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# Bureaucrats First

*The Leading Role of Policymakers in the Dutch Neoliberal Turn of the 1980s\**

Merijn Oudenampsen and Bram Mellink

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## Abstract

In the 1980s, a fundamental shift took place in Dutch economic policy: Keynesian demand-management was exchanged for a neoliberal supply-side approach. The single most influential account of this transformation has focused on consensus among corporatist policymakers as key to the reforms. It is the origin story of the Dutch ‘polder model’. The problem however, is that there is surprisingly little evidence for corporatist consensus in the 1980s. Instead of consensus, we argue that there has been a conflict of ideas between Keynesians and supply-siders. And instead of corporatism, we point to bureaucratic elites as a crucial factor in the Dutch policy shift. From the mid-1970s onwards, an influential group of senior public officials emerged that successfully advocated for a supply-side policy, inspired by the industrialization policies developed in the 1950s. In so doing, we believe the Dutch case exemplifies the pathbreaking role of administrative elites as highlighted by Skocpol, Weir and Hecló, rather than corporatist consensus.

## Introduction: false learning

When the former Prime Minister Wim Kok passed away in October 2018, he was commemorated in Dutch newspapers as the personification of the Dutch ‘polder model’.<sup>1</sup> As leader of the largest Dutch trade

\* We would like to thank the editors, referees and contributors to this special issue for their critical comments.

1 J. Lindner and R. Meijer, ‘Wim Kok (1938-2018). Jongen uit de armoedige polder werd na alle tegenwind een sterke en sobere minister-president’, *De Volkskrant* 20 October (2018); Redactie, ‘Wim Kok was de polder in persoon’, *NRC Handelsblad* 20 October (2018).

union, FNV, in the 1970s and early 1980s, Wim Kok negotiated the renowned 1982 ‘Wassenaar Accord’ with the Dutch employers federation. The agreement became the symbol of the Dutch wage moderation strategy and was part of a wider shift from Keynesian demand-management to a market-oriented supply-side framework.

While the Wassenaar Accord was not originally seen as very significant, the economic recovery in the mid-1990s gave rise to the idea of the ‘polder model’. The term referred to a specifically Dutch corporatist and consensual way of boosting competitiveness and reforming the welfare state that began in 1982 with Wassenaar. The historical roots of this model, it was argued, could be traced back to the age-old Dutch history of dikes and polders, and the need to collaborate in order to keep the water out; hence the name ‘polder model’.<sup>2</sup> In an *in memoriam* of Kok, the leading Dutch historian Piet de Rooy praised the former Prime Minister for his contribution to the Wassenaar Accord that laid the groundwork for ‘The Dutch Miracle’ in the 1990s: ‘the awe-inspiring job growth and the resulting economic prosperity.’<sup>3</sup> Dutch Prime Minister Mark Rutte lauded his predecessor as ‘architect and constructor of the Dutch polder model’. And from the other side of the Atlantic, former US president Bill Clinton praised Kok as a visionary who ‘developed innovative policies to seize the opportunities and meet the challenges’ of globalization, and ‘built the consensus to implement them.’<sup>4</sup> In this way, the death of a former Prime Minister became a eulogy for a model.

This particular interpretation of Dutch socio-economic history – which has since become part of the national imaginary – gained most of its academic credibility from the analysis put forward by social scientists Jelle Visser and Anton Hemerijck. In their influential book *A Dutch Miracle*, they praised the success of the wage moderation and welfare reforms of the 1980s and presented this paradigm shift in economic policy as a result of ‘social learning’ by the trade unions. In the 1970s, Dutch politicians, trade unions, and employers were at loggerheads and policymaking at the corporatist institutions came to a standstill. The explosive rise of unemployment, Visser and Hemerijck argued, ‘creat-

2 See M. Prak and J.L. van Zanden, *Nederland en het poldermodel. Sociaal-economische geschiedenis van Nederland, 1000-2000* (Amsterdam 2013).

3 P. de Rooy, ‘Met Kok verdween het vertrouwen’, *NRC Handelsblad* 26 October (2018).

4 Redactie, ‘Wim Kok herdacht als zowel “architect als aannemer” van het poldermodel’, *De Volkskrant* 20 October (2018); ‘Statement from President Clinton on the passing of former prime minister of the Netherlands, Wim Kok’, *Clinton Foundation* 22 October (2018) [www.clintonfoundation.org/press-releases/statement-president-clinton-passing-former-prime-minister-Netherlands-wim-kok](http://www.clintonfoundation.org/press-releases/statement-president-clinton-passing-former-prime-minister-Netherlands-wim-kok). Accessed January 21, 2020.

ed a sense of urgency to “make things better” and made the trade unions ‘support reforms against the short-term interests of some of their constituency’.<sup>5</sup> Naturally, the centre-right coalition governments under Ruud Lubbers were important too in the 1980s, since these initiated the shift to a market-oriented approach. But for Visser and Hemerijck the 1982 Wassenaar Accord formed the crucial turning point, heralding a ‘broad consensus over central policy goals’ among the social partners.<sup>6</sup> The Dutch unions consented to wage moderation and social security retrenchment as a precondition for economic recovery and employment growth. This corporatist path to supply-side reform, Visser and Hemerijck contended, was a superior alternative to the polarizing state-led overhaul under Reagan and Thatcher.<sup>7</sup> The Dutch economic recovery of the 1990s showed that competitiveness and employment growth could be combined with still relatively generous social benefits. In their eyes, the Dutch case exemplified Peter Katzenstein’s contention in *Small States in World Markets* that democratic corporatism facilitated and eased adjustment to changing global economic conditions.<sup>8</sup> The focus on consensus as a driver of fundamental transformation has become central to the literature on Dutch welfare state reform.<sup>9</sup>

At the time of publication, the analysis of Visser and Hemerijck was received with much enthusiasm. The Dutch economic recovery of the 1990s had made the Dutch ‘polder model’ the object of international admiration. In 1997, the Dutch bipartite Labour Foundation, where employers and trade unions deliberate over socio-economic policy, received the prestigious Carl Bertelsmann prize for social innovations.<sup>10</sup>

5 J. Visser and A. Hemerijck, *A Dutch miracle. Job growth, welfare reform and corporatism in the Netherlands* (Amsterdam 1997) 62; See for similar accounts: I. Bruff, *Culture and consensus in European varieties of capitalism* (Basingstoke 2008); F. Hendriks, *Polder politics. The re-invention of consensus democracy in the Netherlands* (London 2017); J.L. van Zanden, *The economic history of the Netherlands 1914-1995. A small open economy in the ‘long’ twentieth century* (London, 2005). See for more recent discussion: J. Jonker, ‘The Netherlands and the polder model – Nederland en het poldermodel’, *BMGN – Low Countries Historical Review* 129:1 (2014) 88-89; M. Keune (ed.), *Nog steeds een mirakel? De legitimiteit van het poldermodel in de eenentwintigste eeuw* (Amsterdam 2016).

6 Visser and Hemerijck, *A Dutch miracle*, 74.

7 *Ibid.*, 79.

8 P.J. Katzenstein, *Small states in world markets. Industrial policy in Europe* (Ithaca 1985).

9 See A. Hemerijck and M. Schludi, ‘Sequences of policy failures and effective policy responses’, in: F.W. Scharpf and V.A. Schmidt, *Welfare and work in the open economy. From vulnerability to competitiveness in comparative perspective*, vol. 1 (Oxford 2000) 125-228; H. Keman, ‘Explaining miracles. Third ways and work and welfare’, *West European Politics* 26:2 (2003) 115-135; V.A. Schmidt, ‘How, where and when does discourse matter in small states’ welfare state adjustment?’, *New Political Economy* 8:1 (2003) 127-146.

10 F. van Empel, *The Dutch model. The power of consultation* (The Hague 1997).

The Dutch reforms served as an important inspiration for the Third Way, the social democrat turn to the market under Tony Blair and Bill Clinton.<sup>11</sup> As a result, the polder model developed into an important political symbol, both domestically and internationally.

Yet Visser and Hemerijck's argument contained significant flaws. As FNV-leader Johan Stekelenburg pointed out after receiving the Bertelsmann prize, the prevailing international image of the 'polder model' and the 'Dutch miracle' was somewhat of a myth. Dutch employment growth was less impressive and labour relations more polarised than generally assumed.<sup>12</sup> In the following years, a series of scholars challenged the 'Dutch Miracle' account on these grounds. They argued that Dutch economic performance was not so miraculous after all, that the amount of consensus among policymakers had been overstated and that the policymaking role of corporatist institutions in the 1980s was far less consequential than assumed.<sup>13</sup> The 1980s, these scholars contended, were not a time of consensus in economic policymaking, but rather of deep and sustained divisions, which lasted well into the first half of the 1990s. Corporatist policymakers may have agreed on wage moderation, yet they strongly disagreed on the broader market-oriented policy shift enacted by the first Lubbers cabinet (1982-1986). In the summer of 1983 FNV trade union leader Wim Kok wrote in the journal of the social democrat party that its readers 'barely need to be told that the current government policy is in almost every way at odds with the approach advocated by the FNV':

Achievements of the welfare state, such as the welfare-linked benefits, the statutory minimum wages and the dismissal law, must suffer in this

11 W. Bos, 'De Derde Weg voorbij. 21e Den Uyl-lezing', (Amsterdam, 25 January 2010); M. Oudenampsen, 'Opkomst en voortbestaan van de Derde Weg. Het raadsel van de missende veren', *B en M. Tijdschrift voor Beleid, Politiek en Maatschappij* 43:3 (2016) 23-45.

