de acceptatie en continuering van het idee van loonmatiging als algemeen belang versterkt. Vanaf haar oprichting heeft het CPB het belang van loonmatiging benadrukt, in haar modellen en analyses. Voor, tijdens en na politiek overleg beïnvloedt de CPB de kaders waarbinnen dit overleg plaatsvindt; door de uitgangspositie van de Nederlandse economie te schetsen, en door de effecten van loonmatigingsakkoorden door te rekenen.

Na deze analyse van de consensuele spelregels van de corporatistische beleidsgemeenschap en de impact op het ‘discourse’ in en van die gemeenschap, analyseren *Hoofdstuk 6* en *Hoofdstuk 7* hoe politieke actoren zelf ook hebben bijgedragen aan de acceptatie en continuering van loonmatiging als centraal concept. *Hoofdstuk 6* duikt de geschiedenis in en bekijkt hoe het idee van loonmatiging zich vanaf de jaren 70 – de economische crisis die een omslag in economisch denken veroorzaakte – heeft ontwikkeld. Dit hoofdstuk gebruikt het begrip ‘storyline’, om duidelijk te maken hoe het idee loonmatiging onderdeel was van een groter verhaal; over de oorzaken van de crisis, de gewenste en effectieve oplossingen, en wie waarvoor verantwoordelijk is. Storylines worden collectief gecreëerd, maar individueel gebruikt. Dit hoofdstuk laat zien dat de storyline over loonmatiging (de *Wage Restraint Storyline, WRS*) zoals we die vanuit het Polder Model kennen, in de jaren 70 opkwam maar pas echt wijdverspreid raakte begin jaren 90. Tot die tijd concurrerden deze storyline met andere storylines over de Nederlandse economie, met name die over arbeidstijdverkorting.

*Hoofdstuk 7* gaat als laatste in detail in hoe die dominante idee van de loonmatigingsstoryline vormkreeg in de jaren 90. Het specificert de WRS als bestaande uit drie verschillende verhaallijnen: 1) de causale verhaallijn over het verband tussen loonmatiging en economische groei, 2) de historische verhaallijn over het Akkoord van Wassenaar uit 1982 en 3) de politieke verhaallijn over de Nederlandse focus op consensusvorming en het algemeen belang. Iedere acteur in de Nederlandse corporatistische beleidsgemeenschap uit niet per definitie de volledige storyline, maar benadrukt met name de verhaallijn waarin hij of zij zich het meest herkent. Dat is de kracht van storylines; het kan worden gedeeld door mensen en organisaties met verschillende ideeën en belangen.

In de conclusie wordt gepoogd een antwoord te geven op de hoofdvraag: waarom hebben we het in Nederland altijd over loonmatiging? Het antwoord hierop is niet simpel; het komt voort uit een combinatie van politiek-culturele handelingen en discursieve praktijken. Aan de ene kant zorgt de op consensus gerichte politieke cultuur van de Nederlandse corporatistische beleidsgemeenschap ervoor dat er een vrij smalle marge is voor discussie: niet alles is bespreekbaar in een consensueel debat, en met name ideeën en beleid die in de terminologie van het algemeen belang kunnen worden gegoten hebben een comparatief voordeel, alsmede ideeën die door experts worden ondersteund. Loonmatiging past goed in dit plaatje. Aan de andere kant is ook de manier waarop actoren zelf loonmatiging naar voren brengen en legitimeren van belang. Alhoewel werkgevers een sterke positie hebben in de Nederlandse beleidsgemeenschap, is hun nadruk op loonmatiging onvoldoende als verklaring voor diens dominantie. Het idee van loonmatiging blijkt door alle gevestigde actoren uit te treden in lijn en voornamelijk te worden geaccepteerd als na de economische crisis die een omslag in economisch denken veroorzaakte. Tot die tijd concurreerden deze storyline met andere storylines over de Nederlandse economie, met name die over arbeidstijdverkorting.
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List of interviews


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Zuthem, H. van, Senior Policy Officer Inspraak Orgaan Turken (Participation Agency Turks in the Netherlands). Utrecht: 23 February 2004 (Smalllcons interview)


CBS, Centraal Bureau voor de Statistiek.


CNV (Christelijk Nationaal Vakverbond). Utrecht: CNV.

CNP (Christelijk Naatol). Utrecht: CNV.

CNP (Christelijk Naatol). Utrecht: CNV.

