

Explaining the Dutch Miracle: Neocorporatism, Neoliberalism or the Third Way?

by

Yeroen Schouten

Student number: 1115022

Supervisor: Dr. Andrew Gawthorpe

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INTRODUCTION

Major policy shifts are rare phenomena on a national level, and identifying the specific moments when these transitions take place is not always possible. In the case of the Netherlands, 1982 proves to be an exception: the 'Wassenaar Accord' was a turning point in the governmental policymaking regarding the influence of labour unions and employers' organisations, after years of economic malaise. The enduring lack of economic growth in combination with high inflation, known as stagflation during the 1970s, paved the way for the new cabinet to force employers' organisations and trade unions into an agreement on wage cuts in exchange for shorter working years. New policies through a breakthrough agreement were needed because of what an Economist article from 1977 described as the 'Dutch disease': high unemployment and lack of economic growth despite natural resource exports. The timing of the negotiations in Wassenaar coincided with neoliberal economists taking over the IMF and the World Bank (Harvey 93). What does this remarkable transition tell us about the way states should handle economic events such as stagflation, or more specifically the Dutch disease? This research seeks to provide the background information on that matter and answer the following question: how should the Dutch policies which were meant to counter the Dutch disease be identified? The processes leading up to the Wassenaar Accord can be traced back to causal mechanisms which will clarify to what extent the Dutch policies were identifiable as policies befitting neocorporatism, if they shifted towards the international trend of neoliberalism and perhaps if the Netherlands found a third way between the two established explanations.

In order to answer the question posed above, several concepts and events require definitions and explanations. In the first part, the relevant notions such as the Dutch disease and miracle will be placed in historical context, starting from the 1970s and working up to the accord signed in 1982. What follows is an account of neocorporatism, neoliberalism and Third Way politics from a scholarly perspective. New insights into the origins and ideals of early neoliberal thinkers such as Mises and Hayek provide a case to which the Dutch policies can be compared, as neoliberalism is unlikely to manifest exactly the same in different states. The case study, based on the methodology of outcome-explaining process tracing, focusses on the Wassenaar Accord after the Dutch disease and will shed light on the outcome of combining neocorporatist and neoliberal policies, in what would later be called the Third Way. Lastly a hypothesis on the value of Third Way politics as an explanation for the outcome of the Wassenaar Accord is given.

CONCEPTS IN HISTORICAL CONTEXT

Since World War II, the West has seen various forms of governments and governmental policymaking, ranging from near night-watchman states to full welfare states and anything in between. Starting in the early 1980s, neoliberalism can rightfully be called the dominant ideology in most democratic states today. While neoliberalism comes in varying shapes and sizes, the underlying theory focusses on free-market functioning, which in turn should lead to the optimal balance in supply and demand of, for example, labour. Naturally, neoliberalism had to emerge from other forms of governing, which each had their own flaws. In the period leading up to the early years of neoliberalism, neocorporatism provided a way for states to include employers and unions in the policymaking process, while keeping all sides satisfied with the outcome through tripartite negotiations which ideally led to all involved parties finding a common ground and present their constituencies with workable policy proposals. Neocorporatism became the preferred method in the Netherlands during the 1960s, during which they developed a tripartite negotiation mechanism leading to constructive talks and universally accepted Central Agreements (Woldendorp 112).

Although this system worked admirably for more than a decade, it too proved incapable of handling the economic turmoil instigated by the oil crises of the 1970s. The Netherlands saw high rates of unemployment combined with little economic growth and inflation, the dreaded stagflation which was further bolstered by its gas exports from the North. In academic literature, the 'Dutch disease' was first detailed by Corden and Neary in 1982 and expanded upon by Corden in 1984, who described the inadequacy with which the Dutch government handled the export of its natural resources (Corden and Neary 825, Corden 159). With the Netherlands as a substitute for a small state with a booming resource exporting industry, they analysed the impact of that boom leading to a decline in productivity in other sectors, ultimately increasing unemployment and raising inflation (Corden and Neary 827). Despite the heavy economic burden experienced by the Netherlands in that period, the small state recovered in the 1980s and saw both its high budget deficit and unemployment rate decline significantly. In both popular and academic literature, the 'Dutch Miracle' of successful tripartite negotiations leading to economic growth and higher employment rates is characterised by the 'poldermodel': decentralised negotiations seeking to break the stalemate between the interest groups, which was induced by the Dutch disease and the economic depreciation it entails (Visser and Hemerijck 10).

