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Towards a Politics of Restraint

Public Choice Theory in the Dutch Labour Party of the 1970s¹

Thomas Kayzel

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Abstract

Public choice theory, an analysis of politics based on economic principles, is often considered to be one of the major innovations in economics and political sciences in the second half of the twentieth century. In its formulation by James Buchanan and Gordon Tullock, public choice is commonly understood as one of the major theoretical building blocks in the development of neoliberal thought. It was also remarkably popular with economists and political scientists within the Dutch Labour Party (*Partij van de Arbeid*) in the mid-1970s. This latter fact is surprising since public choice was seemingly at odds with the Keynesian ideas around which the Labour Party had built its economic policy. This article investigates why and how public choice became popular in the Labour Party. In understanding the popularity of this theory, I will argue, it is important to see the popularity of neoliberal ideas not only in reaction to the economic tribulation of the period but also as a discussion on social planning and an expression of discontent with the democratization movement. Since the rise of neoliberalism in Dutch policymaking is often understood as coming from liberal and conservative channels, studying public choice within the Labour party will shed new light on the development of neoliberalism in the Netherlands.

¹ The author wants to thank the editors of this special issue, Bram Mellink, Matthias van Rossum and Merijn Oudenampsen for their elaborate comments on multiple versions of this article and encouragement.

Introduction

In 1975, the poet and novelist Gerrit Krol confused his readership by publishing an essay with the provocative title *The Common Man and Happiness or Why It's Not Right to Be a Union Member*. The author's intent was tricky to discern as the essay was filled with idiosyncratic abstract formulas expressing the freedom of which individual happiness would consist. As both a man of letters and a trained engineer, Krol was famous for taking the poetic power of mathematic formulas very seriously. At the same time, the tone of the essay could be highly ironic, and there was a strong possibility that Krol was satirising economists and political scientists attempting to formalise the most inner drives of human beings, giving meaning to the world by using axiomatic sets of formal language. Even the prize of the essay (12,50 guilders), together with the amount of time Krol had spent writing it and the satisfaction the reader could get out of it, were formalised into a simple cost-benefit model. Yet, Krol ended his essay with the sentence 'the sum of members united in interest groups is proportional to the degree of decline of that society.'² An invocation, with its reference to interest groups, eerily similar to the public choice theory discourse that enjoyed much popularity in the Labour Party (*Partij van de Arbeid*) at the time.

Public choice theory applies the techniques developed by economics to describe the behaviour of market actors to political actors. Politics in this theory is imagined as a field of competition by individual actors, each acting in accordance with their own preferences, making use of rational strategies to maximise the satisfaction of these preferences at the lowest costs. The rationality that the political agent applies is described via a so-called rational choice theory, an axiomatic set of formal prescribing rules that form the explanation of the behaviour of the actor. In short, political actors make decisions like economic actors make choices: based on optimal utility and rational strategies.

In the 1970s, Floor Hartog, Lenze Koopmans, Theo Stevers, Dick Wolfson, Arnold Heertje, Hans Daudt, Roel in 't Veld and Hans van den Doel, all members of the Labour party, applied public choice in one variant or another in both their academic work as well as their public writings. That the Labour party would become a hub of public choice theory is remarkable considering the prevalence of Keynesian ideas within the same party. The Dutch Labour party, following its British counter-

² G. Krol, *De gewone man en het geluk of Waarom het niet goed is lid van een vakbond te zijn* (Amsterdam 1975).

part, had made Keynesian inspired policies into the spearhead of its economic program since the 1950s. The literature on the application of public choice in other countries suggests that the theory was often used to debunk Keynesian policies.

For example, Colin Hay has argued that public choice was deployed in the UK to explain why Keynesian demand management was nice in theory but would fail in practice. Because politicians were likely to bow to interest groups for electoral reasons, they would always artificially increase demand even when this was damaging for the economy. As such, public choice provided a very suited narrative to discredit Keynesian ideas in wake of the economic shocks of inflation and rising unemployment of the 1970s (often called the stagflation crisis).³ Consequently, public choice has often been associated with the neoliberal-turn in politics and policymaking that many nations underwent in the 1980s. This article investigates why public choice could have gained a foothold in what on the surface seems a hostile environment as a stronghold of Keynesian thought and policy, the Dutch Labour Party.

The association between public choice and neoliberalism is no coincidence. The origins and development of public choice are diverse,⁴ but critics of the theory have pointed out that a crucial part of its development is associated with military think tanks, most prominently the RAND-corporation, and that public choice research served as an ideological justification of capitalist liberal democracy and the denunciation of more socialist-oriented politics.⁵ In its formulation by James Buchanan and Gordon Tullock, also known as the Virginia school, public choice became an instrumental building block in the development of neoliberal theory. Not only were Buchanan and Tullock involved in a network of neoliberal think tanks,⁶ they also reformulated longstanding issues from neoliberal thought, such as the rent-seeking problem

3 C. Hay, *Why we hate politics* (Cambridge 2007) 106-107. See also: N. Thompson, 'Hollowing out the state. Public choice theory and the critique of Keynesian social democracy', *Contemporary British History* 22:3 (2008) 355-382, <https://doi.org/10.1080/13619460701731913>.

4 For an overview of sources, see: B. Cherrier and J.B. Fleury, 'Economists' interest in collective decision after World War II. A history', *Public Choice* 172:1-2 (2017) 23-44, <https://doi.org/10.1007/s11127-017-0410-7>; C. Herfeld, 'The diversity of rational choice theory. A review note', *Topoi* 39 (2020) 329-347, <https://doi.org/10.1007/s11245-018-9588-7>.

5 P. Mirowski, *Machine dreams. Economics becomes a cyborg science* (Cambridge 2002); S.M. Amadae, *Rationalizing capitalist democracy. The cold war origins of rational choice liberalism* (Chicago 2003); D.T. Rodgers, *Age of fracture* (Cambridge Mass. 2011) 63-64, 85-94.

6 P. Mirowski and D. Plehwe (eds.), *The road from Mont Pelerin. The making of the neoliberal thought collective*, 1st edition (Cambridge Mass. 2009) 18.

and constitutionalism, in a public choice framework.⁷ Moreover, their version of public choice has been applied in policymaking circles for the design of neoliberal policies.

The impact of public choice on post-war politics, especially in the neoliberal-turn made by many Western European and North-American countries throughout the 1980s, has been a fruitful research subject in recent years.⁸ For example, in a recent controversial book, the historian Nancy MacLean has argued that public choice was picked up by a radical right-wing network funded by the industrialist Charles and David Koch as a central piece of argumentation of why securing minority interest in the democratic system through voter suppression, gerrymandering and appointment of partisan judges was necessary and justified.⁹ Similarly, Hay argues in *Why We Hate Politics* (2007) that public choice has destroyed the idea of the public official as working for the common good. Consequently, trust in politicians, and more importantly the self-perception of the politicians, became low; resulting in ills of present-day politics: depoliticization, indifference towards politics, and technocracy.¹⁰ In his analysis of the foundations of the EU, public choice gave shape to a framework in which important decisions such as inflation rates and budget rules were placed outside the democratic realm and instead left to technocrats. In general, this literature has set out a couple of structural points concerning public choice and the neoliberal-turn: (1) it was Buchanan and Tullock's version in particular that gained traction in policymaking circles, (2) public choice ideas were disseminated through a network of right-wing think tanks, and (3) public choice was a central element to relegate important political decisions to un-elected public offices, such as central banks and regulatory agencies.