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MKB-Nederland (Koninklijke Vereniging Midden en Klein Bedrijf Nederland). Delft: MKB.


NRC Handelsblad (various issues). Rotterdam.


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<tr>
<td>AIQ</td>
<td>Arbeidsinkomenquota</td>
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<td></td>
<td>labour income as a percentage of national income</td>
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<td>CAO</td>
<td>Collectieve Arbeidsovereenkomst</td>
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<td></td>
<td>collective labour agreement</td>
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<td>CDA</td>
<td>Christen-Democratisch Appel</td>
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<td></td>
<td>christian democratic Party</td>
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<tr>
<td>CNV</td>
<td>Christelijk Nationaal Vakverbond</td>
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<td></td>
<td>Christian trade union federation</td>
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<td>CEP</td>
<td>Centraal Economisch Plan</td>
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<td></td>
<td>Central Economic Plan</td>
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<td>CPB</td>
<td>Centraal Planbureau</td>
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<td></td>
<td>Netherlands Institute for Economic Policy Analysis</td>
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<td>D66</td>
<td>Democaten66</td>
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<tr>
<td></td>
<td>social-liberal party</td>
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<tr>
<td>DNB</td>
<td>De Nederlandsche Bank</td>
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<td></td>
<td>the Dutch Bank</td>
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<tr>
<td>FNV</td>
<td>Federatie Nederlandse Vakbeweging</td>
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<td></td>
<td>Dutch federation of trade unions</td>
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<td>LTO</td>
<td>Land- en Tuinbouworganisatie</td>
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Table 6.1 Main dividing lines in socio-economic debate
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Notes in text

1 'Netherlands: to good to be true?', The Economist, 12 October 1996.
6 Akkoord van Wassenaar is hersendood', Het Financieele Dagblad, 24 Nov. 1999.
7 The discussion about the Polder Model also extended to other policy fields, e.g. environmental politics; cf. Schreuder, Y. (2001). 'The Polder Model in Economic and Environmental Planning', Bulletin of Science, Technology & Society, 21, 4: 337-245.
9 Named as such after the coastal town in which it was negotiated (Wassenaar).
11 'Lubbers: basis van succes ligt bij mij', NRC Handelsblad, 16 September 1997.
Some employers – particularly in the Netherlands. And the Winner is … 'Heilig huisje krijgt scheurtjes', In English, this expert institute calls itself 'the Netherlands Institute for Economic Policy Analysis'. This research relates to e.g. individual politicians, party and government officials, as well as ministers and civil servants. However, in the Dutch context of corporatism, economic actors like unionists or employers' representatives as well as the organisations in which they are represented are also involved in socio-economic policymaking, and are thus here also understood as political actors.

In English, this expert institute calls itself 'the Netherlands Institute for Economic Policy Analysis'. This research prefers a more direct English translation of the Dutch words that refer to its history as a planning institute for the Dutch government (see Chapter 3).


These lines of critique are not new. In the past, academics have questioned the central role of wage restraint in the Netherlands as well (cf. Hemanick 1992; Thierborn 1986; Van Ewijk et al. 1980; Fortuyn 1974).

See for a discussion of several of these books: Van Empel, F. (1997), 'Nederlanders zijn niet echt slim', NRC Handelsblad, 26 February 1997.

Some employers – particularly in the 1980s (see Chapter 6) – have argued that wage restraint is not in their direct interest as well. Particularly firms in e.g. retail or tourism might be negatively affected because wage restraint reduces consumption levels in the short run.

See also: 'Ondernemer gedraagt zich als rententier', De Volkskrant, 10 September 1997:


OECD Employment Outlook (2004: 117): 'It is not immediately evident whether these cross-country differences in the degree and timing of real wage restraint, as measured here, translated into difference in employment performance'.

Goods that are first imported, and then exported without further processing or transformation of the goods.


By contrast, a communicative discourse is not so much about bringing policy actors together but is more about legitimising the policies towards the wider public.

'Discourse' and 'discourse analysis' are both surrounded by a lot of controversy and disagreements, and is by far a single approach, let alone a self-sufficient social scientific paradigm (cf. Hammersley 2003).

Storylines are 'narratives on social reality through which elements from many different domains are combined and that provide actors with a set of symbolic references that suggests a common understanding' (1995: 62).

Urban citizens.

