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## Dutch Consociationalism and Corporatism: A Case of Institutional Persistence

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### Abstract

There have been three links between consociationalism and corporatism in the Netherlands. An isomorphic one, whereby both show remarkable structural similarities; a nested one, whereby corporatist structures were building stones of the various pillars; and a causal one, in the sense that one emerged out of the other. These links and roots in consociationalism have given Dutch corporatism its specific character, and distinguish it from that found in other corporatist countries such as Austria and the Scandinavian countries.

Ideal-typical consociationalism may have disappeared in the Netherlands, but four of its basic elements, a civil society well-organized in associations, collegiate government, subsidiarity, and consensualism, still typify Dutch politics. These have characterized – and still do characterize – Dutch society more widely, including its systems of law and of corporatist economic governance, which has been much broader than mere macro-level wage bargaining. The Dutch economy was a coordinated or concerted economy, at all levels of aggregation and in many policy fields, not just industrial relations. And this broader concept of corporatism has contributed to the relatively strong economic performance of the country during the larger part of the 20th century.

### 1 Introduction: vanishing cleavages

In 1976, Arend Lijphart wrote in the second Dutch edition of his *Politics of Accommodation* that “the parliamentary elections of 1967 can be considered to be the turning point: in that year half a century of pacification politics came to an end” (Lijphart 1976: 11). How much more would that not be true of the elections of 1998? Did they not demarcate the definite end to the cleavages that had dominated Dutch society and politics for so long and that had formed the basis of consociationalism? The opposition between Protestants and Catholics had already been bridged through the formation of the Christian-Democratic party (CDA), a merger of two Protestant parties and one Catholic

party in 1980. This CDA lost two elections in a row and the Christian parties saw their share in the vote decrease from 44.5 per cent in 1967 to 18.4 per cent in 1998. This signified also the end of the opposition between Christianity and modernity. Was there then anything left of the cleavage between labour and capital? No. The two parties that represent these two segments of society, the liberal VVD and the social-democratic PvdA, cooperated harmoniously and successfully in the first liberal-socialist cabinet of the century (1994 - 1998).

Just as the social cleavages have been eroded, so too have many of the organizations that made up the pillars. Most of them have merged across former pillar boundaries, as the Christian parties did. In actual politics, the vanishing cleavages make for boring politics. This author is faced with a related problem: is it still of value in 2002 to write about consociationalism in the Netherlands? And is there any sense in studying its presumed effects on economic performance? The answer is yes, for several reasons. Consociationalism as such may have disappeared, but four of its basic elements – a civil society well-organized in associations, collegiate government, subsidiarity, and consensualism – still characterize Dutch politics. In fact, these four elements characterize Dutch society in a broader sense, including its systems of law and of economic governance. In particular, the economic governance institutions – often subsumed under the term corporatism – have historically been strongly imprinted by consociationalism. And although corporatism has changed as well, there has been, nevertheless, a large degree of continuity. Therefore, it is still possible to study the economic performance of these governance institutions, especially if one takes a longer term perspective.

### 2 Change and continuity. The heritage of consociationalism

Following Lijphart (1976), one can identify the following elements of consociationalism:

*Pillarization.* Minorities are organized in many *associations*, which form an integrated system called ‘pillars’. Members have little or no contact with association members of other pillars.

*Paternalistic hierarchy and authority deference.* There is an almost feudal exchange between leaders and followers. The leaders represent their followers, provide them with existential security, and protect them from outside threats. In exchange they have a large discretionary authority and followers recognize their authority. Pillars and associations are ruled by elites – collegiate government – rather than individuals.

*Subsidiarity.* The pillars and their associations have relative autonomy from society at large and the state. Any task they are able to do should be left to them or delegated to them.

*A cartel of elites.* The pillars 'meet' through their elites. A cartel of elites governs society at large, again a form of collegiate government.

*Consensual politics.* External relations between pillars are governed by informal rules that allow elites to accommodate interests and to cooperate to their mutual benefit. These rules make for *consensual politics* and include the following:

- All minorities tolerate each other. There is an 'agreement to disagree'.
- There is intense consultation and cooperation, if not concertation ('summit diplomacy'), in which most if not all elites partake. Governments are preferably grand coalitions.
- New opposition groups are tolerated and respected, and if possible integrated.
- Collegiate – as opposed to monocratic – decision-making is the rule in cabinets, councils and committees.
- There is a search for compromise, if not consensus.
- Consultation is facilitated through personal contacts, informal procedures and secrecy, allowing parties to retreat on positions.
- Potential conflict is mitigated through depoliticization, turning issues into technical matters, arbitration, proportionality and distributive fairness.
- Depoliticization is facilitated by recruiting cabinet members among technocratic experts (e.g., university professors) who are loosely connected to the parties.
- Proportionality concerns both participation in decision-making and distribution of collective resources.
- Political stability and continuity are highly valued.
- Overall, elites are both pragmatic and opportunistic.

*Consensual institutions.* These political and cultural values are expressed in political institutions, such as proportional representation, coalition governments, or appointment of mayors and provincial governors (allowing for proportional distribution).

What remains of these characteristics? The first two have largely disappeared, a process which started in the mid 1960s. Pillars disintegrated, many of their organizations have been dissolved or merged, respect for authority has gone.