12 Van Empel, *The Dutch model*, 14.

13 See U. Becker, 'Miracle by consensus? Consensualism and dominance in Dutch employment development', *Economic and Industrial Democracy* 22:4 (2001) 453-483; U. Becker, 'A "Dutch" model. Employment growth by corporatist consensus and wage restraint? A critical account of an idyllic view', *New Political Economy* 6:1 (2001) 19-43; U. Becker, 'An example of competitive corporatism? The Dutch political economy 1983-2004 in critical examination', *Journal of European Public Policy* 12:6 (2005) 1078-1102; W. Salverda, 'The Dutch model. Magic in a flat landscape?', in: U. Becker and H. Schwartz (eds.), *Employment 'miracles'. A critical comparison of the Dutch, Scandinavian, Swiss, Australian and Irish cases versus Germany and the US* (Amsterdam 2005) 39-64; J. Woldendorp, *The polder model. From disease to miracle? Dutch neo-corporatism 1965-2000* (Amsterdam 2005); J. Woldendorp and H. Keman, 'The polder model reviewed. Dutch corporatism 1965-2000', *Economic and Industrial Democracy* 28:3 (2007) 317-347; S. Wolinetz, 'Socio-economic bargaining in the Netherlands. Redefining the post-war policy coalition', *West European Politics* 12:1 (1989) 79-98.

neo-liberal approach. [...] The reduction of the financing deficit has been declared the highest policy priority. The consequences are catastrophic, socially and economically. In 1983, the government knowingly unleashed a deflationary process with gigantic austerity measures and tax increases, which has so far only led to an accelerated breakdown of employment the market sector and the (semi-) public sector.<sup>14</sup>

The statement was far from exceptional. In a lecture in 1985, Kok opposed 'the ideology of government retrenchment' and proposed a fiscal stimulus to fight unemployment, instead of 'an "overkill" of austerity measures'.<sup>15</sup> In 1987, as newfound leader of the Dutch social democrat party, Kok argued that the reforms of the 1980s reflected a development in which 'the free play of (market – BM & MO) forces triumphs over the striving towards social consensus'.<sup>16</sup> As these statements make clear, Wim Kok was a forceful critic of the economic reforms that later became associated with the 'Dutch miracle' and with his own trade union leadership. Political narratives of Wim Kok as the 'visionary' or 'architect' who 'built the consensus' to implement the reform agenda of the 1980s therefore warrant a degree of skepticism.

As the debate on the Dutch polder model is still ongoing, we will not attempt to settle it here.<sup>17</sup> Suffice it to say that there is serious controversy regarding the thesis of social learning and corporatist consensus as a driver of the reforms in the 1980s. We will limit ourselves to summarizing the key criticisms of the polder model thesis, as the main thrust of this paper lies elsewhere. What we believe is lacking in the debate thus far, is an alternative explanation of the 1980s policy shift. This paper sets out to develop such an alternative, consisting of three interconnected elements. One, rather than corporatism, we point to bureaucratic elites as a crucial factor in the Dutch policy shift. Two, rather than consensus, we argue that the policy shift was the product of a conflict of ideas between Keynesians and supply-siders. And three, the relatively early ascent of supply-side ideas in the ministries we argue, is due to

14 W. Kok, 'Volledige werkgelegenheid. Uitdagingen voor de jaren tachtig', *Socialisme & Democratie* 7/8 (1983) 5.

15 Idem, 'Een maakbare samenleving. Enkele overwegingen', *Tijdschrift voor Politieke Economie* 9:2 (1985) 24-34.

16 Idem, 'Het bestuurlijke in de economie. Een kritiek op de nieuwe zakelijkheid', in: A. Knoester (ed.), *Lessen uit het verleden. 125 jaar Vereniging voor de Staathuishoudkunde* (Leiden 1987) 367-374, 373.

17 See for a more recent discussion: Jonker, "The Netherlands and the Polder Model", 88-89; M. Keune (ed.), *Nog steeds een mirakel? De legitimiteit van het poldermodel in de eenentwintigste eeuw* (Amsterdam 2016).

the existing experience with a successful supply-side paradigm in the 1950s: the Dutch post-war industrialisation policy.

In a theoretical sense, we argue that the Dutch case exemplifies, not so much corporatism but rather the innovative role of bureaucratic elites, as put forward by Skocpol, Weir and Hecló.<sup>18</sup> The contention in the sociological classic *Bringing the State Back In* is that government is not just a neutral and passive arena where interest groups negotiate policy. Government is an actor in and of itself, and policymakers can take the lead in diagnosing political problems and offering policy solutions. The state bureaucracy has a powerful institutional infrastructure for the production of ideas, and the administrative biases therein can help explain political change. The ideas underpinning the policy shift of the 1980s did not originate in corporatist institutions, but rather in the ministries. We think that 'bringing the state back in' can lead to a more convincing account of political transformation in the Netherlands in the 1980s. To be clear, this is not an argument about the brute power of administrative elites per se, but rather about the power of ideas, which brings us to our next point.

Rather than consensus, we argue that the contest of ideas has played a crucial role in the 1970s. Our argument builds on institutional analysis, a tradition of research that stresses the crucial role of ideas in times of paradigmatic crisis.<sup>19</sup> When an existing policy paradigm enters into crisis, the dominant understanding of how the economy functions and how it should be run, loses its explanatory power. This is followed by a contest of ideas, in which the advocates of a new policy paradigm seek to make their understanding of the economy accepted as the new norm. The classical example is the stagflation crisis in the 1970s, when the reigning Keynesian policy paradigm came under fire. A new set of economic ideas – monetarism, rational expectations, public choice, supply-side economics – came to the fore that was critical of Keynesianism and would form the basis of neoliberal policy paradigm. That

18 M. Weir and T. Skocpol, 'State structures and the possibilities for "Keynesian" responses to the Great Depression in Sweden, Britain and the United States', in: P.B. Evans, D. Rueschemeyer and T. Skocpol (eds.), *Bringing the state back in* (Cambridge 1985) 107-163; H. Hecló, *Modern social politics in Britain and Sweden*. (New Haven 1974).

19 For a more extensive discussion of the Dutch case in relation to institutional theory, see: M. Blyth, *Great transformations. Economic ideas and institutional change in the twentieth century* (Cambridge 2002); P.A. Hall, 'Policy paradigms, social learning, and the state. The case of economic policymaking in Britain', *Comparative Politics* 25:3 (1993) 275-296; C. Hay, 'Ideas, interests and institutions in the comparative political economy of great transformations', *Review of International Political Economy* 11:1 (2004) 204-226; V.A. Schmidt, *The futures of European capitalism* (Oxford 2002).

paradigm became dominant with the election of Thatcher and Reagan in the Anglophone world, while similar, sometimes more moderate shifts occurred in other countries.<sup>20</sup> We argue that the Netherlands was no exception to this trend and we show the rise of these new ideas among policymakers in the ministries.

As our analysis demonstrates, Dutch economic policymakers were highly critical of the Keynesian policy paradigm at a surprisingly early stage. They advocated for wage moderation, welfare state retrenchment and marketization, long before that conviction became dominant among political parties and trade unions. Why did senior civil servants take the lead in proposing market-led reform? Skocpol, Weir and Hecló point to existing political legacies and policy models as crucial influences on policymakers. We argue that this was also the case in the Netherlands, and that existing legacies can help explain the relatively early ascent of anti-Keynesian sentiment among policymakers. Building on the seminal work of Peter Hall and Monica Prasad, our hypothesis is that Keynesian ideas have never been as dominant in the Netherlands as they were in countries like the U.S. and the U.K.<sup>21</sup> This is because the Netherlands has a prominent supply-side tradition of wage restraint and market-oriented supply-side thinking that underpinned the economic recovery and industrialisation policies of the 1950s.<sup>22</sup> Although Keynesianism was politically hegemonic in the decade after the Dutch post-war wage moderation paradigm collapsed (from 1965 till 1975), Keynesian ideas never came to fully dominate policy-making institutions. In the stagflation crisis of the 1970s, policymakers were able to quickly fall back on the earlier tradition of wage moderation and supply side thinking. The economic policies of the 1950s, as we will see, became a prominent inspiration for the reforms of the 1980s.

Our argument is based on an extensive analysis of the writings of economic policy makers that partook in the economic debates in the 1970s, in which Keynesianism came under attack. An analysis of a selected corpus of inaugural addresses and PhD-theses allowed us to identify the different positions in the Dutch debate. We have looked specifically at the senior policymakers at the Ministry of Economic Af-

20 See M. Fourcade-Gourinchas and S.L. Babb, 'The rebirth of the liberal creed. Paths to neoliberalism in four countries', *American Journal of Sociology* 108:3 (2002) 533-579, <https://doi.org/10.1086/367922>; M. Prasad, *The politics of free markets. The rise of neoliberal economic policies in Britain, France, Germany, and the United States* (Chicago 2006).

21 P. Hall, *The political power of economic ideas. Keynesianism across nations* (Princeton 1989); Prasad, *The politics of free markets*.

22 Becker, 'Miracle by consensus?', 473.

fair and the Ministry of Finance, and analysed their publications and academic background. We have had fifteen in-depth interviews with ministers, economists, and senior public officials to examine how supply-side ideas were translated into policy. Finally, we analyse the post-war policies with the help of minutes from the Main Committee for Industrialization, extensive parliamentary sources and the memoirs of Minister of Economic Affairs Jan van den Brink (1948-1952).

The structure of the paper is as follows: the first section expands on the existing criticisms of the idea that corporatist consensus has been a driver of reform in the 1980s. Then we move on to the role of bureaucratic elites, showing their early ascendance and crucial role in advocating for the market-oriented reforms of the 1980s. This then raises the question why leading policymakers in senior positions were early advocates of a shift to a supply-side framework. In the third section, we suggest that Keynesian ideas never became fully dominant in the Netherlands, due to the presence of an older market-oriented supply side tradition, with its roots in the 1950s. We conclude with a reflection on the theoretical implications.

## Critiques of the consensus view

Before we turn to the role of ideas, bureaucratic elites and the 1950s, it is necessary to expand on the critiques of the argument that consensus and social learning among corporatist policymakers has been the driver behind the 1980s policy shift. Scholarly criticism of the ‘Dutch Miracle’ argument has developed along several lines.

First, scholars found talk of a ‘Dutch miracle’ in economic performance and employment growth to be exaggerated. The Dutch economy performed relatively well, but not miraculously in the 1990s. The total number of people employed may have risen sharply, but many of them were part-time workers.<sup>23</sup> Considered in terms of hours worked, Dutch job growth was far less impressive or exceptional. And whether wage moderation was key to Dutch economic recovery is difficult to establish with certainty, since other factors such as an international recovery and a boom in mortgage-backed consumption were important too.<sup>24</sup>

23 Visser and Hemerijck acknowledge this point in the introduction of *A Dutch miracle*, but this does not lead them to modify their central thesis. Visser and Hemerijck, *A Dutch miracle*, 11-12.