The peak of constructive compromise was, according to most scholars and historians, reached with the 'Wassenaar Accord' (Spithoven 337, Visser and Hemerijck 100, Woldendorp and Keman 318). Due to the informal setting and non-binding nature of the Wassenaar negotiations, the outcome will here be referred to as the Wassenaar 'Accord' rather than 'Agreement'. The uniqueness of the accord is twofold: not only did the government distance itself from the wage setting negotiations, but the talks were unusually informal leading to a non-binding and remarkably short document (Feenstra and Lammers). The document itself is just over a page of text containing no hard deals but 'intentions' of goodwill, a willingness from unions to accept some wage moderation in return for yearly shortened working time, in order to prevent wage constraints proposed by the government just days before (Akkoord van Wassenaar 2, Kabinetsformatie 1982 27). The accord was the outcome of collective bargaining between employers' organisations and labour unions, both of which seek to support specific parties or threaten to strike (Streeck and Kenworthy 446). This phenomenon returned to liberal states after World War II and set the stage for neocorporatism. As the negotiations were done by the main representatives of the employers' organisation and the labour union, it is a prime example of elite negotiations where the internal dialogue is missing, which in turn can lead to unrest within the unions, as nearly happened after the negotiations were settled and the representatives needed the support of their factions (Mansbridge 500, Feenstra and Lammers). The Wassenaar Accord marked a significant shift in the Dutch government's attitude towards tripartite negotiations, so further scrutiny of the governmental bargaining strategies, and the Wassenaar Accord itself, is needed.

The Wassenaar Accord can be seen as the manifestation of the realisation that established neocorporatist policies failed the Netherlands during the 1970s. In the 11 years before 1982, 7 of those years saw government-imposed wage freezes (Visser and Hemerijck 81). It was in exactly that period that Friedman's policy of 'monetarism' over Keynesian demand side economics became popular, which added aspects the Netherlands would implement as well, such as privatisation and social-welfare provisions (Backhouse 298). Monetarism had existed before the 1980s, but its anti-inflationary prescription through controlling the money supply was associated with strong unions and expansive welfare states (Harvey 24). If the Wassenaar Accord was a specific moment for policy change, it was not an irreversible step, but rather a document with the blueprint for changes to be implemented over the course of the 1980s. The Accord was a non-binding recommendation from the labour unions and employers' organisations, where the head representatives of those organisations met at the Wassenaar residence of Chris van Veen, the employers' organisation's representative (Feenstra

and Lammers). This informal setting appears to emphasise the lack of a governmental representative, although as stated before, the government threatened to freeze the wages if no central agreement was reached. The stakes were high for the negotiators, as later the representative for the labour unions, Wim Kok, would climb even higher in Dutch politics as the prime minister for a labour-led government. The setting in which the Wassenaar negotiations took place set the stage for a shift in Dutch political decision making.

Another curious aspect of the Wassenaar Accord received little attention, but could have had a deep impact on the outcome in the years after. Part III of the Wassenaar Accord includes the line ‘while preserving everyone's views and feelings’ (Appendix A). The line is intentionally cryptic because it had great value to the social partners (Feenstra and Lammers). For the various sectors covered by overarching union representative, this left open the possibility of respecting the accord while countering other wage and labour oriented policies the government sought to implement. Although the government would later indeed follow up with more neoliberally oriented austerity measures in the public sector, unions could theoretically only oppose the new policies. However, doing so would undermine the process of recovering employment rates, which was undesirable for all involved parties. Unions attempted to include a special clause of their own in the Wassenaar Accord, but in practice this proved to be counterproductive to their cause.

Because the Wassenaar Accord was only a recommendation, in a time when the economy thirsted for some sort of stimulus, the government needed to find a way to implement the proposals as quickly as possible while remaining legally binding. The new cabinet called ‘Lubbers I’, where the I indicates it was the first of multiple governments he led, was appointed to rebuild the economy so right after the Wassenaar Accord, the cabinet set out to reform the system. Lubbers I achieved this goal by implementing a so-called ‘umbrella law’, which allowed for a revision of two-thirds of the collective agreements between the labour unions and employers’ organisations (Visser and Hemerijck 101). Following the Wassenaar Accord, five discernible trends became centre stage for the three participating parties, some of which stand in stark contrast with previous Dutch governments. The trends, as identified and partially refuted by De Beer, are as follows (23):

- No direct governmental interference in setting wages
- Decentralisation of the negotiations on employment condition
- Willingness to negotiate and compromise
- Lower organisation and weakening of the position of labour unions

- Moderation of real wages and costs

The implications of new policies will be discussed in the research section, although it must be noted that although these policies were indeed a shift from previous negotiation stances by the government, there was some overlap with the 1970s. Some of the trends described by De Beer, most notably the supposed decentralisation, are critiqued for not being grounded in facts but mostly repeated in the discourse on the Wassenaar Accord (30). The points mentioned above also exhibit some internal links which have had an impact on the factions negotiating issues such as wages. The internal links make sense because as a negotiator you do not want to weaken your own position. In the case of the trends mentioned above, the moderation of wages and weakening of the position of labour unions makes it quite clear that the cabinet of Lubbers I attributed little value to the employees' position in the market, while also diminishing their bargaining position. The weakening of labour unions has allowed the government to enforce the reforms of social policies by cutting social expenditure (De Beer 26). With rigorous reforms planned, the government first needed to change the terms of negotiations, or position of the interest groups. The Wassenaar Accord was a step the government needed to make in order to achieve major system overhauls, so a closer look at the crisis years leading up to the event is needed.