At first, elite accommodation also lost legitimacy and politics became more adversarial. Various 'new' social movements challenged the political elites and the rules of the game. They demanded 'power to the people' and direct democracy instead of oligarchy, deference to hierarchy, and summit diplomacy; openness in place of secrecy; conflict rather than harmony; clear responsibilities as an alternative to vague collective decision-making (Righart 1995).

Retrospectively, however, the adversarial 1960s and 1970s were more of an interlude. To be sure, the 1960s did leave some lasting marks. The old cleavages and pillarization have disappeared. Respect for authority as such has gone. There is more openness than before in politics, and less technocracy. Citizens have more rights vis-à-vis the state and more institutional checks and balances were introduced, such as an expansion of administrative law, the beginnings of judicial review, and an Ombudsman. However, four characteristics of consociationalism have remained firmly in place in one form or another: the importance of associations, subsidiarity, collegiate government and consensualism.

*Associability.* Pillars may have crumbled; their building stones, associations, may have changed form and function, but they have certainly not disappeared. The Netherlands is still a veritable 'civil society': a society, organized in a plurality of associations between the individual and the state. And compared to the British, for example, the Dutch have a strong inclination to formalize such 'associational relations'. It has been said, mockingly, that whenever three Dutchmen meet, they found an association, and one becomes chairman, another secretary, and the third treasurer. Thus we find still many trade unions, employers' associations, artisan guilds, healthcare and social welfare associations, housing corporations, broadcasting associations, school associations, literary societies, playground, aquarium, football, judo, painting, cycling and hiking associations, environmental and other public interest associations, and not to forget political parties. However, the following changes have taken place since the heyday of consociationalism: formerly separate Catholic, Protestant, Socialist, and/or Liberal associations have disappeared, usually through a merger. This enhanced the more general trends of an increase in the scale and size of associations, and an increase in the professionalization of staff and leadership. A typical trade union leader is no longer a former factory worker, but a trained sociologist or welfare worker. This has created a more distant relationship between members and their association.

*Subsidiarity.* Many of these associations still have autonomous 'jurisdiction', accepted if not guaranteed by the state. They can structure and regulate social life within their task and/or member domain. Often they help to formulate,

administer, and even enforce state regulations. This holds for many policy fields: the economy, social security, health, education, welfare, public housing, broadcasting, the environment, infrastructure and spatial ordering. Of course, there have been changes here too. The most significant being the increase in importance of many of these policy areas, an increase in the amounts of money and workers involved, and linked to that an increase in the involvement of the state in funding and regulating measures and provisions within these policy fields.

*Collegiate government.* Typical for an elite cartel is collegiate government. And indeed, the Netherlands is still very much ruled by 'collectives'. Politics is permeated with councils, chambers, committees, boards, estates, colleges, commissioners. These councils do more than provide 'counsel', i.e., investigate, discuss, consider and advise; they actually make the decisions themselves. Of course, nowadays councils and boards are found in many polities. However, what is typical for the Netherlands is that these councils rarely have dominant, individual leaders. Naturally, they do have chairmen or chairwomen, but these are usually merely 'primus inter pares', first among equals. Typical is the position of the Dutch prime minister. He has far less authority in the cabinet than, for example, the American president, the British prime minister, or the German Bundeskanzler. What holds for the Cabinet holds also for most other councils. The country is not known for charismatic leaders. It has no Churchill or Bismarck.

*Consensualism.* Collective decision-making has consequences for the style of decision-making. It requires consultation, negotiation, compromise. For a while depillarization was accompanied by more adversarial politics. These days politics is again practiced largely according to the rules of consensual politics. Respect for the opposition has returned (except for the extreme right, which is ostracized from politics). The complement of compromise, proportionality, is still very much in place, when allocating mayorships, funds for broadcasting associations, or seats in advisory boards. More and more municipal governments have become grand coalitions again. Even secret summit diplomacy has regained respectability since the trauma of the 1977 election, when the incumbent social-democrats won the election big, but lost the coalition negotiations. This was blamed on the openness of the negotiations, which reduced the flexibility of the negotiators. Most of the political institutions that 'condemn' politicians to consensualism have remained firmly in place. They are not readily changed (Andeweg 1989). Much of the change that Lijphart perceived in 1976, and which made him speak of 'a turn around', has not materialized. The liberal-democratic party D66 has been politicking for thirty years for a more dualistic political system, but in vain. A full-fledged

referendum may come one day, but a directly elected prime minister is very unlikely, and a majoritarian voting system is unimaginable.

### 3 A broader phenomenon

These more enduring characteristics of consociationalism are – and were – not only typical of politics. They were and are more broadly present in society, in business, in the legal system. Associability and subsidiarity typify, by definition, society. They have emerged in society, and subsidiarity implies that the state leaves such societal organizations room. Collegiate decision-making is also found outside political institutions: in advisory bodies, private foundations, associations, business corporations, cultural institutions and not to forget the church. It can be no coincidence that the Protestant church, the former official 'state church', is led – in a decentralized way – by councils, rather than by an individual. Even the Catholic church – elsewhere headed by monocratic leaders – is governed in the Netherlands by the college of bishops. And again, these boards are not dominated by individuals. The Dutch economy has had no 'captains of industry' like Carnegie, Krupp or Iacocca. If at all, business leaders have been entrepreneurial families, such as Van Heek or Fentener van Vlissingen, i.e., inter-generational groups. Such family-led companies were not driven by the individual pursuit of profit, but by 'familism' (van Schelven 1984). Leaders were the temporary stewards of family property which was to be passed on to new generations.