24 Becker, ‘A “Dutch” model’; Becker, ‘An example of competitive corporatism?’; Salverda, ‘The Dutch model’.

A second point of critique is that the amount of consensus in the 1980s had been overstated: the 'broad consensus over central policy goals' assumed by Visser and Hemerijck did not exist in practice.<sup>25</sup> Of course, there was some degree of consensus on the need for wage moderation in the market sector, as shown by the Wassenaar Accord.<sup>26</sup> But opinions diverged widely on the broader 1980s agenda of market-oriented reform, state retrenchment and social security cutbacks. As Steven Wolinetz, Uwe Becker, Jaap Woldendorp and Hans Keman have shown, the Dutch trade unions remained critical of the economic policies of the Lubbers cabinets throughout the 1980s. They favoured deficit financing, stimulus spending and work-sharing solutions rather than fiscal consolidation and social security retrenchment.<sup>27</sup> In fact, the text of the Wassenaar Accord contained a clause referring to this controversy. It stipulated that the agreement had been made 'with each party maintaining their own opinions and feelings with regard to the policy proposals of the new government'.<sup>28</sup> This controversy over economic policy manifested itself clearly in the years after Wassenaar. In 1983, the public sector unions organised one of the longest and largest strikes in Dutch post-war history against the lowering of public sector wages. As Wolinetz has shown, trade union leaders were largely in opposition in the 1980s and 'assumed a tribune-like role' against the government.<sup>29</sup> Due to this controversy, the principal corporatist policymaking body, the Social and Economic Council (SER), was internally divided and had scant influence on government policy.<sup>30</sup>

Becker, Keman and Woldendorp argue that it is more realistic to describe Dutch labour relations in a more competitive sense: in terms of

25 Visser and Hemerijck, *A Dutch miracle*, 74.

26 Uwe Becker posits that there was actually no consensus on the need for wage moderation. Trade unions did not sign the agreement because they were convinced of the need for wage moderation, but rather because they saw it as the only way to implement work-sharing solutions. See: Becker, 'Miracle by consensus?.'

27 See Wolinetz, 'Socio-economic bargaining in the Netherlands'; Becker, 'Miracle by consensus?'; Woldendorp and Keman, 'The polder model reviewed'.

28 Stichting van de Arbeid, *Centrale aanbevelingen inzake aspecten van het werkgelegenheidsbeleid* (The Hague 1982) 2-3.

29 Wolinetz, 'Socio-economic bargaining in the Netherlands', 93.

30 Ibid., 90. See also T. Jaspers and F. Pennings, 'Sociale zekerheid en zorg. De SER als moderator', in: T. Jaspers, B. van Bavel and J. Peet (eds.), *SER 1950-2010. Zestig jaar denkwerk voor draagvlak* (Amsterdam 2010) 133-161; For internal controversy see the 1984 report from the Committee of Economic Experts (CED) within the SER, which noted that the economic policymaking field was principally divided between a Keynesian and Monetarist camp, CED, *Rapport over het conjunctuurbeleid in de jaren tachtig* (The Hague 1984) 55.

dominance and acquiescence, rather than consensus.<sup>31</sup> The trade unions eventually acquiesced to a new policy mix that was largely imposed by the Dutch state and by employers. This period of conflict and fundamental disagreement concerning the corporatist institutional framework lasted at least till the mid-1990s. Senior politicians and policymakers, such as the director of the Netherlands Bureau for Economic Policy Analysis (*Centraal Planbureau*, CPB) and the Minister of Economic Affairs, took aim against the extension of industrial agreements, a cornerstone of Dutch corporatism, in 1992 and 1994.<sup>32</sup> Only from 1995 onwards, when economic recovery set in, did a more consensual period commence, wherein the trade unions gradually came to embrace the new policy mix and corporatist institutions revived. It seems that this belated consensus has subsequently been projected backwards in time, to Wassenaar, obscuring the more conflictual origins of the Dutch economic policy shift.

Thirdly, the emphasis on corporatist consensus in existing accounts has led to an underappreciation of the role of politicians and civil servants in pushing for wage moderation, fiscal consolidation and social security retrenchment. Various Dutch governments had pursued wage moderation since the middle of the seventies through wage controls. The Wassenaar Accord was made under threat of a similar wage measure by the first Lubbers cabinet. In other words, the social partners of the 1980s did not initiate wage moderation, but took up a policy that was already in place.<sup>33</sup> Politicians who had been active in the 1980s, also remembered the key significance of political action and political conflict during that decade in later life. Bert de Vries, parliamentary leader of the Christian Democrat party (1982-1989) and minister of Social Affairs (1989-1994), criticizes the consensual ‘mythology’ constructed around the Wassenaar Accord.<sup>34</sup> The impression created after the Wassenaar Accord that economic reform was arrived at in the harmony of the polder, was decidedly incorrect. ‘Also after Wassenaar, it was war between the trade unions and the government’, De Vries con-

31 Becker, ‘Miracle by consensus?’; Woldendorp and Keman, ‘The polder model reviewed’.

32 G. Zalm, ‘Betekenis en toekomst van de algemeen-verbindendverklaring’, *ESB* 3842 15 January (1992); G. van Loenen, ‘Twaalf jaar loonmatiging en toch slaat Andriessen alarm’, *Trouw* 24 March (1994).

33 Becker, ‘Miracle by consensus?’; B. de Vries, *Een halve eeuw werk. Werk en de werking van de arbeidsmarkt* (Rotterdam 1995).

34 B. de Vries, interview by Merijn Oudenampsen (Bennekom, 27 November 2019); see also De Vries, *Een halve eeuw werk*; Idem, *Ontspoord kapitalisme* (Amsterdam 2020).

tended.<sup>35</sup> Frits Bolkestein, the leader of the right-wing liberal party VVD in the 1990s, likewise concluded that ‘the golden formula of austerity and wage moderation was not thanks to the so-called polder model, it was the result of a tough political battle.’<sup>36</sup>

## The contest of ideas

A vast body of international literature has recently highlighted the crucial role of policymakers and economists in the shift from a Keynesian demand-management policy paradigm, to a neoliberal supply-side framework. The rise of neoliberal ideas in policy circles is generally associated with the emergence of new schools of economic thinking in the 1970s, most notably from the United States.<sup>37</sup> The single most important challenge to Keynesianism was formed by the rise of monetarism, a school of thought developed by authors such as Milton Friedman, Allan Meltzer and Karl Brunner. It argued that Keynesian fiscal and monetary policy was both dangerous and redundant and that the economy could best be managed by controlling the money supply.<sup>38</sup>

An equally significant development was new classical economics (or rational expectations) developed by Chicago School laureates Robert Lucas and Thomas Sargent. It held that expansionary Keynesian macro-economic policy was ineffective because rational actors could anticipate the future effects of that policy (a higher rate of inflation) and act accordingly. The so-called ‘rational expectations revolution’ effectively reinstated many of the neoclassical assumptions that had been discredited by the Keynesian revolution of the 1930s.<sup>39</sup> Then there was public choice, an economy theory of political action developed by Chicago School laureates such as James Buchanan, Gordon Tullock and George Stigler. Its core premise was that politicians and civil servants

35 J. van Tijn and M. van Weezel, *Inzake het kabinet Lubbers* (Amsterdam 1986) 186.

36 F. Bolkestein, *Overmoed en onverstand. Beschouwingen over politiek* (Amsterdam 2008) 20.

37 See: Blyth, *Great transformations*; Hall, ‘Policy paradigms’; C. Hay, ‘The “crisis” of Keynesianism and the rise of neoliberalism in Britain. An ideational institutionalist approach’, in: J. Campbell and O. Pedersen (eds.), *The rise of neoliberalism and institutional analysis* (Princeton 2001) 193-218; Prasad, *The politics of free markets*.

38 See: T. Congdon, *Monetarism. An essay in definition* (London 1978); M. Friedman, *Inflation and employment. Nobel memorial prize lecture* (London 1977); K. Brunner and A.H. Meltzer (eds), *The Phillips curve and labor markets. Carnegie-Rochester conference series on public policy*, vol. 1 (Amsterdam 1976).

39 P. Miller (ed.) *The rational expectations revolution. Readings from the front line* (Cambridge Mass. 1994); S. Fischer, *Rational expectations and economic policy* (Chicago 1980).

acted in a self-interested fashion, and that under such conditions, market exchange was in many ways superior to public provision.<sup>40</sup> A fourth important strand of ideas was supply-side economics, a controversial theory popularized in the late 1970s by Jude Wanniski and Arthur Laffer within the ambit of the US Republican Party. It suggested that extensive tax cuts could be enacted in a budgetary neutral way, since they generated extra economic activity and therefore extra tax income.<sup>41</sup>

Despite their differences, these currents of economic thought complemented each other in the discrediting of the established Keynesian framework. All four schools of thought shared an explicit political character and an activist stance in limiting government. Their rise formed part of a politicization of the field of economics in this period.<sup>42</sup> In the Anglophone world, influential free market think tanks such as the Institute of Economic Affairs (IEA), the Centre for Policy Studies, the Cato Institute, The Heritage Foundation and the American Enterprise Institute (AEI) famously facilitated the spread of these new economic ideas. The administrations of Ronald Reagan and Margaret Thatcher were instrumental in their intellectual breakthrough to the mainstream of economic policymaking, amid a polarizing war of ideas with the advocates of Keynesianism.<sup>43</sup>

The Netherlands was certainly not immune to the changing ideological tides. In the 1970s, monetarist, new classical, public choice and supply side ideas received a warm welcome in the Dutch economic policymaking field. Senior economic policymakers took the lead in making the case for wage moderation, welfare state retrenchment and marketization, inspired by the aforementioned international developments in economic thinking. An important difference was that the challenge to Keynesian orthodoxy in the US and the UK came from outside the established institutions, while in the Netherlands, that opposition emerged from within the ministries.<sup>44</sup>

40 J. Buchanan and G. Tullock, *The calculus of consent. Logical foundations of constitutional democracy* (Ann Arbor 1965); S. Brittan, 'The economic contradictions of democracy', *British Journal of Political Science* 5:2 (1975) 129-159.

41 A. Laffer (ed.), *The economics of the tax revolt. A reader* (New York 1979); J. Wanniski, *The way the world works* (New York 1978).

42 R. Heilbroner and W. Milberg, *The crisis of vision in modern economic thought* (Cambridge 1995) 126-127.

43 See D.S. King, *The new right. Politics, markets and citizenship* (Basingstoke 1987); A. Gamble, *The free economy and the strong state. The politics of Thatcherism* (Basingstoke 1988). A. Burgin, *The great persuasion. Reinventing free markets since the Depression* (Cambridge Mass. 2012); Prasad, *The politics of free markets*. R. Cockett, *Thinking the unthinkable. Think-tanks and the economic counter-revolution 1931-1983* (London 1995).

