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Inflatie, een institutionele benadering. Een theoretisch en empirisch onderzoek naar de invloed van ideologie en militantie op inflatie.

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Summary

This book is primarily an attempt to improve the theory concerning the various ways in which the government, the trade unions and the employers' associations affect wage determination and, consequently, inflation. It also tries to elaborate empirically on the relation which is claimed to exist by the theory developed between ideology and militancy on the one hand, and the wage and price movement on the other.

The introductory part describes inflation per se and its economic, social and political implications. Part II is a further enquiry into recent theories of inflation. Thus post-Keynesian, institutional, neo-classical as well as monetary theories of inflation pass in review in chapter 2, while chapter 3 contains a brief survey of the empirical researches into the relevance of the theories discussed. It is found that, as regards the wage movement, there is a flaw in the explanation of the attitudes taken by the government and the central workers' and employers' associations.

In part III an attempt is made to come to grips with this flaw. Chapter 4 is a study of wage determination in a situation without a government. It introduces a distinction between a part of the wages affected by market factors and another part determined by negotiations between workers' and employers' associations. By means of a cost-benefit analysis for the two parties involved in an impending strike, it is possible to deduce the determinants of the outcome of the negotiations. In chapter 5 the institutional structure is described of the parties relevant to the subject : the government and the workers' and employers' associations. The government in a parliamentary democracy is the cabinet composed of 'representatives' of the party or parties in office. Elections are held regularly in which the political parties are supposed to vie for the voters' favour. The parties try to sell their own ideology to the voters, i.e. the general line of thought underlying the policy advocated by the party. In case of impending loss of votes, parties will adjust their ideologies somewhat, so as to avert this loss. The cabinet will pursue a policy which is characterized by an ideology that is to be considered as a weighted average to the ideologies of the parties in office. When the popularity of these parties declines, they will adjust their policy to the ideology of the political opposition. If, as a result of imperfect information, pressure groups come into the picture - the central workers' and employers' associations - government policy will also be adjusted to preferences in these pressure groups. The institutional structure of workers' and employers' associations show some

servicing similarities : unceasing competition for the largest possible number of members by selling their ideologies. Trade unions try to obtain maximum wage sum and to exert the greatest possible pressure on the government to pursue policies that agree with their own political preference. Employers' organisations try to settle on the lowest possible wage sum and to exert the greatest possible pressure on the government to pursue policies advocated by them. Chapter 6 offers an analysis of the relations between the government and the trade unions on the one hand, and between the government and employers' associations on the other. The chief weapons wielded by the trade unions are the threat of a political strike, and so-called 'implicit canvassing' in the trade unions' attitude towards government policies. The chief weapons wielded by the employers' associations are the independent influence exerted by their position vis-à-vis government policies on the economic developments and on the election-results for the parties in office (i.e. implicit canvassing). The two partial analyses yield a number of determinants for the adjustment of government policies to the pressure exerted by pressure groups. The government's wage policy is determined by the difference between the ideologically desirable and the actual rate of unemployment and wage share. Government policy concerning the public burden is determined, analogous to the theory of consumer behaviour, by political preference (the so-called preference effect), the national income (the so-called income effect) and the relative prices (the so-called substitution effect). In chapter 7 the partial analyses are substituted by an integral analysis of the pressure brought to bear upon the government: by the two pressure groups. We then trace the influence of adjusted government policy on the wage movement.

The object of Part IV is to adduce empirical evidence for the influence of ideology and militancy on inflation in the Dutch economy. Chapter 8 develops a method to quantify the ideological positions of organisations by means of scores. Four ideology categories are introduced which all differ in the extent to which they attribute levelling responsibilities to the government. On the basis of some concrete social and economic subjects, so-called ideology indicators, a number of relevant texts issued by these organisations are analysed. By awarding scores to the ideology categories we can construct time-series reflecting the ideological progression. This research was applied to the principal political parties and the major workers' and employers' associations over a period from 1946 to 1978 inclusive. The scores show that the ideological centre in Holland shifted towards a more

levelling policy in the course of the nineteen sixties. Chapter 9 contains not only an inventory of the ideological positions held by the major workers' and employers' associations, but also an enquiry into the militancy of these two groups of organisations. Here again an attempt is made to quantify militancy by means of classifications and keeping of scores. The criterion in this method is the extent to which the conflict appear in the views of the relevant organisations on the relations between the government, the trade unions and the employers' associations. The trade unions have clearly assumed a more militant attitude, a development which is reinforced in the seventies. In the case of the employers' organisations there is a slight shift towards stronger militancy in the middle of the sixties. In three appendices the scores are accounted for in detail.

In chapter 10 we have estimated a series of wage, public burden and price equations over the years 1954 - 1978 by means of the method of the ordinary least squares. The wage equation with the most satisfactory results, also from a theoretical point of view, comprises the determinants : unemployment, the general price level, productivity, the public burden, contributed by wage-earners, per employee, and the government's ideology. The ideology variable can be interpreted as the factor that reflects the wage policy, If, instead, the ideology of the trade unions is introduced, the overall results are virtually just as good. The latter ideology variable is to be understood as a proxy of trade union militancy. An estimation of the public burden equation yield good determinants in government ideology, the national income and unemployment. In the price equations estimated, the variant for which the best statistical results were recorded was the one in which the determinants were the wage rate and the import price level with a one year time-lag. When we add to the wage, the public burden, and the price equation a relation showing the development of the ratio between the overall public burden and the public burden contributed by wage-earners, per employee over the years, we can deduce from this set of four equations a relation between ideology and inflation. It appears that a change of one point in the score of government ideology causes a 2,56 % change in the inflation rate. This is termed here the ideology sensitivity of inflation. The so-called ideology inflation potential - i.e. the increase of inflation occurring when the lowest possible value of the ideology score turns into the highest possible value - appears to be 7,68 % in Holland over the period studied. Compared to the other determinants, the relative weight of the ideology factor on the inflation rate is an average percentage of 37 % over the entire period. The figures are to be used with due caution, in

view of the limited scope of this study. It does seem to be a legitimate conclusion, however, that a one point change in the ideology score causes a change in inflation of a couple of percentage points.

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