Consensualism is also pervasive in Dutch society. The American sociologist and keen observer of Dutch social life Derek Phillips wrote: "Rather than risk a conflict with others in the group, someone whose ideas do not agree with the point of view of the group will tone down his own opinion. Open conflict, opinions presented with much conviction, a high level of verbal aggression and emotional scenes are much less common in Dutch society than in the US" (Phillips 1985: 29). Most typical for the dominance of consensualism is its presence in that adversarial institution par excellence, the legal system. Pragmatic tolerance finds expression in tolerant and flexible rule enforcement. The Dutch term is *gedogen*. A less serious transgression is tolerated in order to fight a more serious transgression more effectively. It is more than an informal practice of the *de facto* tolerance that is to be found elsewhere. In the Netherlands this is official policy. The Dutch legal system knows the 'expediency principle', which gives the public prosecutor (in practice the collective of all prosecutors) discretion to refrain from bringing criminal proceedings if it is in the public interest. This differs from the 'legalist' principle in German law, for example, which obliges prosecutors to prosecute all cases.

The most famous example of *gedogen* policy is that for soft drugs. They are tolerated and regulated and can be sold in registered 'coffee shops' – which curiously enough do not sell coffee – in order to fight hard drug abuse more effectively. Brothels were tolerated in the past (and have now even been legalized) in order to fight illegal 'trade in women' more effectively. But it is also found in many other fields. The long-time tolerance of cartels, for example. In order to have interlocutors in fighting abuses, the authorities recognized or even encouraged the formation of associations by the relevant 'industries'. Thus, there are associations of brothels and 'coffee shops'. They try to control excrescences that could threaten their hard-won recognition or could precipitate state intervention. Thus the Brothel Association has instituted a trademark for 'recognized' brothels which practice only safe sex, complete with plaques which are hung on the door.

Consensualism is also reflected in the very low litigation rate and the short duration of court cases. Many conflicts are handled out of court. People try to settle conflicts informally or through arbitration; there are many specialized arbitration bodies. When cases do come to court, they are handled with flexibility. The Dutch judge has a relatively large amount of discretion. In substantive civil law cases, the judge can circumvent a legalistic outcome by means of a general escape clause based on the principles of 'fairness and reasonability'. There is nothing even approaching what Kagan has called 'adversarial legalism' and which is so prevalent in the US. Indicative is the low density of lawyers. In the late 1980s, while the Netherlands had 35 lawyers per 100,000 inhabitants, the US had nearly ten times as many, 312 lawyers; Germany had 190, and England and Wales 134 (Lipset 1996: 50). Holland had ten judges and 1,550 court cases per 100,000 inhabitants; Germany 29 judges and 3120 cases (data from 1992, see Blankenburg & Bruinsma 1994).

#### 4 Politics and the economy: consociationalism and corporatism

In the economy the more enduring traits of consociationalism have also been present. They were embodied in a system of business-business, business-labour, and business-government relations, and of a combination of economic self-regulation and state regulation. This system of economic governance has a name: corporatism. The relationship and/or similarities between consociationalism and corporatism have been noted before in the literature (Lehmbruch 1979; Lijphart & Crepaz 1991). There is a link in at least three ways. An *isomorphic* one: both consociationalism and corporatism show remarkable structural similarities. A *nested* one: corporatist structures were building stones of the various pillars. A *causal* one, in the sense that one

emerged out of the other. This holds in particular for Dutch corporatism. The links and roots of Dutch corporatism in consociationalism have given it its specific characteristics, which distinguishes it from that found in other corporatist countries such as Austria and the Scandinavian countries.

##### 4.1 Isomorphism

The structure of corporatism, certainly in its heyday between 1920 and 1970, was similar to that of consociationalism. The organization of economic actors was akin to that of the *pillars*. Workers and employers were organized in separate systems of associations and peak associations; one could say in socio-economic pillars. Internally, they were hierarchically structured and leaders had significant authority over the followers (in particular in the trade unions). Contact between these groups occurred mainly at the peak level between leaders with substantial discretionary authority. Together they formed an elite cartel. Specific institutions had been created to channel and facilitate peak level consultation, negotiation and concertation. *Associations* were the building stones of these socio-economic edifices. In line with the principle of subsidiarity, they had more or less autonomy within their own sphere, their sector of the economy, which they could order and regulate within certain limits set by the state. The structure fitted the ideal-typical corporatism, which Schmitter (1979 [orig. 1974: 13]) distinguished, rather well. And, with some exceptions, these associations had *collegiate* leadership. The politics of accommodation between the elites was guided by the rules of *consensualism*: mutual tolerance, agreement to disagree, intense consultation, deliberation and cooperation, summit diplomacy, search for compromise if not consensus, accumulation of functions, secrecy, depoliticization (e.g., through the development of 'technical' job classification systems for wage bargaining), professionalization of the organizations, proportionality (e.g., in advisory bodies to the government), a high value placed on predictability and stability of mutual behaviour (e.g., demands in negotiations), and overall pragmatism.