44 Hall, 'Policy paradigms', 286.

Already at the end of the 1960s, criticism of Keynesian economics resonated loudly among Dutch economic policy makers. Especially the Ministry of Finance and the Ministry of Economic Affairs were notable for their anti-Keynesian views. The senior officials in these ministries pushed for welfare state retrenchment and wage moderation as a solution to Dutch economic ills. They became known in the course of the 1970s as *aanbodeconomen* ('supply-side' economists). While that term denoted a specific theory with a rather controversial and party-political connotation in the US, in the Netherlands it served as a container-term, that referred in a broader sense to economists that advocated market-oriented reform.<sup>45</sup>

From 1963 onwards, the post-war policy paradigm of state-led wage moderation and sober social services started to collapse. Wages rose rapidly, public spending increased in great leaps, and Keynesian ideas became more dominant.<sup>46</sup> These were the years in which the Dutch welfare state was built up and rapidly expanded by subsequent centre-right Christian Democrat-led coalitions. In response to this development, an economic debate emerged on the desirability of increased public spending.<sup>47</sup>

Especially the Ministry of Finance became increasingly outspoken in its opposition to this trend. One of the leading critics of the increase in public spending was Willem Drees jr., a senior civil servant at the Ministry of Finance and a passionate advocate of small government.<sup>48</sup> When he was appointed to the highest position (Accountant General) in the ministry in 1969, Drees publicly declared that the Ministry of Finance was involved in 'a fight against groups that want (too) much money from the treasury', as part of its mission to 'protect taxpayers'.<sup>49</sup> That same year, together with economists Cees Goedhart and Theo Ste-

45 On the use of the term 'aanbodeconomie', see: J. van Duyn, interview by Merijn Oudenampsen (Maassluis, 6 November 2019). J. van Sinderen, interview by Merijn Oudenampsen (The Hague, 1 November 2019); Van Duyn, *De economie van het aanbod*; Van Sinderen, *Belastingheffing, economische groei en belastingopbrengst*.

46 Van Zanden, *The economic history of the Netherlands 1914-1995*, 64.

47 While this was framed as a largely technical debate on how to curb spending, at its core was an unmistakably political question: what level of government spending was deemed desirable. For fiscal hawks such as Drees jr., Goedhart and Stevers, the small and sober government from the 1950s was the ideal. See *Het Parool*, 'Thesaurie werkt op drie fronten', *Het Parool* 21 October (1969); 'Prof. dr. W. Drees Jr.: "Overheidsuitgaven door pressiegroepen bepaald," *NRC Handelsblad* 21 October (1970); J. J. Lindner, 'Alle aandacht voor beleid nodig, vindt Drees Jr.', *De Volkskrant* 13 February (1971); 'Indammen overheidsbesteding uiterst moeilijke zaak', *De Volkskrant* 18 May (1971).

48 Drees jr. was the son of Willem Drees sr., leader of the Dutch social democrat party (PvdA) and Dutch prime minister from 1948 till 1958.

49 'Thesaurie werkt op drie fronten'.

vers, Drees jr. founded an influential think tank focused on reducing public spending: the Institute for Research on Government Spending.<sup>50</sup> It became a prominent centre of Dutch public choice theory.<sup>51</sup> His political engagement took on a more explicit political form in the beginning of the 1970s. He became the leader of DS '70, a right-wing split from the social democrat party (PvdA) that opposed structural increase of state expenditure.<sup>52</sup> He developed into a prominent critic of the Den Uyl cabinet, whom he accused of 'capitulating to the demands of the trade unions'.<sup>53</sup> In this same period, Drees jr. introduced the 'benefit principle' (*profijtbeginssel*) into the Dutch public debate, which formed the basis for later privatization and new public management policies.<sup>54</sup>

Another key figure emerging in this time was Frans Rutten, who worked as a policymaker at the Ministry of Economic Affairs in the 1960s. In 1967, he became economics professor in Rotterdam. In his inaugural lecture, he argued that the increase in public spending (then at 35%) would lead to a decrease in corporate profitability and private investment.<sup>55</sup> In a classic supply-side argument, he posited that the curtailment of the public sector was a precondition for the creation of an attractive investment climate. Rutten was appointed head (secretary general) of the Ministry of Economic Affairs in 1973, and would remain in that position for seventeen years. He became one of the most influential economic policymakers in the Netherlands, and the country's leading critic of Keynesian economics. Rutten was positioned at the very heart of Dutch economic policymaking. He headed the powerful interministerial council overseeing macro-economic policy, the Central Economic Committee (CEC), whose reports were central to the budgeting process. He also directed the Economic Affairs policy institute AEP (*Directoraat Algemene Economische Politiek*). Rutten was a powerful public advocate of the wave of free market ideas coming from the Unit-

50 'Instituut gaat uitgaven overheid doorlichten', *De Volkskrant* 12 March (1969).

51 For key publications of Dutch public choice theory in the 1970s see: C. Goedhart, *Hoe collectief is de collectieve sector?* (Inaugural address; Amsterdam 1977); Th. Stevers, *Openbare financiën en economie. De openbare financiën als instrument van economische politiek* (Inaugural address; Leiden 1971); L. Koopmans, *Beheersing van de overheidsuitgaven* (Inaugural address; Deventer 1973).

52 J. J. Lindner, 'Een steile, rechtlijnige bestuurder', *De Volkskrant* 13 October (2000).

53 E. Brandt and K. van der Wild, 'Den Uyl had pressiegroepen kunnen intomen', *De Telegraaf* 20 October (1973).

54 The benefit principle implies that the cost of public services should as much as possible be borne by its users. See: W. Drees, *Gespiegeld in de tijd* (Amsterdam 2000).

55 F. Rutten, 'Over het macro-economische beleid voor de middellange termijn', *De Economist* 116:3 (1968) 287-308.

ed States. He later identified the reforms he presided over with the ideas of Milton Friedman.<sup>56</sup>

Striking is that the Dutch critique of Keynesianism predates the 1973 oil crisis and the leftist Den Uyl cabinet (1973-1977) – generally depicted as the peak of Keynesian thinking in the Netherlands (and the beginning of Dutch economic concerns). Also noteworthy is the senior positions such critics were able to occupy, in a period in which Keynesianism was effectively the reigning policy paradigm. As a short exploration shows, Willem Drees jr. and Frans Rutten were far from exceptional in their opposition to Keynesianism.

Conrad Oort, the successor of Drees jr. as Accountant General at the Ministry of Finance (1971-1977), was a student of Milton Friedman at the Chicago School of Economics, and was described by colleagues in his *Festschrift* as an economist who never denied ‘his Chicago background’.<sup>57</sup> Lense Koopmans held his 1973 inaugural lecture at the Rotterdam economics faculty on the public choice theory of Willem Drees jr. and James Buchanan, while exploring the practical application of these ideas to cut back on spending and privatize public tasks.<sup>58</sup> Two years later, Lense Koopmans was appointed Deputy Director General at the Ministry of Finance, where he came to preside over the preparation of the Budget Memorandum (*Miljoenennota*).<sup>59</sup> Pieter Korteweg, an outspoken monetarist and advocate of the ideas of Milton Friedman, held his inaugural lecture on Anglo-American monetarism in 1973. He then worked with the influential monetarists (and later Ronald Reagan-advisers) Brunner and Meltzer in the US, and presented an economic model based on monetarism and rational expectations at the yearly congress of the Dutch Economics Association in 1978.<sup>60</sup> Described in the press as ‘the Dutch Friedman’, he was appointed Accountant General at the Ministry of Finance from 1981 till 1986, and became one of the principle architects of the reforms under Lubbers.<sup>61</sup>

56 F. Rutten, *Verval, herstel en groei. Lessen voor het economisch beleid gelet op het leergeld van twintig jaar* (Utrecht 1995) 37.

57 C. Kool, J. Muysken and T. van Veen, *Essays on money, banking and regulations. Essays in honour of C.J. Oort* (Deventer 1996) x.

58 Koopmans, *Beheersing van de overheidsuitgaven*.

59 B. de Haas and C. van Lotringen, *Wim Duisenberg. Van Friese volksjongen tot mister Euro* (Amsterdam 2003) 44.

60 Published in P. Korteweg, ‘Herstel van economische groei’, *Rotterdamse Monetaire Studies* 1 (1982) 3-26.

61 G. Driehuis and D. Kuin, ‘Prof. Pieter Korteweg en de verrechtsing’, *De Tijd* 6 March (1981); P. Korteweg, interview by Merijn Oudenampsen (Bosch en Duin, 7 January 2020); P. Korteweg, *Over de beheers-*

Similar views could be found at the Ministry of Economic Affairs. In the course of the 1970s and 1980s, Rutten assembled a team of talented young economists around the AEP, the so-called ‘Rutten-boys’. These were all ‘supply-side’ economists who introduced monetarist, new classical and supply-side thinking to the Dutch policy field. Among the staff was Anton Knoester, who had written his PhD under Korteweg and Rutten on monetarist macro-economic modelling, Jarig van Sinderen, an advocate of Reaganomics and supply-side economics, and the later CPB director and Finance Minister Gerrit Zalm, who published papers with telling titles such as the ‘myth of government investments’.<sup>62</sup> In so doing, Rutten and the AEP effectively took up the role of brokering new ideas in the Dutch policy field that free market think tanks played in the Anglophone world.<sup>63</sup>

## The shift from Keynesianism to a neoliberal supply-side approach

Internationally, Dutch civil servants were ahead of the game with their anti-Keynesian stance. For the larger part of the 1970s, economists at the OECD and the IMF still offered policy advice with a Keynesian slant. After the oil crisis of 1973 and the economic slump that followed, the OECD, the IMF and the EU called on the Netherlands and Germany to expand in order to stimulate international demand, and to compensate for countries that could not afford to do so.<sup>64</sup> This became known as the so-called ‘locomotive theory’, as promoted by the US president Carter. The expansionary policies of the leftist Den Uyl government (1973-

*baarheid van de geldhoeveelheid in Nederland* (Haarlem 1973). See also the PhD of Eduard Bomhoff, who was supervised by Korteweg. E. Bomhoff, *Inflation, the quantity theory and rational expectations* (Nijmegen 1980).

62 A. Knoester, *Over geld en economische politiek* (Leiden 1980); J. van Sinderen and A. Ravenstein, *New classicals en supply-siders. Een overzicht van hun ideeën en beleidsaanbevelingen* (The Hague 1986); G. Zalm, *De mythe van de overheidsinvesteringen* (The Hague 1985).