Hoogheemraadschappen (water control boards) are still existing, once private but now public agencies, that are responsible for water regulation in a certain region.

Translation CH.

The subsequent historical sections are largely based on the historical workpackages (reports) of the Smallincs-project (cf. Smit et al. 2004; Zimmermann 2004).

The Protestant principle of 'sovereignty in one's own circle' is slightly different from the Catholic principle of 'subsidiarity'. The first takes societal groups as its starting point, and only wants to organise some task collectively when the lower levels are not able to perform this particular task. It is bottom-up therefore. The Catholic principle in a way works the other way around, is more top down, where the higher level should delegate tasks to the lower level, if the lower level can perform this task more effectively.

Wet op de Collectieve Arbeidsvoorwaarden, Wet CAO.

Wet op het Algemene Verbindend en Omverbindend Verklaren van bepalingen van collectieve arbeidsvoorwaarden, Wet AVG.

The Hoge Raad van Arbeid functioned until the start of the Second World War.

The High Council of Labour mainly preoccupied itself with social policy issues. In 1932 another advisory body was founded, the Economic Council, that mainly focused on economic issues. This institute mainly constituted out of experts however, and no organised interests.

Plan van den Arbeid 1935.

Woltersom was a banker who presided over the commission.

Publicrechtelijke Bedrijfsorganisatie PRO. These PROs have been founded on a voluntary basis in some industries and sectors, but are in general not perceived as successful (cf. Teulings and Hartog 1998).

Buitengewoon Besluit Arbeidswaardenhoudingen 1945.

Commissie van Rijksbemiddelaars.

Another term that has been used is 'organized decentralisation' (Traxler 1996).

This legal possibility to intervene in wage setting was substantially circumscribed in 1987 when the Wage Act was adjusted.

This central line concerns the initial or structural wage increase. Affiliated unions can use the available 'wage space' in their sector for non-structural increases of the wage component as well (e.g. one-time payments).

Federaat Nederlandse Vakbeweging, FNV.

Nederlands Katholiek Verbond, NKV. The NKV was the 1964 follow-up of the Catholic Labour Movement (Katholieke Arbeidersbeweging, KAB). The KAB was founded in 1912 as a separation of the Christian Trade Union Federation CNV.

Nederlands Verbond van Vakverenigingen, NVV. The NVV was founded in 1906 with the goal to unify the fragmented labour movement. The first chairman was Henk Polak.

Christelijk Nationaal Vakverbond (CNV). The CNV was founded in 1909.

Vakcentrale voor Middengroepen en Hoger Personeel (MHP).

Verbond van Nederlandse Ondernemers (VNO). VNO is a 1968 merger of the VNW (Vereniging van Nederlandse Werkgevers,
It has been suggested that the vast 
two seats, NCW has seven seats, MKB Nederland three seats and NCW Nederland just one seat.

Since 1996 each group has eleven seats, but in the beginning each group had 15 seats. On the part of employers, VNO-NCW has seven seats, MKB Nederland three seats and UTO Nederland just one seat. On the part of the unions, FNV has eight seats, CNV two seats and MHP one seat.

It has been suggested that the CPB renamed itself in this way in English to avoid a close association with economic planning in the sense of the socialist economics (Den Butter & Mosch 2003: 366).

The other planning bureaus are: Social and Cultural Planning Office of the Netherlands (Social en Cultureel Planbureau, SCP), and the Netherlands Environmental Assessment Agency (Planbureau voor de Leefomgeving, PBL).

Which is about 11 million Euros each year.

Wet Houdende de voorbereiding van het vaststelling van het Centraal Economisch Plan. Translation article 3 CH.

Translation CH.


In Dutch: the SfR has the task to ‘zero the algorithm between the usefulness of the bedrijfsleven to be triggered, else become the benefit of the bedrijfsleven and the start吊 behoorende personen te behartigen’.


In more detail employers’ chairperson Jacques Schraven argued at the 50th anniversary of the Social and Economic Council: ‘The Polder Model is not identical to compromises for the sake of compromises. Sometimes you just have to be clear-cut on essential points. On these points consensus will or will not emerge’ (Schraven 2000).

Translation CH.

Speaking notes Lodewijk de Waal in the consultation with the Dutch government, 3 July 2003, The Hague.

In line with the above references of interviewees to the smallness of the Dutch corporatist policy community, Den Butter and Mosch also point out that ‘a fairly small number of players’ is crucial in this respect (2005: 373-374).