##### 4.2 Nestedness

Dutch corporatism was not only similar in structure to consociationalism, it was an integral part of it, and this of course explains in part the isomorphism. Unions and employers' associations were important building stones of the pillars. That implied that they were differentiated along religious lines. The pillars were important institutions of socio-economic interest accommodation. The leaders of the peak unions and employers' associations did not

only meet in society at large, but also within each pillar. Often such contact was informal, for example, within the Christian parties. However, the Protestants even had a formal institution for intra-pillar socio-economic accommodation. This differentiation of associations along 'pillar-lines' was characteristic of Dutch corporatism, and different from that found in Austria and Scandinavia. Ironically enough, this pillarized differentiation of unions has led some authors – who used the integration of the union movement as an indication for corporatism – to rank the Netherlands low on their corporatist scale (Czada 1983; Lehbruch 1984; Calmfors & Driffill 1988). However, pillarized differentiation did not mean that the Dutch had no comprehensive associations. On the contrary. One should see the whole pillar as a comprehensive 'organization' which aggregated worker interests even with those of capitalists. And that made it even more difficult – at least for the Christian unions – to externalize the costs of their demands. Indicative of the political importance of these economic organizations is that they are major recruitment channels for top positions. The current prime minister, Wim Kok, is a former trade union leader, his predecessor a former employers' association leader. Where else can this be found?

#### 4.3 Ideological Roots

Dutch corporatism was not only part of consociationalism, it emerged out of it – that is, out of the Dutch version: consociationalism with religious minorities. It was explicitly and intentionally created out of several ideologies: social Catholic and Calvinist teaching.

Catholic social teaching favoured a 'third way' between capitalism and socialism. It intended to mitigate the class and competitive struggles (to prevent Catholic workers from defecting to socialism), by organizing workers and capitalists in 'corpora', associations, which were to 'harness' capitalism. The state was only to get involved in market regulation if economic actors were unable to do so themselves, the principle of 'subsidiarity'.

Catholic social ideology was particularly strong in the Netherlands (van Waarden 1980, 1991). That was because Catholics had been a second class minority in this predominantly Protestant nation since the days of the Dutch Republic. The bourgeois revolution of 1848, which brought constitutional rights, liberal governments, and the formal equality of religions, sparked a Catholic emancipation movement. This entailed the organization of a Catholic civil society in separate organizations. Social Catholic teaching provided its ideological support. This factor, minority emancipation, was lacking in predominantly Catholic countries such as France, Spain or Italy, and in the predominantly Lutheran Scandinavian countries. This may explain

why corporatism never caught on so much there (with the exception of Franco Spain), or why it lacked this specific Catholic touch (Nordic countries).

A subsequent emancipation movement by a fundamentalist Calvinist secession from the dominant old Protestant state church, led by the ideologist and later prime minister Kuyper, borrowed heavily from Catholic social teaching in developing its own social philosophy. In this ideological environment, and in the context of consociational concertation, the Social-Democrats developed their own variety of corporatist philosophy. They too wanted to harness capitalism, but saw a larger role for the state. However, confronted with the resistance of the religious pillars, the Social-Democrats developed their own corporatist ideology, called 'functional decentralization'. Thus Dutch corporatism had three different ideological bases, developed within each pillar in the context of consociationalism: that is, the presence of neighbouring pillars with different ideas, and the need to find compromises. Important for the development of Dutch corporatism was hence the geographic location of the country: at the heart of the two axes of Stein Rokkan's geo-political map of Europe (Rokkan 1981): right on the city belt, which stretched since the late Middle Ages from the North Sea to the Mediterranean; and far enough from Rome to be at the boundary between Protestant Northern Europe and Catholic Southern Europe. The city belt provided the tradition of a well-organized civil society; the distance from Rome the mixed Protestant/Catholic population.

#### 5 Characteristics of the 'old' Dutch corporatism

Consociationalism played a role in the development of Dutch corporatism in different ways. It provided the structural context for the development of these ideologies. It also furnished the structural conditions for corporatism itself: associability, subsidiarity, collegiate government, consensualism and pragmatic tolerance. And it provided a material incentive: the pillars needed organizational support in the socio-economic arenas. When the religious parties assumed government power – Catholic and/or Protestant parties formed the backbone of all the cabinets between 1899 and 1994 – they gradually set out to realize their ideals: to harness the 'destructive forces' of capitalism by regulating and organizing the economy. Between 1899 and about 1960 a complex edifice of institutions of cooperation between classes and competitors was created. The state itself was to play only a subsidiary role in economic intervention. This was facilitated by the absence of a strong state tradition in the Netherlands and by the fact that whatever there was of a state was less wary of the church and less in competition with it (as in France).

### 5.1 More than a wage bargaining system

The literature on corporatism has focused mostly on macro-level institutions for bi- or tripartite bargaining over wages and working conditions, coupled sometimes with incomes policy of the state. This holds for basically all the economic literature on corporatism (e.g., Calmfors & Driffill 1988; Soskice 1990; Layard et al. 1991; Teulings & Hartog 1999), as well as for much of the political science literature (Czada 1983; Cameron 1984; Katzenstein 1985; Crepaz 1992; Visser & Hemerijck 1997). The latter explain that the recent strong performance of the Dutch economy is largely thanks to wage moderation, social security reform, and the popularity of part-time and temporary work, all supposedly results of consensual macro-level bargaining between employers, unions and the state. However, there has been more to Dutch corporatism than just macro-level bargaining. Characteristic was that much of the economy was regulated and organized by associations, at all levels of aggregation and in many policy fields, not just industrial relations. Private associations engaged in various ways in self-regulation, which was tolerated, accepted, recognized or even authorized by the state; and/or they participated in the formulation and implementation of public policy, and to this end were equipped with statutory powers. The Dutch economy was a coordinated or concerted economy in which private associations shared in public sovereignty. And this broader concept of corporatism, I would maintain, has contributed to the relatively strong economic performance of the country during the larger part of the 20th century.