7 T. Biebricher, 'Neoliberalism and democracy', *Constellations* 22:2 (2015) 257-260, <https://doi.org/10.1111/1467-8675.12157>.

8 Apart from the below named example's, see also: Thompson, 'Hollowing out the state'; T. Biebricher, *The political theory of neoliberalism* (Stanford 2018); M. Olssen, 'Neoliberalism and democracy: A Foucauldian perspective on public choice theory, ordoliberalism, and the concept of the public good', in: D. Cahill et al. (eds.), *The SAGE handbook of neoliberalism* (London 2018) 384-396.

9 N. MacLean, *Democracy in chains. The deep history of the radical right's stealth plan for America* (New York 2017) xvi-xvii. Unsurprisingly, the economics community was not amused by the associations with central piece of theory with racism. For an overview of the ensuing discussion, see: P. Mirowski, 'The eighteenth brumaire of James Buchanan. Review of Nancy MacLean, *Democracy in chains*', *Boundary 2* 46:1 (2019) 197-219, <https://doi.org/DOI.10.1215/01903659-7271411>.

10 Hay, *Why we hate politics*, 110-113. Cf. P. Mair, *Ruling the void. The hollowing of Western democracy* (New York 2013).

Although the rise of neoliberal thought has been an international phenomenon, in recent years scholars have argued – also in reaction to the US and UK dominated narratives – that the precise reception and implementation of neoliberal ideas were shaped by local circumstances and therefore many national varieties in neoliberalism can be discerned.¹¹ Therefore, answering the main question of this article, it is important to go beyond the international literature on public choice and neoliberalism and investigate the particularities of Dutch political debate at the time. With what issues did public choice resonate at the time and why were those issues prominent in the Labour party? I will argue that it were not only economic problems that propelled the attractiveness of public choice but also discontent with the discussion on democratization. In the 1970s, the latter discussion had taken a very particular form in the Netherlands. Under the auspices of social planning, democratization became strongly associated with the growing public sector. Hence public choice functioned mainly as an attack against the growing welfare state.

The Dutch history of public choice, as I will argue in this article, shows some remarkable deviations from the main points of the international literature (as formulated above), even if the main structure remains intact. Most striking was that the public choice did not only enter the public debate through right-wing think tanks or political parties but through economists and political scientists associated with the Dutch Labour Party. Most literature on the rise of neoliberalism, both international and national, suggests that adoption of neoliberal ideas by social democratic parties in the so-called Third Way of the 1990s, was due to external pressure. Hay, for example, suggests that the UK Labour Party based its monetary policies on the established neoliberal policy-paradigm of the Conservatives; hoping to gain credibility by adhering to the ‘there is no alternative’ slogan that was made famous by Margaret Thatcher.¹² In a recent book on the Dutch context, Duco Hellema and Margriet van Lith argue that neoliberalism entered Dutch politics through the liberal and Christian democratic parties, and the Labour Party adopted these ideas in order to enter government once again, after twelve years of opposition. They suggest that the neoliberal turn of the Labour Party was a

11 For an example of an plea of localized histories of neoliberalism, see: B. Jackson, ‘Currents of neo-liberalism. British political ideologies and the new right, c.1955-1979’, *English Historical Review* cxxxi:551 (2016) 823-850, <https://doi.org/doi:10.1093/ehr/cew237>.

12 C. Hay, ‘The normalizing role of rationalist assumptions in the institutional embedding of neoliberalism’, *Economy and Society* 33:4 (2004) 500-527, <https://doi.org/10.1080/0308514042000285260>.

relatively swift affair, pushed through by a group of young reformers.¹³ In contrast to these narratives, I will argue that already in the 1970s neoliberal ideas entered the Labour party and that the party had internal motivations for adopting these ideas. This suggests that the neoliberal turn of the party at the end of the 1980s was not solely due to external pressure and that this turn was a long time in the making.

The starting point of my analysis of public choice within the labour party is their think tank the *Wiardi Beckman Stichting*, which was at the time an important platform for the introduction of new ideas and discussions of both ideological issues of social democracy and political strategies. The main source of research are the articles published in the think tanks periodical, *Socialism and Democracy* (*Socialisme en democratie*) for which both prominent Labour party members were writing at the time, such as Labour leader Joop Den Uyl, as well as scientist and scholars associated with the party. In my analysis, I have identified a set of social scientists who used public choice (inspired) arguments, or reacted against it. These include the above-mentioned set of Heertje, Daudt, Stevers, Van den Doel, In 't Veld, Wolfson, as well as Lucas Reijnders, Arnoud Weeda, Bart Tromp and Wim Duisenberg. In the second step of my analysis, I surveyed the academic writings of these scientists on the topics discussed within the Labour party at the time. I have chosen to focus on two contributors to these debates in particular, one economist and one political scientist: Theo Stevers and Hans Daudt. Stevers and Daudt were both prominent and controversial voices in these debates and in their writings the issues of public choice received their most recognisable formulations. Furthermore, the writings of Stevers provide a perfect bridge with earlier debates on public choice in the economics subdiscipline of public finance from the 1950s, showing a longer history of public choice in Dutch politics. Similarly, Daudt works on democratization within the Labour party in the 1960s provide a clear link between earlier writings on democratization and public choice theory.

The article starts by exploring the origins of public choice in the Netherlands. Public choice first became popular as part of public finance in the 1950s and 1960s but remained confined to academic circles and policymakers in the ministry of finance. The second section of the article discusses the so-called Economists' Debate within the Labour party which concerned the many economic issues that plagued the 1970s. It was within this discussion that public choice came to wider prominence.

13 D. Hellema and M. Van Lith, *Dat hadden we nooit moeten doen. De PvdA en de neoliberale revolutie van de jaren negentig* (Amsterdam 2020).

The third section will turn to the discussions on democracy and show that public choice had a similar impact there, while the last section will address how the public choice discourse was connected to a larger discussion on social planning. These three issues prominently discussed within the Labour party – public spending, democratization and social planning – form the reasons why public choice could become so popular.

Public finance and public choice

In the Netherlands, public choice theory first gained traction in relation to public spending in the 1950s. Already in the early period, the growth of public spending was mainly a concern of neoliberal economists. Subsequently, public choice was strongly associated with neoliberal thought, even before Buchanan or Tullock became household names.

In the 1950s, the rising popularity of Keynesian ideas in policymaking circles had provoked a counter-reaction amongst economists and ministers with a strongly neoliberal character.¹⁴ Economists, such as Amsterdam professor Pieter Hennipman, feared that a large growth of the government expenditure needed to manage aggregated demand in the economy and counter unemployment, as Keynesian ideas promoted, would set the state on an inevitable course to socialism.¹⁵ Saving Dutch democracy from this fate, restricting the state budget was of crucial importance. Such sentiments were also shared by the ministers of economic affairs Jan van den Brink (1948-1952) and Jelle Zijlstra (1952-1958), who opposed the more statist course of the Labour party, resulting in much bickering and unclear contours of economic policy.¹⁶

What made matters more alarming for neoliberals, was the idea that the growth of public spending was not the consequence of a simple political choice inspired by Keynesianism but a structural feature of the

14 For spread of Keynesian ideas in policymaking circles, see: M.L. Bemelmans-Videc, 'Economen in overheidsdienst. Bijdragen van Nederlandse economen aan de vorming van het sociaal-economische beleid, 1945-1975' (Rotterdam 1984) Chapter 2; T. Kayzel, 'A night train in broad daylight. Changing economic expertise at the Dutch Central Planning Bureau 1945-1977', *Œconomia* 9:2 (2019) 351-352, <https://doi.org/10.4000/oeconomia.5613>.