The colour purple represents the so-called Purple government (1994-2002), in which the Liberals, Social-Democrats and Social Liberals were represented.

"Kapte arbeidsmarkt lalachmoeproof

Albert Hirschman (1970). In 1998, the German

Je moet echt van dit polderspel houden', Het Financieele Dagblad, 12 December 2002.

Introductory speech by Agnes Jongerius,

We are talking here about enforcement

Die Zeit named five lessons to be learned from the

Dutch consultation economy that

five rules of the game mentioned in

three informal (not on paper);

2. patience, little steps;

1. secret negotiations;

Koen Koch, 'Politiek succes is grijs,


maatiging is voornamelijk psychologie', Het Financieele Dagblad, 30 November 2000.


'Akkoord over loonmatiging is

Translation CH.

1. 'Vakcentrale FNV: 'Sociaal akkoord

'Effecten van niet-doorgaan loon-

'tekelmuziek'.

In 1998, the German Die Zeit named

Etzesteijn et al. 2002; Van Hulst

Die Volkskrant, 15 October 2003.


Werkgevers willen salarisgroei per
abelniet paars', Trouw, is gevaarlijk', Trouw, 7 March 2000.


Ruzie salarissen directies voorbij', Het Parool, 5 September 1999.


For critical evaluations see Van Hulst

banengroei gebaat bij forum en

the debate', Trouw, 7 March 2000.


Loonmatiging ten einde', NRC Handelsblad, 7 March 2000.


‘Werkgevers: 3,5 procent loonies FNV

1. 'Handel in nationaal

3. keep things informal (not on paper);

2. patience, little steps;
Independent in the sense that they are not formally accountable to any interest group nor to a public body. No expert body can be said to be entirely independent, however.

It is important to add at this point that expert bodies, as important carriers of particular ideas, may be organisations as such, though individual experts within those organisations are crucial as well (cf. Stiller 2007), as will be demonstrated further on in this chapter.

Obviously next to its official task to guard and monitor the financial stability in the Netherlands.

Haas defines an epistemic community as ‘a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue area’ (Haas 1992: 3).

Obviously next to its official task to guard and monitor the financial stability in the Netherlands.

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Obviously next to its official task to guard and monitor the financial stability in the Netherlands.

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It is important to add at this point that expert bodies, as important carriers of particular ideas, may be organisations as such, though individual experts within those organisations are crucial as well (cf. Stiller 2007), as will be demonstrated further on in this chapter.
In 1979, for instance, a commission was established (Commissie Arbeidsvoorwaardenbeleid) that was supposed to coordinate labour conditions between employers.


'Sociale partners bespreken verkorting van arbeidstijd', De Volkskrant, 7 October 1982.

Translation CH.


Translation CH.


The unions were particularly opposed to the plans of the Christian-Liberal government to cut benefit levels and salaries of civil servants.


'FNv nog lang niet uitgepraat over korter werken', Haagse Post, 8 October 1982.

'Sociale partners bespreken verkorting van arbeidstijd', De Volkskrant, 18 November 1982.

Werkweek van 32 uur de enige oplossing

Translation CH.


Andriessen eventually resigned in 1980, partly because of these conflicts within the government.


'SER is het niet eens over therapie voor zieke economie', Het Parool, 18 December 1982.

Because of this 'existential crisis' of the SER, unions and employers' associations predominantly consulted each other within the bipartite Labour Foundation (Passenier 1994: 200, 210).

Translation CH.

Driehuis pleit voor stimulering vraag', De Volkskrant, 23 December 1982. Translation CH.


Ban gebroken', 20 November 1982.


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Because of this 'existential crisis' of the SER, unions and employers' associations predominantly consulted each other within the bipartite Labour Foundation (Passenier 1994: 200, 210).

'Desastreus', 20 November 1982.


The Wagner-committee was also advised to make use of CPB analyses and services. The Dutch Bank was represented in the committee.


In the early 1980s, a newspaper commentator argued that the policy views of unions 'remain the mirror image of what the government and employers want' ('Baanbrekend denkwerk', NRC Handelsblad, 12 November 1982.

'Werkgevers sturen aan op loonmaatregel', Haarlems Dagblad, 15 October 1982.


This 1%-norm was a proposal of the Ministry of Financial Affairs Wim Duisenberg, who later (in 1981) became the president of the Dutch Bank (SNB) and (in 1998) the first president of the European Central Bank.