### 5.2 Market institutions and regulation

Economic transactions are more likely to take place if a number of conditions are present, such as a minimal reduction of uncertainty over property rights, trustworthiness of the transaction partner, discouragement of opportunistic behaviour, enforceability of contracts, quality guarantees for goods, etc. Institutions that do so can be provided by the market, the state, clans or communities, firm hierarchies, and associations (Williamson 1975; Streeck & Schmitter 1985). Although all these principles of economic governance are found in the Netherlands, 'association' has been a dominant one. The preference for 'association' and self-regulation, a voluntary and horizontal form of economic cooperation, is not strange for a bourgeois egalitarian society and fits well with a tradition of collegiate government. Of course, the basic economic institutions, such as property, contract, corporate and commercial law, or a stable currency, have long been in place, and remained largely a state responsibility. Associations were, however, greatly involved in the economic

and social regulation that developed from the 1910s on. Examples are agricultural crisis measures, food quality regulations, handicraft and shop business licensing, regulations concerning shop opening hours, public extension of collective wage agreements and cartels, statutory minimum wages, compulsory social security, arbitration schemes, a ban on collective dismissals, and sector-specific regulations, for example, for inland shipping, banking, insurance, taxis and the liberal professions (Fernhout 1980).

### 5.3 Organizational edifice I: interest associations

The *organizational edifice* of corporatism consisted firstly of about 2000 voluntary employers' associations and trade associations on the entrepreneurs side (van Waarden 1992, 1995); and on average 338 unions between 1951 and 1960 (Visser & Waddington 1996). Both categories were integrated in a hierarchic system of sub-sectoral, sectoral and general peak associations. Up until the mid 1970s, the peak level was split along pillar lines. On the union side there were three peak associations: a Protestant, a Catholic and a Socialist one. On the business side there were ten, differentiated by religion, economic or social tasks, industry or agriculture, and large or small firms. Thereafter, mergers occurred across religious lines, but differentiation along other lines (for example, blue vs. white collar workers) increased again.

### 5.4 Organizational edifice II: institutions of cross-class cooperation

Secondly, there were the institutions for cross-class cooperation between trade unions and employers' associations. The most important ones are the Foundation of Labour ('Stichting van de Arbeid' [STAR]) and the Socio-Economic Council ('Sociaal-Economische Raad' [SER]). The STAR is an organization under private law, founded at the end of the Second World War, where the social partners can meet in the absence of the government. The SER was created in 1950 by the government as its official advisory council and was given a position under public law. It has a statutory right to be consulted on all social economic policy plans. The unions and employers each appoint one-third of the members, and the government the last one-third. These 'crown members', are appointed for their expertise, and are not supposed to represent the interests of the state. Most have been university professors. However, consociational proportionalism was applied in their selection. Thus the SER embodied the two different principles of corporatism and technocracy. The intention was to make the social partners meet economic experts, who would

confront them with the economic consequences/external costs of policy choices and wage demands, in the rightful expectation that this would moderate demands and policies. This did indeed work well. It forced social partners to engage in scientific discourse to justify their demands. The influence of economic expertise in policy-making in the Netherlands has been remarkable. Such use of expertise was a typical consociational strategy of depoliticizing issues, in order to facilitate compromise and consensus.

The STAR and SER are the major formal institutions for central bargaining between the social partners, but they peaked a whole edifice of institutions. 'Below' them, at the sectoral level, wage bargaining took place in 'vakraden' (trade councils), 'bedrijfsverenigingen' (literally, trade associations) implemented workmen's compensation plans, and 'bedrijfscommissies' (literally, trade commissions) supervised the implementation of the law on works councils. In addition, there are other official advisory and bargaining councils for more specialized policy areas, in which unions and employers' associations participate. They exist for social security, health and health insurance, industrial policy, health and safety at work, product quality regulation, technical standardization, vocational training, environmental policy, health policy, public housing, transport and infrastructure, development aid, and even military procurement. All these institutions provided many channels in which the social partner leadership could meet, get to know each other well, and also allowed for complicated trade offs.

### 5.5 Organizational edifice III: institutions of competitive cooperation: trade associations and cartels

There were also organizations that channelled and mitigated the competitive struggle. First of all the many trade associations. They were often well-developed, commanded relatively large resources of capital, staff and expertise, had privileged access to state agencies, exerted some control over member-behaviour, and furnished a multitude of activities. Thus they provided collective goods such as training and advice for workers and entrepreneurs, organized and financed generic research and development, developed collective brand names, or prohibited the poaching of each other's workers. Prototypical for the Dutch 'concerted economy', however, were the many cartels, trade associations with the specific aim to moderate competition. The country has been called a 'cartel paradise' (de Jong 1990) and the OECD still talked in 1993 of 'the unusual Dutch case'. In 1992, the secret cartel registry contained 245 market sharing agreements, 267 price and tendering agreements, 202 distribution agreements, and 45 collective exclusive dealing agreements. These were all agreements which would be illegal in most other OECD countries (OECD 1993: 60).