63 On the role of the AEP in brokering new ideas, see: A. Geelhoed, ‘Making a difference. De beleidsagenda en AEP’, *Tijdschrift voor Politieke Economie* 24:1 (2002) 60-72. For the Dutch reception of rational expectations theory; J. van Sinderen and A. van Ravenstein, ‘Meer markt en minder overheid. De visies van nieuw-klassieken en aanbodeconomen’, *ESB* 72:3590 (1987) 68-72.

64 L. Warloutzet, *Governing Europe in a globalizing world. Neoliberalism and its alternatives following the 1973 oil crisis* (London 2017) 144-145. See also M. Leimgruber and M. Schmelzer, *The OECD and the international political economy since 1948* (Cham 2017); J. Clifton and D. Díaz-Fuentes, ‘The OECD and phases in the international political economy, 1961–2011’, *Review of International Political Economy* 18:5 (2011) 552-569;

1977) however, soon became the object of serious internal opposition from senior civil servants at the Ministry of Finance and Economic Affairs.

Nevertheless, significant parts of the Dutch policy making fields were still decidedly Keynesian in orientation. This included economists in the major political parties, at the trade unions, and at the universities. As a result, economic policy making devolved into a constant skirmish between the supply-side and Keynesian camps in the 1970s. The intensity of their continuing disagreement, Frans Rutten argued, was due to the clear political implications of the debate: 'the opposition between new classicals and neo-Keynesians can run parallel to that of liberal champions of the free market and socialist advocates of detailed government regulation.'<sup>65</sup> This internal strife came to a point where the traditional meetings to coordinate economic policy between the different ministries (such as the aforementioned CEC) stopped functioning, due to bitter disputes and fundamental disagreements. According to Hans Weitenberg, then assistant director of the Bureau for Economic Policy Analysis (CPB), Den Uyl stopped these meetings in order to try 'to keep the senior officials of the Ministry of Finance and Economic Affairs out of it.'<sup>66</sup> As the monetarist Anton Knoester would later write in an overview of Dutch economic policy, the Den Uyl cabinet formed the beginning of the turn to supply-side thinking in the Netherlands.<sup>67</sup> Surprisingly, this was despite Den Uyl's own opinions on the matter.

An important element in the turn towards supply-side policies was a new model of economic forecasting, developed in 1974 by economists Den Hartog and Tjan at the CPB, called VINTAF.<sup>68</sup> It was presented in 1975 at the annual meeting of the Dutch Economics Association, in an intervention that was understood as a public critique of the employment plans of the Den Uyl cabinet.<sup>69</sup> VINTAF was in essence a neoclassi-

65 F. W. Rutten, *Verval, herstel en groei. Lessen voor het economisch beleid gelet op het leergeld van twintig jaar* (Utrecht 1995) 26.

66 Van Tijn and Van Weezel, *Inzake het kabinet Lubbers*, 77.

67 A. Knoester, *Economische politiek in Nederland* (Leiden 1989).

68 U. Becker and C. Hendriks, 'As the Central Planning Bureau says: The Dutch wage restraint paradigm, its sustaining epistemic community and its relevance for comparative research', *Review of International Political Economy*, 15:5 (2008) 826–850; T. Kayzel, 'A night train in broad daylight. Changing economic expertise at the Dutch Central Planning Bureau 1945-1977', *Economia. History, Methodology, Philosophy*, 9:2 (2019) 337–70, <https://doi.org/10.4000/oeconomia.5613>; M. Varisli, *Grenzen aan de groei? Sociaal-economische debatten in Nederland in de jaren 1971-1983* (Master thesis in History; University of Amsterdam 2018).

69 Kayzel, 'A night train in broad daylight', 351.

cal growth model, and it provided the basis for a series of reports of the CPB and the CEC in the years that followed. The VINTAF model differed from previous forecasting models, in that it claimed a causal link between high wages and the high tax burden on one side, and growing unemployment on the other. Consequentially, the policy advice based on this model leaned more in the direction of wage moderation and austerity, while Keynesian expansionary policies had less of an effect than in previous, more Keynesian models.<sup>70</sup> When first used, VINTAF was highly controversial, and Den Uyl refused to accept the data and policy implications from the new model.<sup>71</sup> The CPB soon found itself under fire from both sides.

In response to a 1977 CEC report based on VINTAF, a group of neo-Keynesian economists initiated a prominent debate at the leading Dutch economics journal *ESB*, later called ‘the Economics Debate’.<sup>72</sup> The neo-Keynesian critics agreed that there was a correlation between high wages and unemployment. But that high wages caused unemployment was assumed in the model a-priori rather than proven empirically.<sup>73</sup> The new model was based on a political preference for a supply-side approach, rather than on empirical reality, they contended. For the neo-Keynesians, the real problem was the low-added value of certain sectors of Dutch business, such as textiles and shipbuilding. They favoured a public investment strategy to create more high-value added work, in addition to job-sharing schemes. The neo-Keynesian camp published a public letter ahead of the 1977 elections, in which they defended the expansionary policies of Den Uyl and warned to not ‘one-sidedly blame the tax burden or wages for unemployment’. The signatories were 24 economics professors including leading names such as Tinbergen, De Galan, Halberstadt, Van der Zwan, Driehuis, Heertje and Pen.<sup>74</sup> The Keynesian camp was marginalized however, when Den Uyl failed to form government in 1977 and 1981. Den Uyl ruefully conceded that ‘monetarists, new classicals and supply-siders have conquered the battlefield’.<sup>75</sup>

70 F. den Butter, ‘De onderbouwing van het loonmatigingsbeleid in Nederland’, *ESB* 74 (1989) 688-692; Kayzel, ‘A night train in broad daylight’.

71 De Haas and Van Lotringen, *Wim Duisenberg*, 85.

72 P. Lansbergen, *Het economiedebat. Economen contra Den Uyl en Van Agt* (Amsterdam 1980); W. Driehuis and A. van der Zwan (eds.), *De voorbereiding van het economisch beleid kritisch bezien* (Leiden 1978).

73 A van der Zwan, interview by Merijn Oudenampsen (Amsterdam, 20 November 2019).

74 ‘Oproep hoogleraren economie’, *Trouw* 21 May (1977).

75 See A. van der Zwan, *Nederland in zaken. investeren, winst en werkgelegenheid* (Utrecht 1985) 311.



Illustration 1 "The band 'No Nonsense', performing their latest hit", cartoon by Peter van Straaten. Despite the pragmatic words politicians used to set out the austerity policy of the eighties, it generated a lot of controversy. (source: collection Peter van Straaten – Presscollection NIBG).

At the same time, the CPB was under attack from the supply-side camp, who found their economic models still far too Keynesian. The monetarists Korteweg and Bomhoff accused the CPB in a series of widely read interviews and opinion pieces to deliberately underestimate inflation.<sup>76</sup> They also claimed the models of the CPB served a political agenda, this time to downplay the seriousness of the crisis.<sup>77</sup> In their opinion, the models of the CPB hindered the real solution to Dutch troubles: a monetarist policy aimed at controlling the growth of the money supply. Another influential line of criticism came from the Ministry of Economic Affairs. In his new year articles in the leading Dutch economics journal *ESB*, Frans Rutten criticized the models of the CPB for not considering the full range of negative (micro-economic) impacts of the high level of public spending on the economy.<sup>78</sup> A painful problem for Rutten was that the cutbacks under Lubbers performed quite badly in the economic models of the CPB, due to the depression

76 'Inflatiecijfer CPB voor '77 2 procent te laag', *NRC Handelsblad* 10 November (1976); 'Economen tegen planbureau', *De Volkskrant* 21 May (1977).

77 Bomhoff 2019, personal communication.

78 F. Rutten, 'Naar een hogere economische groei', *ESB* 71:3537 (1986) 4-9.

of effective demand.<sup>79</sup> In the 1980s, the Ministry of Economic Affairs actively tried to convince the CPB to change its models, by publishing its own new classical models and by taking CPB economists on organized visits to new classical economists in the US.<sup>80</sup>

With the advent of the second oil crisis of 1979, the Dutch economic crisis deepened. Older labour-intensive industries could not cope with domestic high wages and international competition. Unemployment, which had been under 6% from 1974 to 1979, went up 3% every year, until it reached 15% in 1983. As a result, public spending surged, reaching 61% of GDP in 1983. In response to this economic emergency, proposals for supply-side reform coming from the ministries gained in political urgency.

The first attempt at a fundamental policy shift was the austerity agenda *Bestek '81*, taken up by the centre-right government Van Agt I (1977-1981). At that time however, Dutch political parties were still very much divided on economic policy. The Van Agt cabinet failed to muster enough political support to implement the reform agenda, in part due to the internal opposition within the Christian Democratic Party, led by Minister of Social Affairs (and Keynesian economist) Wil Albeda. A next important step was the influential 1980 report of the Scientific Council for Government Policy (WRR) on industrial policy, which argued for a break with Keynesian policies and a fundamental shift towards a supply-side approach. The report provoked an extensive public debate on the future of economic policy.

In response to the report, The Van Agt government appointed the Wagner Committee, a high profile advisory group operating outside the official corporatist and parliamentary institutions. It was comprised of senior civil servants from the Ministry of Economic Affairs and leading figures from Dutch industry, with more minor trade union representation.<sup>81</sup> The committee met in the house of its chairman Gerrit Wagner,

79 Van Sinderen 2019, personal communication; Zalm 2019, personal communication.

80 G. Zalm, *De romantische boekhouder* (Amsterdam 2009) 52-53; Van Sinderen 2019, personal communication; Zalm, 2019, personal communication.