One of the WRR council members, Prof. dr. A. Kolmaar, explicitly distanced himself from the policy recommendations of Chapter 6 (see pp. 312-315). According to this council member, the policy focus should indeed be on general macro-economic policies; he doubted whether a complementary, more selective policy could be efficient and effective.

Which in fact also was a suggestion of the author of the WRR-report itself. Prof. Dr. Van der Zwan also took part in this new expert committee.


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'Werkgevers sturen aan op loonmaatregel', Haarlems Dagblad, 15 October 1982.


'Desastreus', NRC Handelsblad, 23 December 1982. Translation CH.

Translation CH.

The problems of the Dutch economy became more and more linked to the government’s financial support to firms and industries that were not financially viable. These financial ‘failures’ – reaching a climax in the RSW parliamentary inquiry on government support between 1983 and 1984 – undermined the societal and political acceptance of an active industrial policy.

One of the WRR council members, Prof. dr. A. Kolmaar, explicitly distanced himself from the policy recommendations of Chapter 6 (see pp. 312-315). According to this council member, the policy focus should indeed be on general macro-economic policies; he doubted whether a complementary, more selective policy could be efficient and effective.

Which in fact also was a suggestion of the author of the WRR-report itself. Prof. Dr. Van der Zwan also took part in this new expert committee.


In the early 1980s, a newspaper commentator argued that the policy views of unions ‘remain the mirror image of what the government and employers want’ (‘Baanbrekend denkwerk’, NRC Handelsblad, 12 November 1982.


'Desastreus’, NRC Handelsblad, 23 December 1982. Translation CH.

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Translations CH.


It is important to note in this respect that the government was not officially a signing party. After the government was sworn in, the Minister of Social Affairs, however, promised to honour a central agreement on wage restraint.


Other countries suffering from a similar economic crisis did not come to central negotiations and agreements.


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In 1984, the government attempted to keep employers to their part of the bargain, by pointing out the opportunities for working time reduction now the financial situation of firms had indeed improved (Het in 1985 en volgende jaren te voeren social-economische beleid (1986). Tweede Kamer der Staten Generaal, vergaderjaar 1983-1984, no 18735).

“Desastreux”, NRC Handelsblad, 23 December 1982. Translation CH.


The critique of unions on the ‘cost-oriented’ response of Dutch employers and government was also endorsed by the Swedish Professor Göran Therborn as he stated around the same time that the Netherlands was ‘one of the most spectacular employment failures in the developed capitalist world’ (Therborn 1986: 121). Reasoning along similar lines, the Dutch Scientific Council for Government Policy (WRR) stated that the restrictive response of the government had only aggravated the economic crisis (WRR 1987: 6).


“Loonmatiging in ruil voor werk is foute benadering”, De Volkskrant, 8 October 1987.

The two political parties making up the government (CDA and VVD) both share the necessity to reduce costs in the private sector (VVD 1986: 13, 19; CDA 1986: 30). The CDA is in favour of ‘work above income’, but suggests to use ‘wage space’ for working time reduction (ibid.).

“Niemand is het moe om de lonen te matigen”, De Volkskrant, 28 December 1987.

“Zowel regering als PVDA heeft belang bij convenant”, NRC Handelsblad, 20 February 1987. This exchange logic of wage restraint for tax reduction is known as the Plan Schouten, named after the economist Prof. D.B.J. Schouten, who was an authoritative economist in the Netherlands in the 1960s and 1970s. ‘Tax reductions to maintain purchasing power depended on healthy government finances however (SER 1982). When the financial situation of the government improved over the 1980s, this exchange became an attainable option.

Gemeenschappelijk Beleidskader (GBK).

The CPB had linked the improved economic circumstances of the 1980s to wage restraint as from 1985 (MEV 1985; 1986)


The city in which social partners meet at the central level (in the Social and Economic Council and the Labour Foundation).

Translation CH.

Quoted in Janssen (1994).


317 ’[Wage restraint] was beneficial in two ways: the price of Dutch export products dropped due to lower wage costs, as a result of which sales increased. At the same time, a moderate wage cost development contributed to the maintenance of products and production processes that make use of relatively high amounts of labour’, quoted in Forum (1999), ’Loon-Hitte-Golf in Nederland: veenbrand over hoogte salarissen’.