### 5.6 Organizational edifice IV: state support: cartels and statutory trade associations

The state under consociationalism has provided support for this form of economic governance through associations: by tolerating them, providing access, extending private agreements and turning them into public law, and by even providing certain associations with statutory powers. Passive support in the form of toleration was most conspicuous in the case of cartels. Unlike in most other countries, cartels and other collusive agreements were not principally banned. Dutch competition policy was based on the 'abuse principle' instead of the usual 'prohibition principle': cartels were permitted unless the government considered them to be against the public interest. Prosecution has been rather sporadic. The OECD wrote in 1993: "In every formal case, the Competition Policy Department seeks the advice of the Economic Competition Commission – a consultative body. It is revealing that over the past ten years there have been only 25 such requests for advice" (1993: 58). This was also because the system was widely accepted, as exemplified by the scarcity of formal complaints.

State support for associational governance went further, however, than mere passive tolerance. It could also 'extend' private wage or cartel agreements to a whole sector, that is, turn them into compulsory public law. The legal right to do so has rarely been applied to cartels, but it is quite usual for sector-wide collective wage agreements to be imposed on the whole sector. The state went still further by giving public status to associations themselves. About a quarter of Dutch industry is also organized in compulsory statutory trade associations (STAs). Their legal status is comparable to that of provinces and municipalities. Whereas the latter embody territorial decentralization of the state, the STAs are organizations of 'functional decentralization'. Their creation was facilitated by the presence of a precedent: the centuries old hydraulic boards were an early example of statutory bodies of functional decentralization. Just as the inhabitants of a municipality are 'members' by virtue of their living in its territory, so 'inhabitants' of an industrial sector are members of an STA. They have similar duties and rights. Both pay taxes, to their municipality and to their STA. In both cases the tax income is used for collective goods. STAs use it for sector-specific ones, such as vocational training, collective research and development or quality control. And in both cases there is 'no taxation without representation'. In STAs firms and their workers are indirectly represented, through their trade associations and unions, who appoint the board members. Thus Dutch corporatism is embodied in a variety of formal organizations. It has four characteristics, which distinguish it from corporatism elsewhere, and which are related to its roots in consociationalism: formalization, differentiation (in line with pillarization),



strong ideological roots, and a comprehensive structure or market ordering of institutions, involving much more than mere macro-level class concertation. Typical for this form of market ordering is that it is rather moderate. It does not do away with markets and competition. In that sense, the Dutch 'concerted economy' is an eclectic combination of the allocation and coordination principles 'market', 'state' and 'association'. This is important in explaining the economic performance of the institutions.

### 5.7 Changes

With the breakdown of pillarization, the original support under the old style corporatism disappeared. Pillarization was no longer a relevant organizational model ('isomorphism'); there was no more need for additional socio-economic organizations to support the pillars ('nestedness'); and, most importantly, the ideological base under corporatism disappeared. This had consequences for corporatism. First of all, for the associations. Most merged across the pillar borders. Thus the number of (peak) associations decreased. As the associational elite got smaller, the logic of concertation changed. There were less possibilities for coalitions (for example, cross-class ones within pillars), and for playing opponents off against each other. On the other hand, smallness facilitated discourse. Furthermore, associations could no longer rely on ideological appeals to recruit, keep and discipline members. Leaders lost authority and discretion. The unions commissioned studies to find new solutions (Van de Vall 1963; Klandermaans & Visser 1995). 'Solidaristic goods' were no longer in demand. What the associations began to offer instead were 'selective goods', services to members, varying from legal advice to cheap holiday homes. With the main ideological bearers of corporatism – the religious parties – losing their parliamentary majority and position in government, liberalism gained ground. Corporatist institutions were increasingly criticized for retarding decision-making, producing inefficiencies, allowing for rent seeking, letting the welfare state system run out of control, etc.

Several minor socio-economic regulations were relaxed. Shop opening hours were extended, business licensing was facilitated, heavily regulated sectors such as telecom, taxis, the liberal professions and inland shipping were (somewhat) deregulated, and the criteria for eligibility for social security benefits were tightened. A major reform was the change in competition law from the 'abuse' to the 'prohibition' principle. Corporatist organizations also came under fire. Trade associations lost rights and tasks, and with that sources of income and personnel. Many cartels became illegal. A number of statutory advisory boards were abolished and others merged. The existence of STAs was seriously questioned by parliament and the Ministry of Economic Affairs. Even the

showcase of Dutch corporatism, the SER – denounced as the 'Sociaal-Economische Rem' (socio-economic brake) – came under attack. It lost its legal right to be consulted by the government.

In retrospect the reforms have remained limited, however. And the tide is in fact turning again. The SER is still being consulted, now voluntarily, by the government, and its influence has even increased, due to a new-found consensus among the social partners. Most STAs have survived and have a new legal position. The wisdom of further privatization of social security and public transport is doubted. Deregulation that did occur induced associations to replace state regulation by self-regulation. The recent strong performance of the economy led to a re-recognition of the value of corporatist consensual institutions.

Furthermore, while corporatism was under attack in traditional places, it reappeared under a different guise in new policy areas. In environmental policy, for example. Over the last decade, the government has negotiated more than 70 'covenants' with industry, in which the latter commits itself to reducing pollution. One example is the covenant on recycling packaging waste. It involved 250 meetings between government and relevant industries, packaging manufacturers, food and drink producers, packers, fillers and retailers. Most preparatory negotiations took place in a small 'elite cartel': the director of 'waste matters' in the government, a representative of industry, and a professor, who acted as a go-between and 'lightning conductor'. The success of the policy was, according to various observers, due to the skillful use of some informal rules. These included: a) toleration and acceptance of differences in interests; b) no adoption of decisions by simply overruling a minority; c) proportional representation of interests in the extended system of committees and proportional distribution of costs and benefits at least in the long term; and d) depoliticization of sensitive problems by transforming them into 'objective' economic or technical matters (Haverland 1998). Does that not sound suspiciously like consociationalism?