15 B. Mellink, 'Towards the centre. Early neoliberals in the Netherlands and the rise of the welfare state, 1945-1958', *Contemporary European History* 29:1 (2019) 30-43, <https://doi.org/10.1017/S0960777318000887>.

16 J. Harmsma, "Voorbij de oude ballast". Neoliberalisme en het nieuwe marktdenken van Nederlandse economen (1945-1952), *Sociologie* 15:3 (2019) 253-270, <https://doi.org/10.5117/soc2019.3.002.harm>.

modern state as such. If it were not for strict rules and robust institutions, the modern state would always undermine itself or would become socialist. How this structural feature of increased spending exactly worked was elaborated by Willem Drees Jr. (the son of the prime minister of the time) in his dissertation *On the Level of Government Expenditure in the Netherlands after the War* (1955). Drees's thesis very likely marks the first application of a form of public choice analysis in a Dutch context; even a couple years before Anthony Downs, Buchanan and Tullock came with their famous formulations. Through a study of policymaking process at the ministry of finance, Drees argued that the rise of public spending was caused not so much by democratic decision-making but rather the result of the micro-actions of the public officials that favoured policies from which they would benefit. Moreover, ministers and policymakers responsible for spending in the public or semi-public sectors, such as education, defence and health care had little to gain from more frugality in their departments. Hence, these ministries formed natural fronts against the minister of finance, forcing an increase in spending. Policymakers and ministers of social services lacked the overview to understand that an increase in spending might be beneficial to their departments but could threaten the common good.¹⁷

Drees's analysis spurred the conviction among conservative economics circles that restricting the budget beyond democratic decision-making was necessary to protect the capitalist order. Putting his money where his mouth was, Drees became director-general of the national budget (*Directeur-Generaal Rijksbegroting*), a public office overseeing the budgeting process, in 1956; and chief treasurer in 1969, further propagating ideas of budget norms within policymaking circles.¹⁸ Drees shared this conviction with other newly appointed public officials, such as Frans Rutten and Lenze Koopmans.¹⁹ The wish for public finance rules became a reality in 1961 when Zijlstra, who became minister of finance in 1958, introduced a budgeting norm which made the public spending dependent on the projected tax-incomes for the coming years, thus restricting the government's budget outside of decisions made in parliament.²⁰

17 W. Drees Jr., *On the level of government expenditure in the Netherlands after the war*, *Aspecten der economische politiek*, III (Leiden 1955) 62-67.

18 M. Oudenampsen and B. Mellink, 'The roots of Dutch frugality. The role of public choice theory in Dutch budgetary policy', Forthcoming.

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

20 See: J. Zijlstra, 'Het belang van vaste beleidsbakens', in: *Het sociaal-economisch beleid in de tweede helft van de twintigste eeuw. Opstellen aangeboden aan Prof. dr. F.W. Rutten* (Groningen 1990).

Although ideas on the use of public choice had gained a strong foothold in policymaking circles and were further disseminated in the sub-discipline of public finance – a very popular topic in the Dutch universities – they could not turn the tide with regards to public spending. With continuing economic growth, the end of wage-moderation and the further expansion of the social security system, restricting budgets was not attractive to most ministers. Zijlstra's norm did too little to change that. In 1966, the cabinet of prime minister Jo Cals fell in a dramatic fashion over a conflict with members of parliament of the Catholic People's Party concerning the national budget.²¹ But even this event did little to reverse the overall political attitude that higher budgets were no really a problem. Furthermore, in the consensus-driven corporatist politics of the mid-1950s and early 1960s, the opposition between neoliberalism and Keynesianism started to matter less and less. Keynesian ideas were adopted by centre right-wing government more out of pragmatism than out of ideology. As such, ideas on public choice never gained a wider audience and seemed to have lost relevance at the end of the 1960s.

The economists' debate

After falling into obscurity, public choice theory made a strong comeback in the mid-1970s. Although still strongly associated with public finances, the theory gained a new audience and new applications in the wake of the stagflation crisis. The dominant narrative is that the combination of inflation and rising unemployment was an anomaly in Keynesian theory and therefore sent the whole paradigm into a crisis. But, as thorough readers of Thomas Kuhn know, one anomaly does not cause a paradigm to sway. More issues were plaguing the economic order and the dominant knowledge about it; moreover, public choice helped to formulate a challenger paradigm. This confusion surrounding Keynesianism and stagflation is best illustrated by the fierce debates within Labour party circles between economists, later dubbed the economists' debate (*het economendebat*).²²

21 H. Notenboom, *De val van het kabinet-Cals. De financiële politiek van de Katholieke Volkspartij in de parlementaire periode 1963-1967* (The Hague 1991) 63-76.

22 For an overview of the debate by some of its participants, see: H. Van den Doel, *Het biefstuksocialisme en de economie*, 2nd ed. (Utrecht 1979) Chapter 4; A. Weeda, 'Van economendebat tot economiediscussie', *Socialisme en Democratie* 36:1 (1979) 3-15; P. Lansbergen, *Het economiedebat. Economen contra Den Uyl en Van Agt* (Amsterdam 1980).

Already in the late 1960s, inflation was rising but seldom conceived of as a problem before the early 1970s. Even without unemployment, neoliberal economists, such as Rutten and Heertje, saw rising inflation as a sign of an overburdened economy. Through index linking, raising wages kept inflation stuck in a rising spiral. They argued that the resulting high costs of labour would affect the private consumption and investments, leaving industries in a bad shape. Many pessimistic economists interpreted the sudden rise in unemployment after the oil-crisis of 1973 as confirmation of their beliefs.²³ But the link between inflation and unemployment was not easily established. The two were negatively linked in the infamous Phillips-curve – often taken as a central piece of post-war monetary policy and although not strictly Keynesian still strongly associated with it – but detractors of Keynesian theory had similarly no idea how the two phenomena correlated positively.²⁴

An answer to this problem was formulated by the Dutch Central Planning Bureau (CPB) in 1974 with the publication of the so-called Hartog-Tjan model. The economic planners argued that the strong rise in wages had led Dutch industries to relatively invest more in capital goods rather than labour to boost productivity. Labour was simply too expensive. Such a discrepancy between investments in labour and capital had not been noticed when the economy was booming but with the downturn, this problem became painfully visible through a spike in unemployment. In a follow-up, the CPB used the newly developed VINTAF-model to further link the high wage-costs to the growing fiscal burden: by expanding social insurances, businesses and employees had to pay higher taxes, resulting in higher wage-costs and less spendable private income.²⁵ Soon after, the government was accused by economists of passing on the costs of social insurances to the employers.²⁶

23 A. Heertje, 'De miljoenennota en de economische orde', *Economische en Statistische Berichten* 59:2972 (1974) 880-882; Lansbergen, *Het economiedebat*, 19-22.