81 Among the members of the committee were Dreesman (CEO Vroom en Dreesman Nederland B.V.), Pannenberg (vice-president Philips) Beek (president Unilever Research Laboratorium) and Langman (board of directors of the bank ABN). Trade union representation in the committee proved to be controversial. The Wagner committee invited the trade union economist Piet Vos. But Wim Kok was not happy with that choice, since Vos was on the liberal side of the trade union spectrum. At the second session of the Wagner committee, the FNV delegated economist Cor Inja instead, but he was refused by the Wagner committee. See 'Adviesorgaan wil Albeda en Kloos', *De Volkskrant* 13 January (1982); F. Nypels and K. Tamboer, 'Moet de metaal draaier soms bejaardenhelfer worden?', *Het Parool* 12 September (1985); See also Varisli, *Grenzen aan de groei?*, 60.

the former CEO of Shell, and produced its first report *A New Industrial Elan* in 1981. Its impact was likened to a bombshell in the Dutch press.<sup>82</sup> As economic historian Jeroen Touwen argues, the ‘turning point was the Wagner Report rather than the Wassenaar Agreement’. It was the Wagner Report that ‘supplied the ideological basis for replacing government intervention with the market mechanism’.<sup>83</sup>

Officially, the committee restricted itself to industrial policy. But in reality, the report had a much broader scope: it contained proposals for public sector retrenchment, wage moderation, deregulation, the increase of wage differences, and labour market and social security reform. Also included was a proposal to increase the power and scope of the CEC, to subject a larger range of policy terrains (education, labour market, environment) to economic analysis.<sup>84</sup> While the report was welcomed enthusiastically by the right and by the employers, social democrats and trade unions were critical.<sup>85</sup> Wim Kok described the Wagner report as a first step towards the ‘Americanization’ of Dutch society: ‘Give entrepreneurs full freedom, cut back the state, and everything will be alright.’<sup>86</sup>

The opposition to Wagner rallied behind the Schouten-plan, named after the Christian democrat economist D.B.J. Schouten, a leading corporatist policymaker at the Social and Economic Council (SER). His plan was a moderate Keynesian proposal that combined wage moderation with measures to stabilize effective demand.<sup>87</sup> A majority of Dutch economists supported the Schouten plan, but the government was wary to further increase the deficit.<sup>88</sup> Den Uyl wrote about the choice between Wagner and Schouten on the eve of the 1982 elections, in the pamphlet *Small Margins, Big Consequences*. Even though the crisis had

82 ‘Waardering Shell-topman kwam later’, *Trouw* 10 October (2003).

83 L.J.Touwen, ‘How does a coordinated market economy evolve? Effects of policy learning in the Netherlands in the 1980s’, *Labor History* 49:4 (2008) 439-464, <https://doi.org/10.1080/00236560802376904>; Idem, *Coordination in transition. The Netherlands and the world economy, 1950-2010* (Leiden 2014) 271. Also Wolinetz sees the Wagner Committee rather than Wassenaar, as the crucial breakthrough. Wolinetz, ‘Socio-economic bargaining in the Netherlands’.

84 J.M. Den Uyl, *Smalle marges, grote gevolgen* (Amsterdam 1982) 7.

85 ‘Nog altijd grote kansen Nederlandse industrie. Advies commissie industriebeleid hoopvol’, *Nederlands Dagblad* 6 June (1981), <https://resolver.kb.nl/resolve?urn=ddd:010627479>.

86 Nypels and Tamboer, ‘Moet de metaal draaier soms bejaardenhelper worden?’

87 The plan was seriously considered within the Christian Democrat Party. See the debate between Zijlstra, Albeda, Schouten en De Vries in: H. Borstlap, ‘De economische crisis en het ‘Plan-Schouten,’ *Christen Democratische Verkenningen* September (1982) 400-415.

88 K. Caljé, ‘Nederland moet het goedkoopste-eiland van de wereld worden’, *NRC Handelsblad* 13 July (1983).

seriously constrained policy options, Den Uyl stressed the fundamental ideological nature of the upcoming choice: 'the two scenarios on which the political debate focuses, that of the Wagner committee and the so-called Schouten plan, are de facto based on completely opposed visions on the desired economic order.'<sup>89</sup>

When the Christian Democrats won the elections in 1982, they chose the Wagner proposals and set out a new market-oriented course, together with the right-wing liberals (VVD). The first Lubbers cabinet, installed in 1982, adopted most the reform measures proposed by the Wagner Committee as official policy.<sup>90</sup> As the head of Economic Affairs, Frans Rutten had played a crucial role in the policy shift. He wrote the 1977 CEC report, advised on the WRR report, co-drafted *Bestek '81*, handpicked the members of the Wagner committee and served as its secretary writing the minutes of the meetings. Understandably, Rutten later argued that senior civil servants rather than trade unionists or politicians were at the forefront of the 1980s policy shift:

In the beginning of the 1980s, the Dutch economy was in a deep recession. The Social Economic Council (SER) stopped functioning, the labour movement was obstructing and politicians would not come to their senses. On the initiative of two senior officials of the Finance Ministry and Economic Affairs, an informal club was created with business leaders and civil servants. That group set out a new economic course. When at the end of 1982, the first Lubbers cabinet entered power, the case had already been thought out.<sup>91</sup>

Both supporters and adversaries shared this perspective on Dutch bureaucratic elites as initiators of the paradigm shift of the 1980s, while politicians followed suit. Cees Oudshoorn, the current general director of the Dutch Employers Organisation, VNO-NCW, praised the Ministry of Economic Affairs for having 'made the case for Reaganomics in the Netherlands'.<sup>92</sup> He noted that 'the policy of economic recovery that was initiated in the 1980s by the Lubbers cabinets, had largely been suggested by the head of Economic Affairs.' Jan Pen, a leading Keynesian economist and a senior policymaker at Economic Affairs in the 1950s, told a

89 Den Uyl, *Smalle marges, grote gevolgen*, 7.

90 Wolinetz, 'Socio-economic bargaining in the Netherlands', 91; Touwen, 'How does a coordinated market economy evolve?', 454. Varisli, *Grenzen aan de groei?*, 62.

91 C. Rutenfrans, 'Simonis is net zo oppervlakkig als ik vroeger was' *Trouw* 3 July (1999).

92 E. Jorritsma and M. de Waard, 'De SG is weer staatsdienaar, geen mooie zangvogel', *NRC Handelsblad* 5 January (2009).

similar story of bureaucratic initiative with somewhat opposite appreciation:

This bureaucratic power ('fourth branch of government') flexed its muscles between 1973 and 1990, the time of Rutten. There was a certain struggle going on between Social Affairs, where they wanted a slightly more leftist policy, and the Ministry of Finance, that decided on the budget. As much as possible, they ignored the Ministers that happened to be there. The battle became more and more ideological, because Rutten wanted more market and less government.<sup>93</sup>

The above analysis serves to show that senior civil servants played a key role in the policy-shift of the 1980s. The ideas for the policy shift under Lubbers were promoted by civil servants in the ministries and the policy making process was neither consensual nor corporatist in character. This raises an important question. In the US and the UK, the economic policymaking establishment was dominated by Keynesian economists and the advocates of supply-side ideas emerged from outside of the institutions.<sup>94</sup> What explains the Dutch divergence, with influential anti-Keynesian policy-makers in key positions already under the leftist government of Prime Minister Den Uyl, the country's most prominent advocate of Keynesianism?

Weir and Skocpol have argued that politicians and policymakers usually do not develop policy solutions out of nowhere. Instead, they tend to work with existent policy recipes that have been successfully applied previously, adjusting them to suit contemporary needs.<sup>95</sup> While international inspirations were important to the Dutch shift in economic thinking, they also relied on existing Dutch policy legacies. Statements by Dutch policymakers in the early 1980s show that the industrialization policies of the 1950s served as an important source of inspiration.<sup>96</sup> The Scientific Council for Government Policy (WRR), one of the most influential policy think tanks in the Netherlands, hailed the industrialization memoranda of the 1950s as a source of inspiration for the revitalization of the Dutch industrial sector, claiming that these

93 J. Pen, 'Economische Zaken moet blijven', *Het Parool* 15 May (1999).

94 Hall, 'Policy paradigms'; Blyth, *Great transformations*.

95 Weir and Skocpol, 'State structures', 118.

96 See H. Wijers, *Een nieuwe aanpak. Het industriebeleid en de betekenis van de MIP* (Scheveningen 1982); K. Tamboer, 'Hans Wijers komt als geroepen', *Het Parool* 14 September (1994), <https://resolver.kb.nl/resolve?urn=ABCDDD:010842280>; A. van der Zwan, 'Wederopbouw en mobilisatiepolitiek', *Socialisme & Democratie* 38:11 (1981) 518-531.

documents (with wage restraint at its core) had established a sound “climate” for investment activity’.<sup>97</sup>

The elderly Jan van den Brink, minister of Economic Affairs in the early 1950s, now found himself publicly discussing the strengths, weaknesses and influence of thirty years-old policies with economic historians.<sup>98</sup> Social scientists also showed renewed interest in the policy legacy of the 1950s and started to study the industrialization policies of the 1950s, while political scientists observed that ‘the government and entrepreneurs fall back on the successful industrialization-formula of the 1950s’.<sup>99</sup>

The renewed interest of policymakers and academics in the economic reconstruction policies of the 1950s may seem surprising. The Dutch industrialization program of the 1950s, as set out by Van den Brink’s industrialization memoranda, seems a typical example of post-war Keynesian planning. However, economic historians have concluded that Van den Brink largely followed a supply-side approach to boost competitiveness and create employment.<sup>100</sup> To understand how Van den Brink’s policies served as a source of inspiration for the policymakers of the 1980s, we need to examine how they were first established in the 1950s.

## The post-war reconstruction of the Netherlands: industrialization and the origins of neoliberal policy

The state-fostered industrialization program of the Netherlands took off during the 1950s in a political landscape characterized by deep disagreement over socio-economic policies. Before the Second World War, Dutch socio-economic policies had been dominated by a classical liberal *laissez faire* approach, defended by liberal parties, but also

97 Wetenschappelijke Raad voor het Regeringsbeleid (WRR), *Plaats en toekomst van de Nederlandse industrie* (The Hague 1980) 163-164; 161.

98 R.T. Griffiths, ‘Enkele kanttekeningen bij de eerste industrialisatienota’s van J.R.M. van den Brink’, *Bijdragen en Mededelingen betreffende de Geschiedenis der Nederlanden* 101:1 (1986) 110-117; J.R.M. van den Brink, ‘Indicatieve planning als beleidsinstrument van de industrialisatiepolitiek in de jaren vijftig’, *Bijdragen en Mededelingen betreffende de Geschiedenis der Nederlanden* 101:1 (1986) 118-127.

99 F.J. ter Heide, *Ordering en verdeling. Besluitvorming over sociaal-economisch beleid in Nederland 1949-1958* (Kampen 1986) 12; H. de Liagre Böhl, J. Nekkers and L. Slot, *Nederland industrialiseert. Politieke en ideologische strijd rondom het naoorlogse industrialisatiebeleid* (Nijmegen 1981) 11.