322 ’Gute Noten für die Niederlande. Turnpunkt ’82’ (turning point 1982).’


328 ’Terug naar Wassenaar: twintig jaar na het historische akkoord’.


339 ’Terug naar Wassenaar: twintig jaar na het historische akkoord’.


343 ’The Dutch Disease’ (November 1977), the Economist, 82-83.

344 Emphasis added.

345 ’The title of his book is most elucidating Keerpunt ’82 (turning point 1982).


363 ’The Dutch Disease’ (November 1977), the Economist, 82-83.

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Poldermodel is geen uitvinding van Paars’, NRC Handelsblad, 3 June 1997.

‘Purple’ comes from the mix of the parties’ trademark colours red (Social-Democrats) and blue (Liberals).


The logic behind it being that tax reductions alleviate the loss of purchasing power due to wage restraint.


Ref: cpb is relativeert want de overheid, de sociale partners en zichzelf, Het Financiële Dagblad, 27 April 1997.


The Central Planning Bureau (CPB) suggested, however, that a high level of ‘hidden unemployment’ could account for this low unemployment figure. It was estimated that about a third of the people in disability sick leave schemes are unemployed rather than disabled (MEV 2003: 108).


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**VNO-NCW: export Nederland zorgelijk** De Volkskrant, 4 October 2002. Several employers in the exporting industry themselves did not agree with this analysis, however. According to them, the loss of competitiveness was the result of lagging consumption and not wage increases (Het Financieele Dagblad, 20 September 2002: ‘Nog steeds een goed productieland’).

**Concurrentiepositie van bedrijven is vermeend maat sociale partners tot** 'Politiek van stoppen! Zoek akkoord', NRC Handelsblad, 22 May 2001.

**Stijging van topinkomens “shockerend”**, De Volkskrant, 10 June 2002.


**Prime Minister of a government coalition consisting of the Christian-Democratic CDA, the Liberal VVD and the LPF, the party of late Pim Fortuyn.**

**De Volkskrant, 17 May 2001.**


**Haan, F. (2002). ‘Effect of Najaarsakkoord on economics is nil: loonmatiging has already affected the economy as if it were a single year old’, Algemeen Dagblad.**


**De Volkskrant, 19 May 1999.**

**De tegenspraak van Doekle Terpstra (CNV): “Onze looneisen zijn juist heel redelijk en verantwoord”, Forum, 21 March 2002.**

**Een “normale, stevige” vakbondsman vertrekt: “Wat is overgebleven van ons sociaal stelsel is nog heel fatsoenlijk”, Forum 3 April 1997.**


**Bonden genoten worstelt met loonmatiging’, Het Financieele Dagblad, 17 November 2001.**

**Bonden: inflatie niet onze schuld’, Het Parool, 19 May 2001.**

**Speech by Lodewijk de Waal on labour condition policies, at an informal conference of ANVAKABO FNV en 10 September 2001 te Ellecom.**

The idea of wage restraint has a long history in the Netherlands and has been presented as the recipe for economic recovery for many years now. In times of economic (and political) crisis, wage restraint has been the standard response of the Dutch government, often in cooperation with unions and employers’ organisations. Wage restraint, so the argument runs, will lead to economic and jobs growth by improving Dutch competitiveness and exports. The economic successes linked to the so-called Dutch Polder Model of the second half of the 1990s seemed to prove this point: ever since agreeing on wage restraint in the Accord of Wassenaar of 1982, the Netherlands has arguably performed rather well in international comparison.

*The Story behind the Dutch Model* analyses this prominent role of the idea of wage restraint in the Dutch Polder politics. Why do we always talk about wage restraint? More specifically, the question is why wage restraint has been presented as the core of the Dutch Model in the second half of the 1990s, and how a near-universal acceptance of this policy idea could develop over this period? As will be demonstrated, the answer to this question is not as simple as the phrase ‘it is good for the Dutch economy’ suggests. This book looks into more cultural and discursive mechanisms that might explain the recurrence of wage restraint in public discourse. Wage restraint needs to be constantly negotiated about, constructed as ‘good and successful’ and legitimised by the political actors supporting this policy strategy. Wage restraint therefore is not just an idea, but involves a whole story on what is economically needed, politically feasible and considered a ‘normal’ outcome in society. This study is about this story of wage restraint – the Wage Restraint Storyline – which constitutes the real story behind the Dutch Model.