In the 1980s, the Dutch government realised the previous system of collective bargaining failed, in turn contributing to the damage done by the Dutch disease, because labour seeks the highest wage possible. Corden notes how this increased the destructiveness of the Dutch disease, by not lowering wages in the sector that is lagging behind the new high-income sector, which was the gas production in the Netherlands (370). The high unemployment which followed needed to be broken. This happened in 1982 under Prime Minister Lubbers, whose government moderated wages and even privatised some of the public sector (Woldendorp 125-7). During the Dutch disease, the collective bargaining model failed to reach central agreements with the social partners because all of the participants had high expectations of achieving their policy goals but none was willing to compromise substantially (Woldendorp 154). The government could not break this cycle because it was supposed to maintain a good relation with the social partners. When the government had unilaterally frozen the wages from 1980 to 1982, the social partners were forced to accept any government offer (Woldendorp 158). The high unemployment rate caused by the reinforcing effects of the Dutch disease put the government in the position to break away from the neocorporatist model and cut wages. A new strategy was

needed, which presented itself in neoliberalism, but the origin of its values requires a closer look in the next chapter, which also details the developments in neoliberalist thought.

The shift in governmental negotiation strategy had a direct impact on the interest groups it negotiated with, both the employers' organisations and the labour unions. Looking back at his and Medoff's seminal work *What Unions Do*, Freeman points out that historically, unions are seen as institutions representing employees seeking higher wages and better working conditions, leading to increased inequality between union and nonunionised workers through political activism in the form of strikes (650-6). In the period which this research spans, Rosenfeld responds to Freeman and Medoff's work by arguing that during the later 1970s, unionisation in the West declined because of the rise of individualism, inequality, all the while the outcomes of collective bargaining applied to all workers in the relevant sector, making unions less representative institutions (Rosenfeld 189, Freeman 659). Additionally, Vachon et al. noted the negative impact EU membership can have on unionisation in Europe by increasing the need for liberalised markets in a globalising world even further through regional integration and cooperation (5). This appears to be the case especially for the member states of the EU's predecessor, the EEC, which includes the Netherlands, which have had open borders through EU integration leading to increased immigration and strains on available jobs for a longer period of time (13). Another matter making unions less convincing as legitimate actors in wage negotiations during the 1980s was the increasingly strong position of corporations internationally due to privatisation and deregulation, both core neoliberal values (Rosenfeld 196). In the post-World War II period unions had become major actors in tripartite negotiations and policymaking, but during the rise of neoliberalism they saw sharper declines in membership due to individualisation and the general applicability of collective bargaining outcomes.

The notions mentioned above apply to the Netherlands as well, in addition to some specific traits regarding the relation between the Dutch government and unions. The general applicability of collective bargaining is codified in 1927 and 1937 laws, which according to Woldendorp has dampened the need for workers to unionise. He supports this notion with the significant decline in unionisation after its peak in 1975: the 43% membership rate has halved in 20 years (Woldendorp 38). In that period, new industries such as the ICT sector grew faster than others, and the newer sectors had on average even lower unionisation rates (Woldendorp 59). Furthermore, the industrial relations had deteriorated as well, meaning unions were less cooperative (Fruytier 51). In practice this meant that the government sought to exclude itself from collective bargaining while exerting indirect pressure through threats of wage freezes (De Beer 23). It seems that for Dutch unions, the events of 1982 took place during a period of lower

unionisation and less legitimacy for the institutions that should represent workers in collective bargaining. Before the Dutch disease, unions operated successfully in the neocorporatist system, but perhaps a shift towards neoliberalism has taken place in the Dutch government's policymaking strategy.

The shift away from the Dutch government's strategy based on neocorporatist tripartite collective bargaining by Lubbers I became apparent for the first time in 1982 with the Wassenaar Accord (Visser and Hemerijck 164). Although collective bargaining had failed before with previous governments Den Uyl and Van Agt I, external factors such as the oil crises of the 1970s can be blamed rather than a change in national negotiation strategies (Woldendorp 125). Wassenaar presented a clean break from previous Dutch policy, observable in the governments right before Lubbers I, as Van Agt I only spoke of 'lower rises' of wages rather than no rise at all (Parlement 1977). The mechanics of neocorporatism were still present but after successive failures the government needed to lift the political deadlock which continually raised unemployment and inflation (Wolderdorp 268). Here the policy making embeddedness of early neoliberal thought can be observed. The architects of neoliberalism, most notably Friedrich Hayek, moved to the larger scale of political decision making only in the 1970s and 1980s, with the WTO being the culmination of their assumptions (Slobodian 223). Before the global free-trade institutions were the main goal, Mises and Hayek proposed national wage cuts in order to have the market meet its equilibrium of demand and supply of labour (Slobodian 47). Economic growth was desired, which could mean higher unemployment if only the productivity grew, as happened in for example the UK (Narravo 613). For the Dutch population, this was not necessarily the best outcome, as people seek employment rather than the highest productivity for themselves (Friedman 85). If it is indeed so that neocorporatism was exchanged in favour of more neoliberal policies, it requires research into how and when this process took place.