## 6 Economic performance

### 6.1 Reduction of risk, uncertainty and transaction costs: long-term stable relations

The economic effects of these corporatist institutions are that they reduce risk and uncertainty and therefore transaction costs, increase transparency on markets, stabilize relations among firms and between employers and workers, increase mutual trust, allow firms and workers to invest in their relations,

supply otherwise under-produced collective goods such as training and generic R&D, facilitate transactions, and therewith growth and employment. Some examples may illustrate how this works. Associations of building contractors and travel agencies created guarantee funds that offer customers the security that future products such as houses and travel trips will be delivered, even if the company goes broke in the meantime. Associations of electricity companies set technical standards and thus reduce transaction costs of customers due to different standards. The statutory trade association for bakers and butchers provides training and training standards, giving customers the security that these food producers will be qualified and their products safe. Unions bargain collective wage contracts and reduce the distrust among workers that employers are merely out to exploit them. By reducing risk and uncertainty, such institutions increase trust between suppliers and customers and between employers and workers. This allows the development of long-term stable relations.

Nooteboom (1999) distinguishes two strategies of structuring inter-firm relations, a choice between 'exit' or 'voice' relations. 'Exit' relations are short-term. Firms do not invest much in their mutual relations, are cautious, suspicious or even outright distrustful of each other, and change partners when they are dissatisfied. This type is dominant in Anglo-American societies. A 'voice' relation is a stable and long-term one. Firms invest in their relations, develop relation-specific assets, and 'voice' any complaints they may have, rather than exit the relation. This is typical in Japan and much of continental Europe, and in particular in Dutch corporatism. Each pattern has its advantages and disadvantages. Voice relations allow for greater knowledge of the partner. The mutual investment in relation-specific assets and the lesser likelihood of 'exit' allows trust to develop. The risks are too much dependence on specific partners, getting stuck with incompetent or inflexible suppliers or workers, and a lack of fresh ideas. But voice relations make it easier to predict the future business environment and hence facilitate long-term investments, including those in innovation.

## 6.2 Performance on macro-indicators

The institutional choice for 'voice' type relations in Dutch corporatism has not been without success. Van Zanden and Griffiths (1989) consider as most characteristic for the 20th century economic history of the Netherlands that: "over the whole period 1900-1985 the growth of the Gross National Product was practically nowhere else as large, while overall inflation was nowhere else as low as in Holland" (1989: 15) The Netherlands would be one more argument for Lazonick's (1991: 8 ff.) thesis that "history shows that the driving

force of successful capitalist development is not the perfection of the market mechanism but the building of organizational capacities."

Table 1 compares average annual growth rates of the Netherlands with the average of 14 OECD countries for the period 1929 - 1994. It shows that Dutch growth in GDP was above average between 1938 and 1973 and has been on average since then.

Table 1 Average annual growth rate of the Netherlands compared with the average of 14 OECD countries (\*)

Country	1929-38	1938-48	1948-58	1958-73	1973-81	1981-94	Whole period 1950-94
NL	-2.2	6.7	5.8	4.9	2	2.1	3.4
14 OECD countries	1.2	0.9	4.3	4.6	2.2	2.1	3.3

(\*) Average of A, D, NL, B, I, CH, DK, SF, N, S, F, IRL, GB, USA.

Source: Unger & van Waarden (1999)

Inflation has been relatively low, and so have interest rates. Nevertheless, the Dutch guilder was a strong and stable currency, reflecting investors' trust in the economy. Public finance and budget deficits have largely been well under control, except perhaps for the period between 1977 and 1982, when deficit spending increased. The country achieved figures well below most of the entrance requirements for the EMU. Labour unrest has been low. In the period 1960-1995, the average number of annual working days lost annually in the Netherlands due to strikes was 20 per 1000 workers. This figure was 28 in Germany, 77 in Sweden, 98 in Belgium, 104 in France, 117 in Denmark, 196 in the US and 268 in Britain (Visser & Hemerijck 1997: 95). Trade unions have made moderate wage demands. The 'whip' of international competition in this very open economy (50 per cent of GDP is earned abroad) has convinced them to keep demands in line with productivity growth. Wage costs and increases have mostly been below that of major competitors. In their major export market, Germany, the Dutch price-competitive position has been favourable for high-, medium- and low-tech products (CPB 1994: 147-50). On the other hand, wages have not been so low as to force the country into a low wage - low productivity spiral. Wages have been high enough to stimulate entrepreneurs to cut costs, to innovate, and to raise productivity. Labour productivity is among the highest in the world. In 1989 the GNP per labour-year was at 118 per cent of the EU-average, above that of all other EC-countries (WRR 1990: 69-70). Another indicator for innovation is R&D productivity. In 1992, Dutch firms produced 760 patent applications per

100,000 workers, by far the highest among 8 major OECD countries. The other figures were: Switzerland 560, Germany 370, France 310, Sweden 260, Belgium 240, United Kingdom 210, Japan 200 (CPB 1994: 200). Corporatism has not only been conducive to allocative and dynamic efficiency, it also produces *equity*. The Gini-coefficient of income inequality was 0.25 in 1998, below the EU-average of 0.27. Only Finland, Denmark and Belgium had yet lower scores (0.23 and 0.24). The poverty rate – measured as the percentage of persons in households who are below the poverty line, which is defined as 60 per cent of national median household income – was 9.9 per cent (the EU-average being 14.1 per cent). Only Finland was lower with 9.4 per cent (Sutherland 2000: 7; based on Eurostat).

