Economic Policy

In Search of Shared Economic Responsibility

Reconciling Different Agendas

A range of economic actors is involved in non-market coordination: employers, employer associations, workers, works councils, unions, governmental organizations, non-governmental organizations, and civil society groups. We have seen that in the twentieth century a formal consultative structure developed in the Netherlands including many of these groups, with the aim to organize the industrializing economy and to develop a coordinated response to challenges from abroad. One of the effects of formal deliberations was that in the 1950s and 1960s, employers and unions agreed to a relatively extensive and generous welfare system. All the time, the central government exerted a large influence in initiating and regulating the consultative system. In the 1980s almost all parties agreed that the consultative system should not hinder the functioning of the market. There is a constant interaction between the economic actors and the economic policy that is pursued by the central government. Through the various committees and councils that shape organized consultation, the social partners influence government. Conversely, the government presents its plans to these bodies and asks for advisory reports.

In all advanced economies, whether liberal or coordinated, governments apply a broad range of policy instruments to stimulate economic growth and increase the well-being of their citizens. In LMEs, policy coordination takes place mostly through lobbying, but in CMEs the voice of stakeholders is formalized in official consultation procedures. Their role in the decision-making process is therefore more explicit (and probably larger).

Formalized interaction between social groups means that there is a decision-making structure parallel to the political arena. In the Netherlands, many policy measures are discussed and finalized in the consultative organs and in parliamentary committees. There are coalition governments and the position of the prime minister is relatively weak. Often, policy proposals pass Parliament at a relatively late stage. Policymaking in the Netherlands has even been described as ‘an orchestra without a conductor’. As a result policy

1 Rudy B. Andeweg and Galen A. Irwin, Governance and Politics of the Netherlands (Basingstoke: Palgrave Macmillan, 2009), 169.
changes were less radical because so many groups needed to be consulted—in contrast to countries with a relatively thin decision-making structure such as New Zealand.2

Trust in government may have been higher in the CMES, but that was a side effect: the essence of the system is the governing role of the social partners parallel to, and in dialogue with, the government. Regular consultation took place at different levels and created networks of trust among politicians, entrepreneurs, unions leaders, and government officials. Once this system was in place, it turned out to be fertile ground for the implementation of relatively generous social laws. Wage inequality in the Netherlands was low in the post-war period and remained remarkably low in international comparison, despite the introduction of neoliberal policy measures. Benefits were indexed to wages and prices most of the time.

This chapter surveys these topics with the aim of showing how coordination influenced economic policy. The Netherlands formed a prime example of a CME where a range of parties was consulted before economic and social policy was implemented. We will examine whether these characteristics were the result of coordination. Did the deliberative institutions enhance solidarity and mitigate the supply-side revolution of the 1980s? We will also ask ourselves whether the market-oriented policy measures that were taken in the 1980s and 1990s reduced the role of the deliberative institutions.

First we examine the official economic policy goals in the postwar period. Next we analyze the period of transition towards supply-side policy. In the earlier chapters I argued that developments in the 1980s and 1990s did not erase or undermine coordination, but rather were accommodated within the coordinated setting. Therefore, in this chapter, we devote a section to the ‘new type of globalized capitalism’ and its focus on the market. Finally, we will analyze the relationship between coordination and labor market policy, corporate taxes, income inequality, and policy learning. All this is set against a background of globalization and the transition toward a flexible, knowledge-based economy.

**When did Economic and Social Policy Diverge?**
During the Golden Years of the 1950s and 1960s, economic and social policy were in line. Coordination among the social partners and the government created support for both main economic policy goals and expansion of the

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