NEOCORPORATISM, NEOCORPORATISM AND THIRD WAY POLITICS

The aim of this chapter is looking at what is written in academic literature on the policy shift that occurred in Dutch politics in 1982, and how the perceived changes can be categorised theoretically. The timeline starts at 1977, in the middle of the Dutch disease period, moving towards 1982's Wassenaar Accord. Throughout, the practical changes are linked to the theoretical ideas present in the selected literature on neocorporatism and neoliberalism.

Neocorporatism is often used as the main strategy of multiple Western democracies, starting since World War II, seeking decision making on a national level through institutional negotiations, although there is not one model that fits all (Hamman and Kelly 977). Woldendorp makes the argument that it can be categorised as a government strategy because it explains the relation a government has regarding regulating and deregulating the social partners: labour unions, employers' organisations and the corporations belonging to the latter (16). Examples of this strategy being implemented directly can be observed in the collective bargaining mechanics utilised by various Dutch governments both before and after 1982, although Woldendorp identifies the beginning of neocorporatist strategy by the Dutch government as early as the 1960s (Woldendorp 31, 112). Since the early 1970s, successive cabinets focussed on job creation and demand side economics, although sometimes non-neocorporatist tactics were used (Visser and Hemerijck 161). Woldendorp calls this phenomenon the 'Dutch puzzle': why only certain coalitions with the CDA, the Christian Democrat party, opted for non-neocorporatist strategies during central agreement negotiations (194-5). The most impactful of these strategies is proposals of unilaterally freezing wages in various sectors, which ultimately pushed labour unions in the weakened position they ended with after the Wassenaar Accord. Because this strategy has been observed in the 1970s, Woldendorp disagrees with Visser and Hemerijck on their view of the Wassenaar Accord, in which they describe it as a radical change for Dutch politics (Visser and Hemerijck 257).

Other authors generally place the Netherlands in the neocorporatist camp, both before and after the Wassenaar Accord. Streeck and Kenworthy take note of, and praise, the 'neocorporatist pacts [...] in the Netherlands and Ireland – two countries widely viewed as European success stories', over 20 years after the Wassenaar Accord (Streeck and Kenworthy 458). Some articles on neocorporatism explicitly mention Visser and Hemerijck's neocorporatist interpretation of the Wassenaar Accord, for example how Hamann and Kelly describe the events in the Netherlands after 1982 as the 'Dutch Miracle', in reference to the title of Visser and Hemerijck's book on the matter (Hamann and Kelly 978). For Mansbridge, the

Dutch system would fall directly in the ‘neo’ division of corporatism because of the distinctive traits it exhibits. Pure corporatism includes more direct government participation and neocorporatism recognises non-traditional interests (Mansbridge 495). The latter is the case for the Netherlands, as it is for various European welfare states in the 1970s, due to even unemployed workers being represented in negotiations through strong unions (Kiltgaard 178). For most of the literature on the Dutch politics around 1982, neocorporatism is the go-to description, but variations on this interpretation exist.

A notable deviation from the full neocorporatism and ‘Dutch Miracle’ paradigm comes in the form of the ‘Third Way’. Spithoven described the developments in Dutch politics as part of the Third Way, which sought to blend planned and market economies with liberal democracy (Spithoven 335, 338). Hemerijck, co-author of the ‘Dutch Miracle’ from 1997, agrees with this notion in 2001, where the authors state that in the Netherlands, as well as in Denmark, a shift from ‘old-style social democracy’ has taken place (Green-Pedersen et al. 309). This entails that the Netherlands has moved away from the neocorporatism it practiced in the 1970s towards what would later be called the Third Way, as a contrast to the neoliberalism which gained traction in other states (Green-Pedersen et al. 310). The Third Way is not directly a governmental negotiation strategy however, so some of the values attributed by the aforementioned authors on ‘Third Way politics’ might apply to quite an extent to neoliberalism, depending on the policy. An obvious example is the degree to which the government should seek to protect the functioning of the market while cutting back on social spending and focus on individualism (Green-Pedersen et al. 312-313). It appears that some authors see the Netherlands as a neocorporatist state that implanted its own form of the Third Way, but the classification of a Third Way state might seem closer to neoliberalism than neocorporatism.