### 6.3 Sectoral performance

Because Dutch corporatism is not only found at the macro level, but especially at the sectoral level, performance should also be evaluated at this level. Some examples can be found for some of the more 'extreme' cases of sectoral 'concertation', or 'collusion' if one prefers.

Conventional mainstream economic wisdom holds that sectors enmeshed in cartels and other restrictive trade practices, are likely to be inefficient and/or extract 'rents' at the cost of outsiders. The expectation is that consumers would be exploited through high prices, and that their feather-bedding would make them lazy, paying little interest to cost cutting, developing new markets, and product and process innovation. The performance of Dutch sectors organized in trade associations and cartels, such as the construction industry, contradicts this. In a comparison of this industry in OECD-countries, the Netherlands was found to be top scorer on a number of indicators of static and dynamic efficiency (van Waarden & Unger 1994). Dutch contractors did not make excessive profits. The 'rest income quote' as an indicator of profitability was the lowest among EU-countries. Neither were consumers exploited. Building prices per m<sup>2</sup> were among the lowest in Europe. Only the less developed countries Portugal and Greece were cheaper. The cartels did not discourage technical innovation. The Dutch construction industry had the highest labour productivity in Europe. Neither did the cartels make Dutch contractors lazy and self-sufficient with the domestic market. They were by far the most active abroad. The cartels brought stability in the market, beneficial for planning long-term investments. Abuse of market power was prevented by the sector structure and tendering procedure, which guaranteed still sufficient competition.

A second example of sectoral performance refers to those sectors of the economy that are organized in statutory trade associations. Regulation and organization have apparently not made them inefficient and sleepy. They are integrated in world markets and perform well. Indeed, most of the sectors that scored on the top of the list of the Dutch sectors with a high share in total world trade were sectors organized in statutory trade associations. Such sectors were the producers of cut flowers (with a share in total world trade of 64 %), bulbs and plants (56 %), eggs (61 %), pigs (57 %), condensed milk (53 %), cacao powder (49 %), and tomatoes (43 %) (Jacobs et al. 1990: 29).

### 6.4 The ills of the system: low participation rate, high volume of benefit receivers

Of course, there have also been economic problems. A major one is the low GDP per capita. By 1987 it had fallen behind that of 16 of the 24 OECD countries. The main reason was the low labour participation rate. Only 58 per cent of 18-65 year olds worked in 1987, compared to an average of 66 per cent for all OECD countries. The Dutch female participation rate was only 42 per cent. In other corporatist countries, like the four Scandinavian countries and Switzerland, it was well above 70 per cent (WRR 1990: 59, 67). The religious – consociational – character of Dutch corporatism is to blame. Catholic and Calvinist ideology considered the woman's place to be in the home. For some time there was even a law on the books which obliged employers to lay-off women when they got married.

Unemployment was rather high in the 1970s and 1980s. The average during the 1980s was 9.8 per cent, compared to an average of 7.4 per cent for 18 OECD-countries. In the 1990s, it declined to 6.2 per cent, which was below the OECD-18 average of 8.3 per cent. In particular, long-term unemployment has been high and remains a matter of concern (Engbersen et al. 1992). The complement of a low participation rate is a high volume of benefit receivers. In 1996, 2.3 million people received an unemployment, sickness, disability or welfare benefit. With 2.2 million old age pensioners, this comes to a total of 5.5 million benefit receivers; on a working population of 6.9 million. The number of disability benefit receivers was a particular cause for concern. Their numbers increased from 541,000 in 1972 to 1.318,000 in 1993, the all-time high. The low participation rate, the high volume of benefit receivers, and the temporary high unemployment have been blamed on corporatism and reduced its legitimacy for some time. Social partners were accused of having used their control over sectoral social security to smoothen industrial restructuring in the 1970s by channelling workers into the more

generous disability plan. Social partnership was also considered a reform blocker for some time, as negotiations in the more adversarial period often resulted in deadlock.

## 7 Conclusion

“Corporatism is dead. Long live corporatism”, wrote Philippe Schmitter more than ten years ago (1989). At that time he meant that macro-corporatism had mostly disappeared, but that corporatism at the sectoral level was alive and kicking. However, his statement could now also be taken to mean that the old ‘official’ corporatist institutions have lost some legitimacy, but that elsewhere new organizational forms of concertation and regulation have appeared, often under a new name and/or a different guise. Corporatist institutions have again acquired legitimacy, but it is a legitimacy based on performance, which has been strong, rather than on ideology. This could be a less secure base. But for now, the Dutch economy is still a coordinated, concerted economy, in which the persistent principles behind both consociationalism and corporatism – associations, subsidiarity and self-regulation, collegiate government, and consensualism – are still prominently present. It is a bit like with consociationalism: pillarization has gone, but consensualism is still mostly in place. In the process, corporatism has dispensed with the Catholic clothes it wore for a while. The body underneath, the older and more republican tradition of a well-organized civil society, engaged in self-regulation and ordering of markets, has emerged more clearly again. Of course, it is not quite the same body. It may have aged, put on a bit of weight and perhaps even become wiser. But it is still quite athletic.

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