24 For the tarnished reputation of the Phillip-curve, see: J. Forder, 'Friedman's Nobel lecture and the Phillips curve myth', *Journal of the History of Economic Thought* 32:3 (2010) 329-348, <https://doi.org/10.1017/S1053837210000301>.

25 H. Den Hartog and Hok Soei Tjan, 'Investerings, lonen, prijzen en arbeidsplaatsen. Een jaargangenmodel met vaste coëfficiënten voor Nederland', *CPB Occasional Paper* 8 (1974); H. Den Hartog, Hok Soei Tjan, and T. Van de Klundert, 'Structurele ontwikkeling van de werkgelegenheid in macro economisch perspectief', Paper for the Annual Meeting of the Dutch Society of Economics in The Hague, September 1975.

26 The Dutch term used was 'afwenteling' which became something of a buzz word in economic literature in the Netherlands. See for example: Van den Doel, *Het biefstuksocialisme en de economie*, 44.

The CPB's analysis was grist on the mill of neoliberal thinkers: in their eyes, the growth of government expenditure had led to the large fiscal burden which was overburdening the economy.²⁷ However, the CPB's figures were also highly contested. Economists from the University of Amsterdam (sometimes called the Amsterdam School) – and close advisors to Labour leader and prime minister Joop Den Uyl – Wim Driehuis and Arie van der Zwan, opened a fierce attack on the models of the CPB.²⁸ To them, the problem of unemployment was not primarily the fiscal burden but rather a demand-excess and dwindling investments of the government in the private sector.²⁹ These debates did not only rage within the economic profession and policymaker circles but also in national newspapers and political parties. Within the Labour party, these discussions took a surprising turn: the question whether a growing public sector would mean the end of capitalism – the same question that occupied economists just after the Second World War – returned with a twist.

One of the most controversial voices in this debate was the Tilburg professor and Labour member, Theo Stevers. Denoting himself a prophet of doom, he straightforwardly warned against the end of capitalism and liberal democracy if the public sector would grow any further. With this warning, Stevers continued the tradition of public finances and its neoliberal interpretation from the 1950s. In the mid-1970s, such alarming words were usually taken as an exaggeration,³⁰ however, Stevers had some credibility since he had already provided an explanation for the co-occurrence of inflation and unemployment in 1971, a couple of years before stagflation would hit the Dutch economy.³¹ In his book *Public Finance and Economics*, Stevers had argued that as a result of the high social insurances' costs the spendable income of employees had relatively decreased. This not only hampered the private consumptions but also led to a constant demand from labour unions for higher wages. These demands then, in turn, led to strong inflation, while declining investments and consumption caused the economy to

27 The CPB-models themselves had been partly inspired by neoliberal concerns, see: Kayzel, 'A night train in broad daylight', 355-356.

28 W. Driehuis and A. Van der Zwan, 'De voorbereidingen van het economisch beleid kritisch bezien (part I & II)', *Economische en Statistische Berichten* 31 August (1977).

29 W. Driehuis, 'An analysis of the impact of demand and cost factors on employment', *De Economist* 127:2 (1979) 255-286.

30 See for example: J. Pen in *De Tijd* 13 October (1978).

31 Works by Lansbergen and Weeda (op. cit. n. 22.) praise Stevers for his insight.

stagnate.³² Stevers thought of these problems not as accidental, or the effect of wrong political choices. Rather these problems were inherent to Keynesianism. State intervention in the economy always had negative side-effects that the government could not foresee. In the Keynesianism framework, these effects had to be remedied by more interventions, this time in a more ad-hoc manner and less planned. Yet mopping up of the dirt of previous policy would only give way to more negative side-effects, thus setting a negative spiral of even more interventions into motion.³³

In an article written five years later, when rising unemployment was a fact, Stevers repeated this analysis in a more explicit public choice framework. Although the solution to the whole crisis was, according to his view, the decrease in government spending, he had little hope that the government would actually do so. Similar to Drees's analysis, Stevers asserted that Government spending was not completely autonomous – that is, free to change by the government's political will – but could be described as endogenous to an economic system. State finance was stuck in a spiral in which more spending led to higher wage demands by trade unions, unemployment, and higher taxes, which led in turn to more spending. Using public choice theory, Stevers argued that the complicity of politicians and unions in this spiral was caused by the influence of interest groups. In contrast with the general labouring population, interest groups only represented partial interest and had, in good public choice fashion, little eye for the overall negative consequences of their actions. Stevers applied marginal-utility theory to elucidate why unions and political parties were willing to listen to minorities even if those would only make up a small part of their support. Interest groups were, namely, the most volatile members of their voter base; keeping them aboard was vital for electoral success. Unions and parties were thus eager to facilitate their wishes even if it went against the interests of the majority of their loyal voters. With this influence of minorities over political organizations, pressure for higher wages and rising government expenditure was kept high, even when the consequences of those measures were negative to the general working population.³⁴

Stevens's most dramatic statement on the matter came in an op-ed for *De Volkskrant*, one of the major newspapers of the Netherlands, in

32 T. Stevers, *Openbare financiën en economie* (Leiden 1971) 266-279.

33 *Ibid.*, 282-285.

34 *Idem*, 'Is het overheidsbeleid endogeen?', *Economische en Statistische Berichten* (1976) 1037-1040.

1976. The growth of public spending amounted to an unlimited growth of the public sector, which would soon ‘trample’ the private sector, ending capitalism. Here it became clear that Stevers’s real concern was not so much unemployment or inflation itself but rather the crisis it caused. With the worsening of the crisis – a likely scenario given the above-described spiral of inflation – the unemployment issue could no longer be solved in indirect manners such as a demand-push. With mounting political tensions, Stevers predicted that the government would take more extreme measures to counter unemployment: directly intervening in the management of businesses and forcing the unemployed into work. This was not only the end of free enterprise but also of democracy since ‘bureaucracy apparatus [would] grow and become more powerful’ giving bureaucrats all the decision-power (see illustration 1).³⁵

One of Stevers’s fiercest critics was the Amsterdam economist Hans van den Doel, who, picking up Stevers’s gauntlet, departed from much of the same presumption Stevers had used. Most strikingly, Van den Doel also made use of a public choice framework in order to make his analysis, even if he arrived at opposite conclusions. Van den Doel agreed with the CPB that the rising costs of social insurances were passed on to employers and that returning to measures of wage moderation was the most effective way of countering unemployment. Accordingly, he scolded the trade unions for sticking to their demands for higher wages.³⁶ However, contrary to Stevers, Van den Doel did not blame minority interest groups within unions and political parties for this predicament. He argued that the union reaction was understandable, employers first tried to pass the cost of social insurance on to employees by restraining wages. As a reaction, the unions tried in turn to pass the cost back on to the employers. To Van den Doel, the unwieldy corporatist system was ultimately the cause of the unproductive blame game: lacking a clear decision-making structure and easily manipulated to the benefit of CEOs, the costs of social insurance were endlessly tossed around.³⁷

Moreover, Van den Doel and Stevers clashed completely in their evaluation of the growth of the public sector. Van den Doel argued that employees in general had a higher preference for social security than for higher spendable income. If there was a trade-off between social security and wages, the choice was easily made. That this meant a growth

35 T. Stevers, ‘Daling werkloosheid vrome wens’, *De Volkskrant* 22 September (1976).

36 Van den Doel, *Het biefstuksocialisme en de economie*, 75.

37 *Ibid.*, 44.