100 J. Peet and E. Nijhof, *Een voortdurend experiment. Overheidsbeleid en het Nederlandse bedrijfsleven* (Amsterdam 2016) 148.

by the three main Christian democratic parties, who consistently held a parliamentary majority since 1917. Various indicators bear witness to the dominance of classical economic thought in the Netherlands: the Dutch had been among the last Western European countries to abolish the gold standard, participation of social democrats in government coalitions was effectively blocked until 1939, while welfare state arrangements at the national level developed at a slow pace.<sup>101</sup> Much of this changed during the Second World War, when the Dutch cabinet fled to London and found itself in the heart of the Allied debate on social security. Inspired by the British Beveridge Report on social insurance (1942), the Dutch cabinet installed a committee to examine the opportunities for the establishment of social security in the post-war Netherlands.<sup>102</sup>

The report of this so-called *Van Rhijn Committee* initially seemed to provide a major challenge to the Dutch pre-war socio-economic order. Pre-war social democrats, social liberals and a small group of progressive Christian democrats teamed up and established the Dutch Labour Party in 1946, which imitated its British counterpart to such extent, that they literally copied their election posters.<sup>103</sup> By aiming for the establishment of 'social security' in alignment with and complementary to the market economy, the supporters of the Labour Party challenged the existing socio-economic order. They also hoped to enforce a 'break-through' in Dutch politics, by luring Christian democratic workers away from the Christian democratic parties and ending the Christian democratic majority in parliament.<sup>104</sup> However, the social democrats encountered fierce opposition of self-proclaimed 'neoliberals'. Operating not by means of a parliamentary party but in more loosely organized networks, these pro-market advocates aimed for influence *within* the Christian democratic parties, hoping to gain their support for their anti-socialist, market-oriented program.<sup>105</sup> According to the neoliberals, the state should not delimit the market by means of social security, nor should it allow the market to run its course. Instead, the state should

101 H. Langeveld, *Schipper naast God. Hendrikus Colijn 1869-1944* (Amsterdam 2004) 216-217.

102 Commissie-Van Rhijn, *Sociale zekerheid. Rapport van de commissie, ingesteld bij beschikking van den minister van sociale zaken van 26 maart 1943, met de opdracht algemeene richtlijnen vast te stellen voor de toekomstige ontwikkeling der sociale verzekering in Nederland*, vol. 1 (The Hague 1945).

103 D.J. Elzinga and G. Voerman, *Om de stembus. Verkiezingsaffiches 1918-1998* (Amsterdam/Antwerp 2002) 85.

104 P. van Praag jr., *Strategie illusie. Elf jaar intern debat in de PvdA (1966-1977)* (Amsterdam 1990) 16-17.

105 B. Mellink, 'Towards the centre. Early neoliberals in the Netherlands and the rise of the welfare state, 1945-1958', *Contemporary European History* 29:1 (2020) 30-43, 35.

foster competition by combatting monopolies and cartels, while actively setting the conditions for an overarching socio-economic framework characterized by permanent competition.

Social democrats and the neoliberals both aimed to extend their influence at the expense of the Christian democratic parties. This made the Christian democratic parties vulnerable at the socio-economic level, as they united employers and employees on religious grounds and were therefore easily exposed to conflict between these parties with (possible) opposing socio-economic interests. This was especially the case for the Catholics, who had joined a coalition with the social democrats after the Second World War, much to the dismay of anti-socialist conservatives within the party, led by (among others) former minister of Colonial Affairs Charles Welter. When the Catholics obtained the ministership of Economic Affairs during the coalition negotiations of 1946, party leader Carl Romme appointed Gerardus Huysmans, a candidate with a strong right-wing profile, and confessed in private correspondence that he envisaged Huysmans as ‘the conscience of Mr. Welter when he asserts that we adopt a socialist political course.’<sup>106</sup>

Had Huysmans been allowed to proceed as minister of Economic Affairs, his proposed industrialization policies would likely have failed, as the new minister sowed discord in an already highly politicized debate. On his first day in office, Huysmans asked his secretary for a list of policy officials appointed by his social-democratic predecessor and removed them within one and a half years.<sup>107</sup> He continued by openly embracing the free market and developing an industrialization program intended to restore market forces, a stance not well-received by the social democratic coalition partner. However, Huysmans had to quit his job in 1948 due to an illness that led to his untimely death. He was succeeded by the young economist Jan van den Brink, a far more tentative politician, who faced the difficult job of accommodating the KVP’s right wing, while securing the support of the labour unions and the social democrats.

As political scientists have rightly concluded, Van den Brink’s industrialization program was mostly a continuation of Huysmans’s policy agenda, aimed at the restoration of market forces.<sup>108</sup> Its main tenets can be illustrated by focusing on the role of Albert Winsemius, the fu-

106 Nationaal Archief (hereafter NA), Archive of mr. dr. C.P.M. Romme [2.21.144], inv. 33, letter from C.P.M. Romme to F.J.F.M. Duynstee, 1 January 1947, 1.

107 De Liagre Böhl, Nekkers and Slot, *Nederland industrialiseert*, 146.

108 *Ibid.*, 218 and 224.

ture economic advisor of Singapore, at the time appointed as Director-General of Industrialization and chairman of the Main Committee for Industrialization. At the inaugural meeting of the Main Committee, which consisted of policymakers and the social partners, Winsemius introduced his policy tenets. He did

not conceive the issue of industrialization primarily as an issue of employment [...] We have to take our export figures into account. In this regard, our cost level is vital. [...] We are therefore obliged to take responsible measures by attempting to increase labour productivity, while using every opportunity to lower the costs of labour. On the global market, the only question is which party delivers at the lowest price. We have to ensure that we offer the lowest price.<sup>109</sup>

Winsemius's economic views were competition-oriented and aligned with neoliberal and neomercantilist assumptions. In line with neoliberal norms, Winsemius believed that the state should actively establish market conditions, as opposed to delimiting the market or allowing it to run its course. He expected these measures to enhance the opportunities for Dutch entrepreneurs on the global market, resulting in an increase of export. At the same time, however, Winsemius's conception of the global economy as a zero-sum game in which the Netherlands could only increase its share at the expense of others, bore resemblances to neomercantilist thought. The logical outcome of both was a race to the bottom, in which the Netherlands had to increase its competitiveness by an increase of labour productivity and by lowering its wage level. This policy solution attributed the lacking competitiveness of the Dutch industrial sector exclusively to the factor labour, which had allegedly become too costly.

Winsemius's views were shared by minister of Economic Affairs Jan van den Brink. Van den Brink likely developed these views before he appointed Winsemius. Before he took office as minister, he had been full professor of Economics in Tilburg, where he had taken an interest in the intellectual achievements of early neoliberal economists and their supply-side solutions for the recovery of post-war Western-European economies. Among these early neoliberals was the West German economist Ludwig Erhard who, like Van den Brink, would assume the posi-

109 Historisch Centrum Overijssel (hereafter HCO), Archive of the Hengelosche Elektrische en Mechanische Apparaten Fabriek (hereafter HEEMAF), inv. 1328, Minutes of the inaugural meeting of the Main Committee for Industrialization, 3 October 1949, 12.

tion of minister of Economic Affairs on behalf of the Christian democrats in 1948. In the same year, just months before both men acquired their new jobs, they met to discuss Erhard's views on the state-fostered market economy.<sup>110</sup> In his memoirs, published in 1984, Van den Brink emphasized that he did not aspire to copy Erhard's pro-market plans, which he deemed overly individualist. However, he emphatically preferred Erhard's approach over the socialist alternative and aimed to reconcile his Christian democratic values with the economic agenda of the German minister.<sup>111</sup>

This reconciliation of Christian democratic and neoliberal thought was crucial for the industrialization agenda of Van den Brink, not just because of the minister's own political aspirations, but also because he had to ensure sufficient support. As Van den Brink recalled in later life, it had been crucial 'to gain support of business elites in these economic policies and its tenets, without losing trust among employees, the trade unions and the social democratic coalition partner'.<sup>112</sup> Two steps had to be taken to meet these needs. First, the social partners had to subscribe to the new industrialization agenda, and the most constructive way to obtain this goal was to show employers and employees what they would gain from industrialization. Second, the resulting compromise had to hold appeal for Christian democrats and social democrats to keep the coalition intact and to secure a parliamentary majority.

Securing the support of the social partners initially seemed a tedious affair. Winsemius's rather bluntly formulated pro-market approach in the Main Committee for Industrialization, alongside his plea for low wages, appealed to employers but estranged the trade unions. The self-proclaimed neoliberal entrepreneur Henri Keus was among the first employers within the Main Committee to signal this problem. In private correspondence with his fellow-employer T.J. Twijnstra, he showed himself pleasantly surprised by Winsemius views, but he also feared commotion among the representatives of the trade unions if they did not understand why this deal should appeal to them.<sup>113</sup> Keus therefore organized a special meeting of employers and employees in addition to the meetings of the Main Committee. The aim of this meeting was to secure trade union support for a 'sound' investment climate, characterized by low taxes and cheap labour.

110 Van den Brink. *Zoeken naar een 'heilstaat'*, 367.

111 *Ibid.*, 369.

112 *Idem*, 'Indicatieve planning als beleidsinstrument', 119.

113 HCO, HEEMAF, inv. 1329, Letter from H.I. Keus to T.J. Twijnstra, 25 January 1950, 2.

When the meeting finally took place, Keus and his fellow employers secured the support of the trade unions with surprising ease. Both parties agreed on the necessity of ‘capital formation within the enterprise as a precondition for the increase of employment’, leading to mutual support for tax cuts within the business sector.<sup>114</sup> The outcomes of the meeting were undoubtedly influenced by the absence of the most left-wing representative of the trade unions, H. Oosterhuis and the presence of trade union representative D.W. Ormel, who also specialized in the academic work of the prominent neoliberal economist Wilhelm Röpke on behalf of the Protestant Anti-Revolutionary Party.<sup>115</sup> ‘I was surprised’, Keus wrote a few weeks later in private correspondence, ‘that Mr. Ormel clearly expressed his support for the views held by [fellow-entrepreneur] Mr. Spoorenberg and me, and agreed that a revision of our fiscal system could wait no longer.’<sup>116</sup> After January 1950, fundamental debates regarding tax cuts were off the table.