If the Third Way includes aspects that can be attributed to neoliberalism, than a closer look at the core values of neoliberalism is warranted, because the neocorporatist interpretation of the Wassenaar Agreement appears to not fully fit the bill. Woldendorp’s disagreement with Visser and Hemerijck indicates another explanation is feasible (Woldendorp 257). Major trends in Third Way politics, derived from the Blair-Schöder paper describing British-German Third Way politics, include market participation and welfare reforms through spending cuts (Blair and Schröder 2, Green-Pedersen et al. 312-313). Although neoliberals such as Hayek were mostly working on supranational free trade, an idea which the Netherlands ascribed to through the EU, notions of less governmental spending and high employment rates were always part of their agenda (Slobodian 255). Another indication of neoliberalism gaining traction in Western Europe was Thatcher’s reforms for problems with nationally owned organisations: an

issue the Netherlands had to cope with in the same decade. Third Way politics only received its name later, so perhaps an early shift towards those policies, which include neoliberal reforms, can be identified in the Netherlands around 1982.

The core principles of Third Way politics are defined by Anthony Giddens, economic advisor to British Prime Minister Tony Blair, in the late 1990s. In his second book on the Third Way he sought to further detail what he saw as the centre between left and right policies with the term 'Third Way', which has had different meanings throughout history but, according to him, successfully describes what a fusion of the older ways entails (Giddens 50). He first takes note of a supposed contradiction in the Third Way, the core of which remains the rise of neoliberalism in the UK: the Third Way would be too similar to neoliberalism due to the political support of the free market, while also seeking to reduce inequality, which cannot be done without interfering in the market (Giddens 23). Giddens' expands upon the manifesto proposed in Blair and Schröder, influenced by Giddens' theory. Giddens takes more time to describe the matter of Third Way politics in a globalising world, while this issue is only mentioned once in the manifesto (Blair and Schröder 3, Giddens 122). Throughout the book he emphasises that the Third Way wants to take the best working aspects of both social and neoliberal policies. In practice this means that the state should not become too big, as neoliberals would agree, but utilise the state as a legitimate actor in order to allow the civil society to balance public and private life (Giddens 51). The aspect of finding a balance between two previous policies, as the Third Way itself implies, is an aspect found in Dutch politics as well, perhaps more so after the Wassenaar Accord.

Where before 1982 the government sought to find a common ground between the social partners, there appears to be a shift in the government's bargaining policy afterwards. The collective bargaining provided by a neocorporatist system relied on a certain degree of willingness of all sides in the tripartite negotiations to compromise. When the core value of acceptance through compromise from all sides is removed, as the Dutch government did in 1982 by freezing the wages, it is arguably difficult to identify the remaining system as neocorporatist. There room for debate on this statement, as Mansbridge notes that governments should be able to coerce unions into agreements in order to prevent stalemates (494). Neocorporatism operates within a larger free market system, but the more governments influence the outcome of negotiations, the less interest groups, such as unions, represent the public and worker interests (Mansbridge 495). Because governments have to balance the extent of their influence carefully in dialogue with unions, Streeck and Kenworthy describe neocorporatism as a concertation theory (453). This entails that when a government

overreaches, as it arguably did in 1982, a flaw in 'pure' neocorporatism is found (Streeck and Kenworthy 457). Neocorporatism comes in various shapes and sizes, but in academic literature the Dutch implementation is quite well documented, including its apparent demise.

The neocorporatist policies before 1982 compromised income policies, a Keynesian method, in which all economic actors have a stake in the outcome so finding common ground is preferred (Backhouse 290, Woldendorp 38). Although collective bargaining does not relate well to neoliberalism, the Dutch version of neocorporatism has some specific policies which closer resemble neoliberalism. The primarily Christian Democrat government preferred income policy as a political instrument, due to the Netherlands being an export-oriented state (Woldendorp 33). This idea is not too far from Mises', one of the earliest influential neoliberals, proposal to the Austrian government in 1930, seeking to lower wages for competitive reasons (Slobodian 46). Before 1982 the government was willing to move towards the demands of labour unions, reaching coalition agreements such as the 1977 government before Lubbers, Van Agt I (Woldendorp 120). Some neoliberal ideas were already present in Dutch politics, but a harder shift towards neoliberalism occurred before the Dutch Disease could be cured.

Slobodian notes how neoliberalism was aimed at political economics on a global scale, yet now it gets studied on a state level (57-58). Where early neoliberalism in the 1920s and 1930s looked at direct policy implementations, it was not until the 1970s and 1980s it moved towards global institutionalisation in the form of the IMF and EEC (Slobodian 182-183). Neoliberal state level policies sought to use the state apparatus in order to protect capitalism from democracy, especially the redistributive policies that could emerge in social democracies. It is exactly the expansiveness of the Dutch welfare state which caused the budget deficit during the Dutch disease to grow with the unemployment payments the state provided. Neoliberal economists sought to fix this expected problem with a 'neoliberal fix', which Hayek described as 'dethroning politics' and 'encasing' institutions to protect the market (Slobodian 20). For the Dutch government this meant protecting the market from overly high wages campaigned for by the labour unions. In turn, the new system was to sustain itself, which so far it can claim to have done quite effectively (Harvey 189). But a change in a state's decision-making model is sure to have a long-lasting impact.