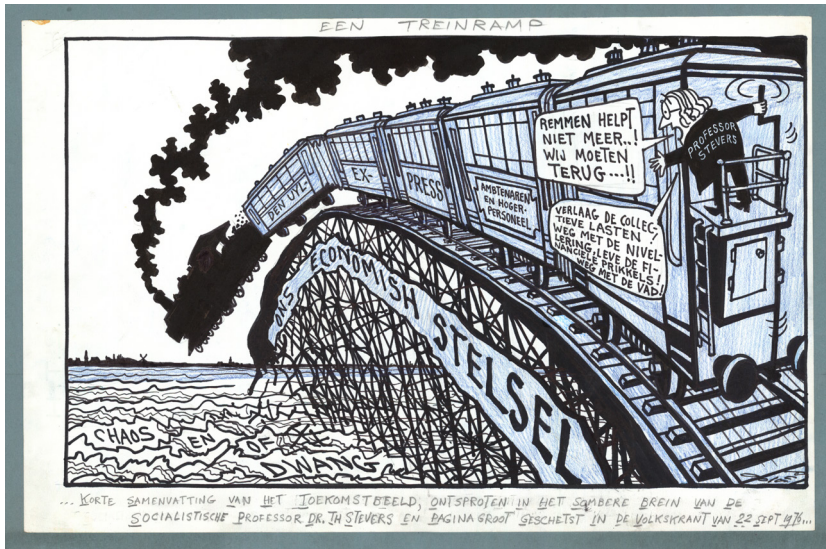


Illustration 1 A train disaster [...] Political cartoon on Stevers' dire vision of the economy. Stevers attempts to slow down the train representing the Den Uyl-Cabinet, while the economy (the train tracks) is crumbling, plunging the train in a sea of chaos and coercion (source: Caricature by Opland, NIBG Presscollection BG D88/481, IISH).

of the fiscal burden and a growth of the public sector did not bother Van den Doel: they were in the common interest, and a diminishing private sector in relation to a public sector only seemed natural.³⁸

Public choice in the Labour party rose to prominence in the context of debates over stagflation. This was partly a return of the discourse on public spending from the 1950s, now adjusted for new concerns. But public choice also became popular because the problem of unemployment and inflation was conceived by both neoliberal thinkers as well as their detractors as a problem of collective decision-making: the corporatist system was the issue, either because unions and political parties were taken hostage by short-sighted interest groups, or because the system allowed for the cost of social insurance to be endlessly tossed around. In other words, economists feared that the economic crisis was in essence caused by muddled decision-making. Public choice came to be the ultimate tool to analyse the decision-making structures and to turn opaque choices transparent again.

³⁸ Ibid., 60.

Democratization and its discontents

Why did discussions within the Labour party form such a fertile ground for the re-emergence of public choice in the 1970s, even when the party had rejected neoliberalism in an earlier stage?³⁹ The economic issues only go so far to explain the attractiveness of those ideas. Indeed, public choice pointed to the costs of social security that were tossed around but, as the writings of Stevers attest to, the problem that public choice tried to address was ultimately political in nature, not economic. In this section, I will argue that further propelling the popularity of public choice were discussions on democratization. Since the identity of the Labour party was strongly tied up with the idea of democratization under the notion of a ‘participatory party’, the issue cut right to the core of social democratic politics of the time.

In the mid-1960s, a strong call for democratization emerged in Dutch society.⁴⁰ The mass-democracy of the post-war order had been unable to fully deliver on its promise for emancipation; structural inequality in power and income remained an inherent part of society. Consequently, further demands for democratization were formulated, entailing both a better system for parliamentary representation, as well as introducing democratic decision-making in parts of society where this was previously absent: corporations, public and semi-public organization, from factories and psychiatric wards to universities and public housing.

The New Left movement within the Labour party had given a clear expression of this sentiment in their first manifesto *Ten Past Red* (1966), when they wrote: ‘a political democracy in a socialist state can only become a reality if [...] everyone is given the opportunity to take part in the decision-making process’ and ‘the type of participation the average citizen has in parliamentary politics should roughly be extended to the lower levels of government.’⁴¹ These concerns were quickly picked up by the party establishment, publishing a report on democratization

39 Why so many neoliberal economists preoccupied with public finances were members of the Labour party in the first place is subject of another article. See also: M. Oudenampsen, ‘A dialectic of freedom. The Dutch post-war clash between socialism and neoliberalism’, *Socialism and Democracy* 30:1 (2016) 128-148, <https://doi.org/10.1080/08854300.2015.1132648>.

40 I. De Haan, *Zelfbestuur en staatsbeheer. Het politieke debat over burgerschap en rechtsstaat in de twintigste eeuw* (Amsterdam 1993) 100-116; D. Hellema, *Nederland en de jaren zeventig* (Amsterdam 2012) Chapter 1.

41 H. Van den Doel et al., *Tien over rood. Uitdagingen van nieuw links aan de PvdA* (Amsterdam 1966) 21-22. The title of this manifesto is a reference to a type of carom billiards game, making it somewhat impossible to translate properly.

the next year, *A Vote That Counts* (1967). Although the report focussed mainly on parliamentary reforms and was more motivated by strengthening the electoral position of the party, the chairmen of the party, Sjeng Tans, stressed in his introduction that 'a well-functioning parliament does not stand on its own. Equality of all citizens should also be expressed in reorganizing the structure of our society.'⁴² Accordingly, the report argued that besides political parties 'also other political organizations, action committees, ad-hoc groups and clubs, should indirectly participate in [a political] coalition,'⁴³ thus arguing for the participation of extra-parliamentary political movements in the Labour party.

By the mid-1970s, however, much of this enthusiasm for democratization had disappeared, or even reversed into a strong discontent. One of the best expressions of these dissatisfactions are the writings of the professor of political sciences at the University of Amsterdam and Labour party member, Hans Daudt. Although Daudt always remained committed to democratization in name, he made a strong U-turn somewhere in the early 1970s about what 'good' democratization actually entailed. In 1967 he had contributed to *A Vote That Counts* report but by 1976 he decried the democratization ideal that the report had embraced as 'a confused democratic ideology, prescribing that democracy would not only imply that everyone has the right to bring all their preferences into the process of political considerations but in addition, that everyone would have the right for their preferences to be satisfied.'⁴⁴

As in Stevers's diagnosis of the national budget, Daudt laid the blame for this 'confused democratic ideology' with interest groups. The notion of interest group had been central to the pluralist school in American political science, associated with the names Robert Dahl and Seymour Martin Lipset, whose works Daudt had helped to introduce in Dutch political science. The focus on interest groups was also evident in *A Vote That Counts* report. The report spoke of action committees, pressure groups and interest groups. Action committees were generally evaluated positively, while pressure groups were more of a mixed bag. Pressure groups could undermine the primacy of the parliament and the representative character of the political system but also play a vital role in involving citizens in the policymaking process.⁴⁵ Such an assessment

42 J. Den Uyl et al., *Een stem die telt. Vernieuwing van de parlementaire democratie* (Amsterdam 1967) 3.

43 Ibid., 52.

44 H. Daudt, 'De politieke toekomst van de verzorgingsstaat', in: J. Van Doorn and K. Schuyt (eds.), *De stagnerende verzorgingsstaat* (Amsterdam 1978) 202.