The resulting consensus among the social partners, secured at the initiative of Keus, cleared the way for minister Van den Brink to push his policy agenda in parliament. This was a delicate job, as the minister required the support of the social democrats. The initial commotion among members of the Main Committee for Industrialization, although short-lived, demonstrated that he could not take the support of the social democrats for granted. However, Van den Brink managed to present his policy as an economic necessity. He argued that industrialization fostered Dutch export, which was required for the import of raw materials. In other words: Dutch industrialization should be oriented at the international rather than the domestic market to obtain the raw materials it required – a typical catch-22 situation. More importantly, the minister argued that industrialization contributed to job growth at a time when declining trade and an increasingly efficient agricultural sector were unable to do so.<sup>117</sup> Van den Brink estimated an increase of the Dutch workforce of at least 40,000 jobs annually, which tuned in with the social democratic emphasis on full employment.<sup>118</sup> The brochure *The Netherlands Industrializes*, issued in 1950 to communicate

114 HCO, HEEMAF, inv. 1328, Minutes of the meeting of the Main Committee for Industrialization, 7 November 1949, 1.

115 D.W. Ormel, ‘Röpke’, in: S.U. Zuidema (ed.), *Denkers van deze tijd III. Marx, Schumpeter, Keynes, Röpke* (Franeker 1957) 203-261.

116 HCO, HEEMAF, inv. 1329, letter from Keus to Twijnstra, 30 January 1950, 1.

117 HCO, HEEMAF, inv. 1328, ‘Installatie hoofdcommissie voor de industrialisatie’, 19 September 1949, 1.

118 *Ibid.*, 2.

the government's plans to the general public, even mentioned the ambition to create 215,000 jobs within three years.<sup>119</sup>

It may be tempting to interpret Van den Brink's policy agenda as an example of state planning, or even as Keynesian, due to the minister's emphasis on job growth in defence of his policy agenda. However, although Van den Brink explicitly mentioned employment among the key policy objectives of his industrialization policies, he was careful to avoid plan socialism or Keynesian interventions to attain his policy tenets. Keynes's *General Theory* derived from the insight that, contrary to Say's Law, supply and demand tend to intersect *below* the level of full employment under free market conditions.<sup>120</sup> According to Keynes's analysis, free markets therefore produced a suboptimal employment of production factors such as labour, in other words: unemployment. According to this theory, the state should substitute for declining demand during economic slumps by fostering consumption and investment (demand management). Van den Brink defended the opposite solution and proposed to combat unemployment by adopting a 'facilitative policy' (*voorwaardenscheppend beleid*): the state should stimulate the economy through deregulation, tax cuts and fixing wages below the market price, to secure the competitiveness of the Dutch export sector on the global market. This supply-side logic, simultaneously defended by Director-General Albert Winsemius in the Main Committee for Industrialization, moved in the direction of what Cornel Ban calls 'embedded neoliberalism': an ideological hybrid that raises support for macroeconomic orthodoxy, deregulation and privatization.<sup>121</sup> As Peet and Nijhof rightly remarked, 'the socio-economic policies of the 1950s were to a large extent supply-side policies'.<sup>122</sup>

One of Van den Brink's key talents as a politician – which explains to a large extent the renewed appeal of his policy agenda in the 1980s – was his ability to sell his pro-market policy agenda as an optimal synthesis of liberal, Christian democratic and social democratic thought. He somewhat vaguely proposed 'indicative planning' underpinned by interventions with a 'global character', based on estimates rather than set targets.<sup>123</sup> The minister declared that 'given the [...] existing, and by

119 HCO, HEEMAF, inv. 1330, brochure 'Nederland industrialiseert', 8.

120 J. M. Keynes, *The general theory of employment, interest and money* (London 1936) 15-17 and 26.

121 C. Ban, *Ruling ideas. How global neoliberalism goes local* (Oxford 2016) 5.

122 Peet and Nijhof, *Een voortdurend experiment*, 148.

123 Rijksbegroting voor het dienstjaar 1950, stuk 1400 X 6, bijlage IV, memorie van toelichting, 'Nota inzake de industrialisatie van Nederland', 23.

the vast majority of the Dutch population desired socio-economic organization – (industrialization – BM & MO) should stem from private economic decisions'.<sup>124</sup> In line with the Catholic doctrine of subsidiarity, Van den Brink emphasized the complementary role of the state in society: state interventions were only feasible if private initiative failed.<sup>125</sup> However, the state should foster the private initiative by setting the conditions for a 'industrial climate'. Tax cuts for entrepreneurs, deregulations and fixed wages below the market rate were the main instruments to attain this goal.<sup>126</sup> As long as the industrial sector flourished, the subsequent economic growth would create 215,000 jobs in less than four years.

Van den Brink's policy agenda was a refined mixture of ideas. It complied with the social democratic tenet of full employment but achieved this tenet by employing supply-side policy instruments that contributed to the restoration of free market forces, while securing an active role of the state in fostering the economy. A tripartite consultation structure in corporatist fashion contributed to the support of the social partners. The Protestant trade union delegate Ormel eventually described capital accumulation and employment as 'Siamese twins' and his Catholic colleague J.A. Middelhuis also underlined the necessity of capital accumulation in the business sector to warrant employment.<sup>127</sup>

This specific combination of job creation, supply-side economics and consensus-oriented corporatism resurfaced when policymakers in the 1980s, confronted with a declining industrial sector, initiated a second wave of wage moderation. When the political scientist F.J. ter Heide studied the socio-economic policies of the 1950s in the 1980s, he observed that 'the 1950s serve in many respects as a source of inspiration for the 1980s. A first source of inspiration are the industrialization policies, designed in 1949 designed and applied in subsequent years'.<sup>128</sup> In its influential report *Position and Future of Dutch Industry*, published in 1980 by the influential Scientific Council for Government Policy, the council explained why Van den Brink's policies held such appeal. The so-called Main Committee for Industrialization, the council argued, had brought employers, employees and policy officials round the

<sup>124</sup> Ibid.

<sup>125</sup> Ibid., 28.

<sup>126</sup> Ibid., 29.

<sup>127</sup> HCO, HEEMAF, inv. 1328, minutes of the meeting between employers and employees initiated by H.I. Keus, 7 November 1949, 1.

<sup>128</sup> Ter Heide, *Ordering en verdeling*, 12.

table.<sup>129</sup> It had offered employers and employees the opportunity to offer policy advice to officials, while tying the involved parties to the common tenet of industrialization. Citing the analysis of W. van Brakel, the former secretary of the main committee who analysed Dutch industrialization policies in the 1950s, the Scientific Council stated:

The fact remains that these factors [the installation of the Main Committee and the appointment of a Director-General for Industrialization] all contributed in their own way to the establishment of the right “climate” for investment activities. On the one hand, they emphatically drew the attention to the vital opportunities for individual entrepreneurs and the national economy in a well-documented way. On the other hand, they underlined the strong willingness of the government to create favourable conditions for private investment activities.<sup>130</sup>

The Scientific Council thus subscribed to Van Brakel’s analysis that a key feature of the Main Committee for Industrialization was its ability to generate support. By bringing employees, employers and policy officials together, the committee fostered consensus. As in the 1950s, the three parties would once again conclude in the 1980s that a facilitative investment climate strengthened the Dutch economy and that, therefore, entrepreneur-centred policies served the public interest.

## Conclusion

In the existing literature, the Dutch paradigm shift of the 1980s has long been ascribed to the power of social learning and corporatist compromise. This explanation however, rests on surprisingly shaky foundations, since there is little evidence for social learning and corporatist compromise. We have argued that not the trade unions, but rather senior civil servants were the primary drivers of supply-side reform. The Dutch case then conforms to state-centered explanations of policy change, as developed by Skocpol, Weir and Hecló. This does not imply that corporatism plays no role in Dutch developments, but merely that corporatism was not the driving factor in the Dutch paradigm shift of the 1980s. Instead, the analysis put forward in this article points to the

<sup>129</sup> WRR, *Plaats en toekomst*, 163.

<sup>130</sup> *Ibid.*

central role of the Dutch state in disciplining labour and restructuring Dutch corporatism on a new footing, within a supply-side framework.

If we look beyond their primary focus on consensus, there are arguments to be found in the work of Visser and Hemerijck that would support such a reading. Most notably, they emphasise the relevance of Fritz Scharpf's concept of the 'shadow of hierarchy', which refers to the ability of the state to cast its shadow over the bargaining table and 'shift the balance of bargaining power from one side to the other'.<sup>131</sup> Following this line of reasoning, it is the reassertion of the power of the Dutch state that is the crucial precondition for a market-oriented restructuring of Dutch corporatism (which is only fully achieved in the mid-1990s). Crucial here is that the initiative lies with the state, and the importance of the 1982 Wassenaar agreement is then demoted to being one of the products of the state-led paradigm shift, rather than the primary driver of that transformation.

While we believe that the role of administrative elites is key to the policy shift of the 1980s, we do not wish to overstate the autonomy of policymakers from societal pressures and interests, in particular that of Dutch business. The Ministry of Economic Affairs traditionally conceives of its role as that of a mediator between Dutch business, Dutch economic policy making and Dutch politics. The ties between business and senior economic policymakers at the Ministries of Finance and Economic Affairs have historically been remarkably close. Senior civil servants move on to sit in the boards of the largest Dutch companies and prominent business leaders get appointed to head the ministries. The Wagner commission that prepared the policy shift for the Lubbers cabinet can hardly be described as proof of the autonomy of civil servants.

Finally, we argue that a state-centred approach can provide important insights into the Dutch paradigm shift of the 1980s. In their work, Skocpol, Weir and Hecló argue that the ability of civil servants to act as the drivers of new policy ideas is dependent on the local policy-making infrastructure, and existing policy legacies. Both are important factors in the Netherlands that have received relatively little attention in comparative research. On the one hand, the exceptionally centralized, ostensibly depoliticized and universally respected nature of Dutch economic policymaking could help explain the outsized role of policymakers. The Netherlands lacks the powerful private think tanks with clear ideological profiles, such as in the UK and the US. Instead, bureau-

<sup>131</sup> F. Scharpf, *Games real actors play* (Boulder 1997) 207.

cratic think tanks such as the CPB, the AEP and the WRR dominate the policymaking field. On the other hand, existing policy legacies can help explain the relatively early adaption of supply-side ideas in the Netherlands. In particular, the earlier experiences with supply-side and wage moderation policies during the industrialisation strategy of the 1950s became a recurring reference point in the 1980s. The Dutch academic field can be considered an important factor in the reproduction of such legacies, as many of the policymakers of the 1970s and 1980s received their training in the 1950s.

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