The ideologies originating from neocorporatism, neoliberalism, and the Third Way can account for a multitude of policies implemented by Western governments. Due to the significance of the Wassenaar Accord for successful tripartite negotiations, the outcome of the 1982 talks require a careful examination. Based on the literature used above, the next section will detail the methodology which allows for the process of the apparent shift in policy to be

traced and explained. Naturally many more sources exist on neocorporatism and especially on neoliberalism, but the scope of this research focusses on the Netherlands in the early 1980s, so the literature that has been mentioned so far is deemed the most relevant for the research section of this work.

METHODOLOGY

The information provided in the previous sections indicates that a shift in Dutch policymaking has taken place with the signing of the Wassenaar Accord. Yet throughout academic literature on the matter it is most often mentioned that the Dutch system in the 1980s can be classified under the banner of neocorporatism. Post-2000 research into the Netherlands during that period generally refers to Visser and Hemerijck's *A Dutch Miracle*, which also refers to the Dutch system as corporatist (see i.e. De Beer, Hamann and Kelly). It is the disconnection between the literature and the observable policy shift that this research seeks to clarify. Because neocorporatism appears to be an unsatisfactory explanation due to its inability to account for the unusual stance of the government both before and after the negotiations, neoliberalism and the Third Way are examined as more suitable alternative explanations. The proposed research relies on the method of outcome-explaining process tracing using the primary sources on Dutch policies in the form of policy statements made by Dutch government officials, union leaders and journalists from that timeframe, in addition to the theories of neocorporatism, neoliberalism and Third Way politics, mentioned in sections 1 and 2. This section will break down the rationale for using the process-tracing method on this case study and explain how it functions as a research method focussing on the outcome of a specific event, or in this case, policy. Although various scholars, such as Collier in 2011 and Checkel and Bennett in 2014, have written on the merits of process-tracing in social and political sciences, this section refers to Beach and Pedersen's *Process Tracing Methods: Foundations and Guidelines* because of the inclusion of a detailed theory on the functioning of outcome-explanation.

Process-tracing in general is the theory of unpacking causal relationships and studying the causal mechanisms that facilitate the processes, or outcomes, observed in specific events in the past (Beach and Pedersen 1). In the proposed case study, we want to know how the policy shift in the Netherlands can be explained from the current dominant theory and through an alternative lens, which sets the stage for neocorporatism versus neoliberalism. Process-tracing is used in order to gain 'deep explanatory knowledge' and better grasp the underlying causal mechanisms at work (Beach and Pedersen 26). By focussing on the outcome of process-tracing, the research seeks to explain how the causal mechanisms effect each other. Explaining-outcome process-tracing does not seek to explain the *cause* of said mechanisms but rather what caused the case-specific *outcome*. For the scope of this research, this entails examining the causes of the Wassenaar Accord. In most of the existing literature on this matter, the 1982 agreement is interpreted as neocorporatist, for example in the research done by Woldendorp for the Free

University of Amsterdam and in the often cited *A Dutch Miracle* by Visser and Hemerijck. The literature section of this research carefully examines their analyses and contrasts the findings with several sources on neoliberalism and the developments in that ideology since the early 20th century.

Explaining-outcome process-tracing is case-centric, making it unlikely to provide a generalisable outcome, although this is not the aim of the method to begin with (Beach and Pedersen 3). Case studies in social sciences are more often than not quite context-specific and while the Dutch case of policy change after the Dutch disease might not be generally applicable to other cases, the causal mechanisms between neocorporatism, neoliberalism, and the Third Way can be identified for other cases (Beach and Pedersen 12-13). Due to the case being context-specific, the research is partially a historical analysis and partially tracing deductive explanations for the outcome, followed by a bottom-up analysis which allows for alternative explanations to account for the outcome, see figure 1 (Beach and Pedersen 19-20). For the proposed research, the alternative explanations are that the outcome falls either under neoliberal or Third Way policies rather than neocorporatist. Thus we need to find the causal mechanism which produced the outcome with the variable that cannot be accounted for in the current explanation, which is the lack of a central agreement in a neocorporatist state. The historical context which led to the lack of a central agreement is the Dutch disease. When taken together, in theory, we should observe the following:

Neocorporatism → Central Agreement | X | Y | → Wassenaar Accord

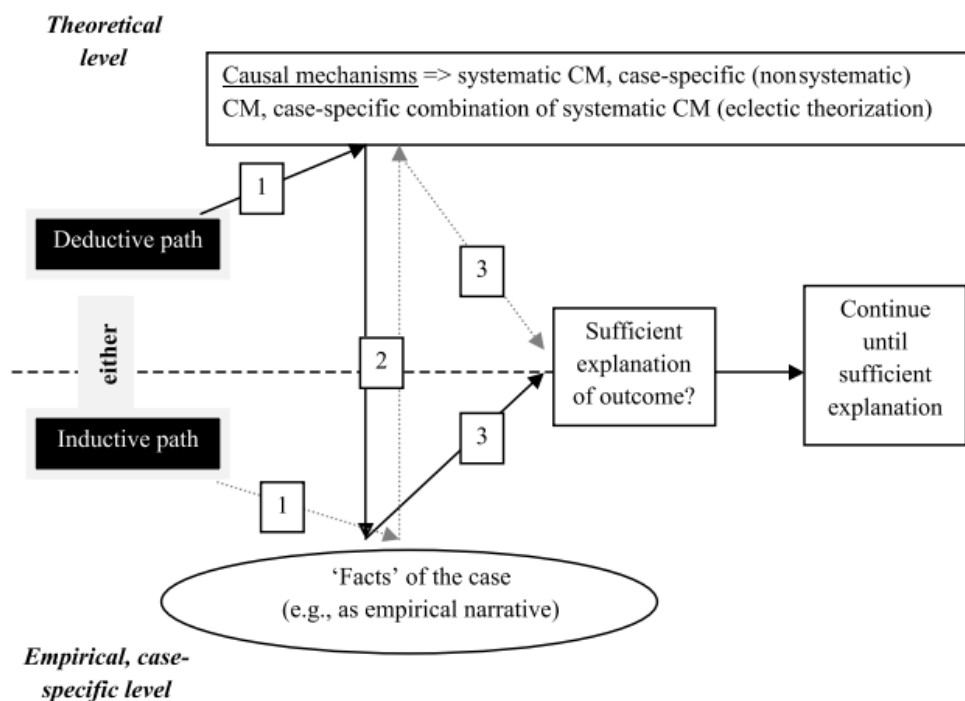


Figure 1: Explaining-outcome process-tracing (Beach and Pedersen 20).

The variables X and Y represent the causal mechanism that require identification and explanation. It appears to be that due to the Dutch disease [X] no central agreement could be reached [Y], so this relation requires further examination in the research.

Causal mechanisms, such as those presented in the previous paragraph, are logically not directly observable in social sciences, but we can get close to conceptualising its indicators, for example specific policies and proposed changes by policymakers (Beach and Pedersen 43-44). This also includes external influence on the relevant actors, which in the Dutch case study means the stagflation problem that needed to be tackled by Lubbers I (Beach and Pedersen 52). Two other points on tracing causal mechanisms need to be made. Naturally, in social sciences, the policies proposed and implemented by actors and human institutions can be influenced by individuals regardless how the institution is set up (Beach and Pedersen 53, Parsons 70). Furthermore, in order to examine how a mechanism will operate, the historical context needs to be well-defined and clearly presented (Beach and Pedersen 54). For this case study that is from the Dutch disease in 1977 until the Wassenaar Accord in 1982.

Where figure 1 gave an indication of how explaining-outcome process-tracing works, additional methods require mentioning in order to provide a stronger foundation for the final research. The first step is to examine previous scholarly work on the current explanatory mechanisms, which is neocorporatism in the Netherlands around 1980 (Beach and Pedersen 63). Step two is adding mechanisms, or inductively finding a new one, which can account for the outcome (Beach and Pedersen 64). If the new mechanism is compatible, which arguably is the case for neoliberalism in the early 1980s, the validity of the theory can be tested with within-case inferences: does the empirical evidence strengthen the argument (Beach and Pedersen 69)? If this is not the case, another mechanism is needed in order to find a sufficient explanation of the outcome. By identifying the aspects of neocorporatism and neoliberalism, the implications of Dutch policies leading up to the Wassenaar Accord can be categorised in order to make the case for an explanation beyond neocorporatism but without fully embracing neoliberalism, which can be found in the Third Way. Beach and Pedersen note that the inference between the causal mechanisms themselves are in a black box (figure 1, deductive 2), so the case study becomes stronger depending on how you empirically establish the inference (72-73, figure 1, inductive 2). The facts on unemployment due to the Dutch disease and the influence this has had on central agreement forming in the years leading up to the Wassenaar Accord are available through Dutch governmental archives, newspapers and opinion magazines from that time. Ultimately, these facts are different for each case, but this case study can provide insight into *how* neocorporatism changes to neoliberalism, if it does at all.

The data and evidence presented in an explaining-outcome process-tracing research require justification in order to be academically valid. Beach and Pedersen note that the uniqueness of an unexpected outcome leads to more interesting cases. According to neocorporatism, the Wassenaar Accord was an unlikely outcome because informal negotiations with an ultimatum from the not-participation government are in contrast to what neocorporatism entails, which contributes to the relevance of this case study. The data itself requires evaluation as well, in the following order (Beach and Pedersen 122):

- Enough data, is it the best available?
- Assess content: was the evidence predicted to occur?
- Is it reliable, relevant data?