45 Den Uyl et al., *Een stem die telt*, 27-28.

corresponded to Daudt's own academic research on pressure groups within the EEG: they could be an addition to democracy if regulated properly.⁴⁶ Moreover, pressure groups were seen as an essential counterweight to the power of bureaucratic elites. Interest groups, in contrast, were seen as a negative force. These groups represented the interest of the establishment, trying to prevent the growing influence of the people on the political process, and consequently had to be opposed and excluded from political coalitions.⁴⁷

This differentiation disappeared from Daudt's later work. When Daudt analyzed the process of democratization, he reframed the ideal that underlying the effort of involving action committees and pressure groups in parliamentary politics as follows: 'more and more demands enter as points of conflict in the sphere of political decision-making [...] of] groups whose preferences were previously not expressed, or less explicitly expressed.'⁴⁸ In short, Daudt understood newly emancipated social groups like women, students, eco-activists and workers as interest groups whose demands had entered the political sphere in a process of democratization. The problem was, Daudt argued, that all these demands were overburdening the state. And the state did not (yet) have the capacity to comply with all those demands. In such a case, the state had two options: either expanding social service to meet all the demand and thereby growing significantly or only serve the interests of a select few of the interest groups.

Making use of two British neoliberal authors Samuel Brittan and Robert Moss, Daudt argued that neither option was particularly attractive: a growing welfare state would burden the private sector too much, resulting in an economic crisis – here Daudt called the US neoliberal Milton Friedman's variant of the argument too simplistic, although he agreed with the conclusion.⁴⁹ For the second option, Daudt used public choice theory to argue that a government in power serving only minority interest was actually possible in a representative democracy. Minorities would, namely, form an alliance with bureaucrats as both shared interest in a growing welfare state: minorities to meet their demands, bureaucrats since a large state meant stability and employment securi-

46 H. Daudt, *Pressiegroepen in de EEG*, Europese monografieën vol. 3 (Deventer 1965).

47 Den Uyl et al., *Een stem die telt*, 81-82.

48 Daudt, 'De politieke toekomst van de verzorgingsstaat', 201.

49 H. Daudt, 'Verzorgingsstaat, democratie en socialisme', *Het Eerste Jaarboek voor het Democratisch Socialisme* (1979) 23.

ty.⁵⁰ The second option thus also amounted to a growing public sector. Moreover, serving only some interest groups would result in the disillusionment of the majority of citizens with the democratic system, resulting in an anti-democratic attitude.⁵¹ From these dire analyses, Daudt drew the implicit conclusion that a growing welfare state would eventually end capitalism and democracy.⁵²

Although Daudt was particularly pessimistic in his analysis, his concern for the influence of interest groups on politics was more widely shared within the Labour party. For example, party ideologue and stern opponent of the New Left movement, Bart Tromp feared that the party had been taken over by interest groups. Pushing for their own specific agenda, he argued, there was a danger that interest groups would exclude the concerns of the majority or the common good.⁵³ Labour's democratization strategy in the late 1960s had been to become an intermediary between the concerns of the street and the state apparatus, identifying itself as a participatory party. By the mid-1970s this was seen by those sceptical of New Left as precisely the problem.

Daudt's solution to this quandary was to restrict democracy, by working out a manner in which the presumed grip of interest groups on the state apparatus could be broken. One of the ways in which this was possible, he argued, was to only allow parliamentary voting on outlines of policy while leaving the details for policymakers to figure out.⁵⁴ In this manner, interest groups had less opportunity to manipulate the details of policy to their benefit. Moreover, Daudt proposed to use plebiscites in order to correct policymakers when they threatened to stray too far from the majority interests. In other words, plebiscites were a good mechanism to protect majority interest against minority interests.⁵⁵ Such proposals were in the same spirit as the budgeting norms

50 Daudt, 'De politieke toekomst van de verzorgingsstaat', 207; See also: H. Daudt and D. Rae, 'The Ostrogorski Paradox. A peculiarity of compound majority decision', *European Journal of Political Research* 4:4 (1976) 391-398.

51 Daudt, 'De politieke toekomst van de verzorgingsstaat', 202.

52 Daudt does not put it with so much words, but references cases in which it had already happened, see: Daudt, 198.

53 B. Tromp, 'Socialisme, organisatie en democratie', *Socialisme en Democratie* 33:4 (1976) 155-172.

54 Daudt, 'De politieke toekomst van de verzorgingsstaat', 199.

55 In the literature on neoliberalism and democracy, it is commonly understood that the aims of neoliberalism with regards to democracy are precisely the opposite: that restricting majority interest is the neoliberal goal. See, for example: P. Mirowski, *Never let a serious crisis go to waste. How neoliberalism survived the financial meltdown* (New York 2013); MacLean, *Democracy in chains*; W. Brown, *In the ruins of neoliberalism. The rise of antidemocratic politics in the West* (New York 2019). Only a few authors have pointed out that plebiscites are the exception to this rule. See: Biebricher, 'Neoliberalism and democ-

proposed by Drees and later Stevers: shielding off a part of the policy-making process from democratic influences in order to protect the political and economic order.

When the Minister of Finance, Wim Duisenberg, wrote his alternative party manifesto for the Labour party in 1976, he appealed to the same principles. An alternative program was necessary, according to Duisenberg, because the existing one reflected too much the partial interests of minorities and was therefore way too long. 'Is it not the natural inclination of an administrator to seek freedom to manoeuvre and not to be hindered by a 'participatory party'?'⁵⁶ he asked rhetorically. Interest groups, in other words, bounded politicians too much, making it impossible to properly execute their task. To counter this, he proposed to fix the baseline of policies over multiple years, not making them the subject of democratic voting, while leaving the details to parliament. Although this was the opposite of Daudt's proposal, it was based on the same intent and rationale.

Already in the discussion on stagflation, the use of public choice indicated a strong discomfort about the muddiness of the decision-making process. The institutions that should be making the decisions – governments, captains of industry, trade unions and political parties, in short, the political establishment – were wavering; becoming a plaything for sinister interest groups acting in the background. In the discussion on democratization within the Labour party, the power of these shady groups within the Labour party itself were made the subject of discussion. Public choice allowed to formulate a discontent with the party's embrace of action groups in the 1960s and its rebranding as a participatory party. It also made a link between issues of democratization and economic issues. The structural spending problem of the modern state, already identified by Drees, was now given a democratic explanation mechanism: emancipation of minorities caused an increase of the public sector and threatened through their alliance with the bureaucrats to trample the private sector. In order to protect democracy from itself, democracy had to be restrained.

racy', Q. Slobodian, 'Demos veto and demos exit. The neoliberals who embraced referenda and secession', *Journal of Australian Political Economy* forthcoming (2020). Further research on this connection is needed.

56 W. Duisenberg, 'Een alternatief verkiezingsprogram', *Socialisme en Democratie* 33:5 (1976) 211.

Social planning and the market

One lingering fear addressed by public choice in the debates within the Labour party was, as I have argued, that democratization had given way to indecisive politics, or shadowy undemocratic decision-making. Another fear that popped up again and again in these discussions was the growing public sector of the welfare state that would ‘trample’ the private sector. Evidently, the perceived problem of the public sector was tied in with the issue of government spending, as it was believed that most of the rising government budget went into social security provided by the public sector. However, the fear for the public sector went further than budgets or democratization alone; it was also tied up with a discussion on social planning. Fearing that under the auspice of social planning, the state would justify intrusion in each part of society, neo-liberal authors started to push the market as an alternative.

Near the end of the 1960s, the OECD started to shift its focus to set of non-economic issues that seemed to plague the industrialised societies of its member countries. The mass protest of May '68 had shocked the OECD – and not only because the riot began in close proximity of the organization's headquarters – as they conceived the protest as part of larger friction within society caused by social change: due to newfound wealth, social habits had started to shift, with individualization, secularization, generational conflicts, youth culture and alienation as a consequence. In short, May '68 was unintentionally caused by the growth policies of the OECD. Together with issues of environmental pollution and the depletion of natural resources, these problems were thematised as ‘the unforeseen side-effects of long-term economic growth.’ In internal reports, the OECD suggested that such problems could be tackled by more social planning.⁵⁷

The issues coined as ‘the unforeseen side-effects of long-term economic growth’ were also an impetus on the social planning debate in the Netherlands. For a longer time, social scientists wanted to prove their social relevance by developing closer ties to the policymaking process and the ‘side-effects of growth’ formed the perfect vehicle for this

57 M. Schmelzer, ‘The crisis before the crisis. The “problems of modern society” and the OECD, 1968–74’, *European Review of History. Revue Européenne d'histoire* 19:6 (2012) 999–1020, <https://doi.org/10.1080/13507486.2012.739148>; E. Seefried, ‘Rethinking progress. On the origin of the modern sustainability discourse, 1970–2000’, *Journal of Modern European History* 13:3 (2015) 377–400; J. Andersson, *The future of the world. Futurology, futurists, and the struggle for the post-cold war imagination* (Oxford 2018) Chapter 5.

ambition. The CPB was taken to be a successful example of scientific advice to the government and other social sciences sought to emulate their example.⁵⁸ In 1969 a research committee, led by former CPB-director Pieter de Wolff, recommended that the government establish social and cultural, and environmental planning bureaus, next to the already existing economic-focused CPB. The focus of this new planning should be long-term to counter the negative effects of growth.⁵⁹ Such a message was further driven home by the influential report *The Limits to Growth* (1972) by The Club of Rome, which also made a strong impact on the political discussion in the Netherlands. Within the Labour party, such planning ambitions were for example carried by Sicco Mansholt, the former President of the European Commission and earlier Minister of Agriculture, became an outspoken advocate for new environmental policies and de-growth measures and sought the cooperation of all the left parties on these matters.⁶⁰

This enthusiasm for a planned society became inextricably bound up with the discourse on democratization. Many social scientists believed that involving the targeted social groups in the policymaking process in a more direct manner would ultimately benefit the efficiency of a policy. It was also a way to seek democratic legitimization for political power that could otherwise be understood as technocracy.⁶¹ For instance, when urban planning Theo Quené reorganized the National Planning Service (*Rijksplanologische Dienst*) in 1966, he described his ideal as 'a kind of Social and Economic Council for spatial planning' involving '[n]ature and environment lobby [...] Housing Council, Road-builders lobby, but also the Construction Union and Federation of Labour Unions.'⁶² Consequently, new ideals of social planning became tied up with the demand of democratization in the Dutch political discourse. The sociologist Jan-Willem Duyvendak has described this pecu-

58 P. Den Hoed, 'Een keur van raadgevers. Honderd jaar vaste adviescolleges', in: P. Den Hoed and A.-G. Keizer (eds.), *Op steenworp afstand. Op de brug tussen wetenschap en politiek WRR 35 jaar* (Amsterdam 2007) Chapter 4.

59 P. De Wolff, *Rapport van de Commissie Voorbereiding Onderzoek Toekomstige Maatschappij-Structuur* (The Hague 1970).

60 L. Jansen et al., (eds.), *Barsten in de groei. Productie en consumptie tegen de achtergrond van welzijn, derde wereld, milieu en macht* (Baarn 1974).

61 J. Andersson and A.-G. Keizer, 'Governing the future. Science, policy and public participation in the construction of the long term in the Netherlands and Sweden', *History and Technology* 30:1-2 (2014) 104-122, <https://doi.org/10.1080/07341512.2014.932563>.

62 Quené in an interview with Jan Buevink en Paul Den Hoed for the 35th anniversary of the Scientific Council for Government Policy in 2007, in: Den Hoed and Keizer (eds.), *Op steenworp afstand*, 428.

liar meeting of top-down governance and bottom-up democracy as the *planning of emancipation*.⁶³

When in the 1970s a backlash against democratization started, social planning soon met a similar fate. Under new ideas of planning social and cultural wellbeing became an increasingly important issue for the government, resulting in a growth of the social service sector but also in an increase in bureaucracy. This latter part formed an anathema for many political commentators. For example, when Daudt spoke about 'the expanding army of civil servants and semi-civil servants' and 'the many vacancies for social workers in newspapers requiring for the new priestly caste',⁶⁴ he unambiguously had the social planning discourse in mind.

Similarly, on the left, a discomfort with the increased state and its bureaucracy was clearly discernible. Daudt's invocation of a 'priestly caste' echoes Hans Achterhuis's *The Market of Wellbeing and Happiness* (1979), which attacked the public services and social workers for excessive bureaucratization and professionalization.⁶⁵ Achterhuis was not so much concerned with the public sector *vis a vis* the private sector but feared that increased social planning turned social work into a cold detached practised governed by a disproportionate number of rules. Such fears tapped into the image of the untrustworthy bureaucrat and social worker propagated by public choice as someone who would serve the ideology of the state rather than of the people.⁶⁶

As became clear in the previous section, the neoliberal solution to the problem of a large public sector was restraining democracy. At the same time, authors such as Daudt and Heertje acknowledged that abstaining from satisfying the demand of dominant interest groups could result in anti-democratic stances. Moreover, after radical social change had unleashed the spirit of emancipation, it was unlikely to be contained again. Neither were environmental and recourse problems likely to disappear after the influence of interest group was curbed. So, what was the alternative to social planning?

63 J.W. Duyvendak, *De planning van ontplooiing, Wetenschap, politiek en de maakbare samenleving*, Nederlandse cultuur in Europese context, monografiën en studies 15 (The Hague 1999).

64 Daudt, 'Verzorgingsstaat, democratie en socialisme'.

65 H. Achterhuis, *De markt van welzijn en geluk* (Amsterdam 1979).

66 Similar critiques on bureaucratization and social workers within the Labour party were formulated by Bram Peper and Trudy van Asperen, see: B. Peper, *Vorming van welzijnsbeleid. evolutie en evaluatie van het opbouwwerk* (Amsterdam 1972); T. Van Asperen, 'Met de beste bedoelingen... Over de ideologie van de verzorgingsstaat', in Idem, *Het bedachte leven. Beschouwingen over maatschappij, zingeving en ethiek* (Amsterdam 1993) 11-30.

Heertje and Daudt framed the problem as follows: the state's supply of social services did not correspond to society's demand of those services. In contrast to Van den Doel, who believed that the people simply wanted more social services, Heertje and Daudt argued that the demand for social security was artificial, driven-up through the devilish alliance of interest groups and bureaucrats. The solution was to let the public sector grow in accordance with the 'real' social demands.⁶⁷ The problem for the government was that it had no reliable techniques to measure these demands. The state over-relied on crude macroeconomic indicators that valued measurable material welfare over true welfare. And it had been a narrow reliance on crude indicators that had caused 'the unforeseen side-effects of long-term growth' in the first place. Heertje argued that only subjective valuations of individual citizens could determine the real demand for social services. Such subjective valuations were by definition unmeasurable by a government but could only be understood or acted upon through market-mechanisms.⁶⁸ In other words, Heertje was suggesting that only a real market of social services could determine how much people valued social services. He proposed similar solutions to environmental problems, which according to him could only be solved through technological innovation, which was best left to the market.⁶⁹ Such sentiment was sometimes also shared on the left-wing of the party. For example, eco-activist Lucas Reijnders, writing for *Socialism and Democracy* argued against government planning in general and the management of technological innovation in particular, as the state would only propagate 'system-based rationality, [a] very particular logic of the state' that did not correspond to the rationality of the citizen. Unsurprisingly, he referenced public choice literature to make this point.⁷⁰

Heertje's conceptualization of the market can be understood as the proper channel through which the unleashed social forces of emancipation, environmentalism and de-growth concerns could be canalised in a manner that would not threaten the political-economic order. In essence, this was an older neoliberal argument that gained traction again

67 Daudt, 'Verzorgingsstaat, democratie en socialisme', 22; A. Heertje, 'De toekomst van het stelsel', in: J. Van Doorn and K. Schuyt (eds.), *De stagnerende verzorgingsstaat* (Amsterdam 1978) 165-188.

68 Heertje, 'De toekomst van het stelsel', 171. Heertje's argument of subjective valuation has a longer history and goes back to his mentor, the earlier mentioned Pieter Hennipman, see: A. Wilts, *Economie als maatschappijwetenschap. Een sociologische geschiedenis van de economische wetenschap in Nederland (c. 1930-1960)* (Amsterdam 1997) 127-128.

69 A. Heertje, *Beheersing van de technische ontwikkeling*, Economische Notities 2 (Amsterdam 1978).

70 L. Reijnders, 'Dan maar Albanië', *Socialisme en Democratie* 37:2 (1980) 78-80.

in the mid-seventies in the wake of democratization, environmental and economic problems: the demands of mass-democracy should be diverted away from the state through the market. Or, to put it in other terms, the market should act as a mediator between the democratic demands and the state.⁷¹ Although not primarily a public choice argument, the point was driven home by this theory: choices concerning the environment and emancipation were not taken on the right level, no central government could provide the choice architecture in which individual valuation could be aggregated. And if choices were made on the central level they were distorted by the interests of minorities and bureaucracy.

Conclusion

Public choice in the 1970s in the Labour party helped to advance the core neoliberal message in a new guise while addressing new issues. In essence, public choice relayed an argument in favour of a strong but small state and a market sector framed by, but clearly distinguished from, the state. A state strong enough to make decisive choices independently of shadowy corporatist powers, but small enough that it would not pose a threat to the private sector; and an independent economy that could successfully satisfy the demand of society without making that demand artificially higher for social services.

Why did this message, that was seemingly rejected in an earlier stage, re-enter the Dutch Labour party? By attacking Keynesianism and democratization, public choice addressed the issues around which the Labour party had built its identity in the 1960s. These matters were already broadly under discussion before public choice re-entered the scene. Public choice facilitated a longer latent discontent with the course the party had taken in the early seventies. New Left had been relatively successful in putting their concerns on the agenda. Moreover, faced with new issues of long-term growth, such as environmental pollution, depleting natural resources and the fate of development countries, the Labour party was moving to the left, seeking coalitions with parties on the left rather than entering again a coalition with a right-wing party.⁷²

Public choice was very much a reaction against New Left ideas, but strikingly also resonated with some of the issues that the more radical

71 For the neoliberalism idea of the market as mediator of mass democracy, see: O. Innset, *Reinventing liberalism. Early neoliberalism in context, 1920-1947* (Florence 2017).

72 Hellema, *Nederland en de jaren zeventig*, 139-150.

wing of the party was pushing. Fear for bureaucratization was shared by both sides, as well the disdain for the narrow macroeconomic indicators that had driven economic policy in the 1950s and 1960s, including Keynesian programs. In that sense, there was a strong scepticism also among the left-wing whether Keynesianism provided any solution to the multiple crises of the mid-1970s. However, as I have argued, the concerns which public choice addressed went further back, to discussions on social planning, to which both New Left thinkers and neoliberals were reacting. Social planning was an attempt to manage the side-effects of state planning through more state planning; precisely the spiralling motion neoliberals feared the most.

How does the case of the Dutch Labour party compare to the international literature on public choice and the neoliberal turn? Much of the beats of the popularity of public choice in the US and UK were very similar. Public choice became attractive for arguing against Keynesianism in the stagflation crisis. And on a political level, public choice pointed the finger to interest groups, often understood as trade unions and labour-power, as the culprit for the economic crisis. The answer that public choice formulated was to restrain democracy, relegating important decisions to presumed neutral and technocratic institutions. But there are also significant differences. The push for neoliberal ideas did not only come from right-wing channels; internal discussion specific to the Labour Party created fertile ground for public choice arguments. Consequently, neoliberalism took a different form than was the case in the UK or US. Neoliberalism was not formulated in opposition to social democratic ideas of the welfare state, rather Daudt, Heertje and Stevers presented their proposals for restraining the welfare state as saving the state from itself. They considered the US discourse led by Friedman as too simplistic and aggressive, not completely applicable to the Dutch case. But they drew the same conclusions: they feared for the instability of the political and economic order.

Although, as other articles in this special issue argue, resistance against neoliberalism within the Labour party continued until the late 1980s, the party became susceptible to parts of neoliberalism already in an early stage. Especially the idea that interest groups posed a threat to the common good and therefore democracy should be more restrained became an accepted idea. The Labour party was not simply building on the foundation of right-wing parties when it started to adopt neoliberal-policies in 1989, as the UK case, studied by Hay, suggested. Neither was the Labour party pushed into neoliberal policies through solely out-

side forces, as Hellema and Van Lith recently argued. It had a long internal discussion in which neoliberal ideas were already disseminated.

A good example of this early entry of neoliberal ideas was Den Uyl's famous election speech in the Amsterdam concert hall Paradiso in 1982. Although he strongly warned of the rise of New Right forces of neoliberalism and neoconservatism, he admitted at the same time that 'democratization for the sake of democratization runs the risk of making democracy indecisive. [... And] democratization creates a bureaucracy in which only a small elite can find its way.'⁷³ Democratization had not distributed political power equally but concentrated it in the hand of 'a new class of social workers (*nieuwverzorgende klasse*).'⁷⁴ It was a sentiment that democratization had led to obscuring clear political choices, which was shared by both the neoliberals and the radical left. It was also a sentiment that public choice helped to formulate and was quickly accepted, as Den Uyl's speech attest to, within the Labour party.

About the author

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⁷³ J. Den Uyl, *Tegen de stroom in* (Amsterdam 1982) 12-13.

⁷⁴ *Ibid.*, 22.