For the presented research, the answers to the first and third points are as follows: from coalition agreements to newspapers and the Wassenaar Accord itself, the data is highly relevant and reliable. The interesting aspect is the second point: it is unlikely that neocorporatism predicted this specific outcome, which is why the research seeks to present neoliberalism as an alternative explanation. If neoliberalism cannot account for the policy changes and the outcome of the Wassenaar Accord, another alternative is required in order to reach the sufficient explanation outcome of the Beach and Pedersen model. This is where, what would later be identified as such, Third Way politics comes into the picture. The combined outcomes of neoliberalism and neocorporatism can be accounted for by interpreting them as a 'third way', rather than one or the other. The data contains impartial documents from the Dutch government and independent Dutch newspapers and magazines, which in might be quite left-leaning compared to other states. This selection bias has been taken into account, although it must be noted that all authors have written on this matter from a perspective that appears to adhere to neocorporatism, further implying the need for a fresh look on this matter.

Policy descriptions of Third Way politics, as mentioned by articles in the Economist, can be vague, but ideologically they have been described by Blair and Giddens in 1998 and 2000 respectively (Economist 1998). Although those descriptions originate from over a decade after the Wassenaar Accord, they could fit the outcome if neocorporatism and neoliberalism cannot. Additionally, although only literature after 2000 on neocorporatism and neoliberalism can explicitly mention Third Way politics and its relation to neocorporatist states, the policies described can in retrospect be labelled as Third Way, if the description fits Giddens' account of Third Way politics. The more generally accepted explanations found in neocorporatism and neoliberalism will be examined first, however, as those policies have been carefully detailed in

the second section of this research. Using Beach and Pedersen's model, it will become clear which set of ideological policies is most suited to explain the outcome of the Wassenaar Accord.

RESEARCH SECTION – NEOCORPORATISM AND NEOLIBERALISM

With the information, theory, and methodology provided in the previous sections, the solution to the Dutch disease presented by the Dutch cabinet of Lubbers I can be systematically examined. The precarious position of any government facing high unemployment and inflation has led to a major shift in policies after the Wassenaar Accord. This section researches which aspects of the three policy theories match or contradict the outcome of the Wassenaar Accord, leading to a most suitable theory. Firstly a short overview of the most important developments on Dutch neocorporatism is given, allowing for the subsequent comparisons to be more clearly contrasted. The neocorporatist theory will then be put to the test for explaining the outcome of the Wassenaar Accord, as it is most often used to describe the Dutch political system in the 1980s. Neoliberalism is second, leading to a contrasting portrait of theories. Finally, the Third Way will be examined as a midway between the other theories.

What is called ‘Dutch neocorporatism, and the ‘poldermodel’, fit within the scope of what, in the 1980s, is to a certain degree identifiable as neoliberalist policies. Welfare reforms, austerity measures, privatisation: these are neoliberal monetarist policies proposed as an answer to the crisis years and inflation of the 1970s (Harvey 24). The Dutch government needed a moment during which they could say: this is a shift, we are going to reform the system based on these principles. That is what happened during the Wassenaar Accord, which the cabinet of Lubbers I used to remove the strong negotiation position of labour unions. By preventing previous Central Agreements and threatening to maintain that status quo, which was highly damaging to the working class due to the high unemployment rates, the government forced labour unions to cooperate and start a period of ostensibly neoliberal reforms. These reforms came not from cooperative negotiations but almost unilaterally from the so-called ‘no-nonsense’ government, which was given the moniker for its unwillingness to compromise and extensive austerity measures (De Beer 22).

One of the most significant changes we can observe in the Dutch government’s negotiation strategy, compared to the earlier neocorporatism tactics, is the way it positioned itself compared to the labour unions. By seeking to distance the government from the negotiations, manifesting in not participating directly, the outcome of the debate was left to the remaining interest groups. This move made the outcome, especially the potential lack of an agreement, the responsibility of the labour unions and employers’ organisations. Both of the head negotiators, Kok and Van Veen, felt they could lose their jobs over the outcome of Wassenaar (Feenstra and Lammers). With the threat of freezing wages across the board, the

government ensured Wassenaar became an all-or-nothing moment: without an outcome, it could point towards the unions and organisations lack of cooperation. In its coalition agreement, Lubbers I stated it wanted to cut wages without even a mention of the unions representing the Dutch workers (Kabinetsformatie 1982 27). By excluding itself from the negotiations, the balance found in tripartite relations was lost since Wassenaar.

The economic implications from the Dutch disease, the high unemployment and inflation, would have halted other political systems from functioning, not in the least in the UK (Harvey 57). At least one mechanism of neocorporatism must have failed in the Netherlands during the 1970s. It was the equal-level aspect of negotiations which made neocorporatism work after WWII, where the government facilitated the negotiations on wages and working conditions (Streeck and Kenworthy 446). Neocorporatist governments would not impose on the social partners with wage setting, out of fear for retaliation from labour unions through strikes. There is a degree of ambiguity in Dutch neocorporatism concerning this matter: the government did not directly interfere but the threat of a wage freeze can be seen as indirectly influencing, or persuading the negotiating parties into an agreement.

It appears the failure of neocorporatism as a theory for explaining the outcome of the Wassenaar Accord lies in the focus on the lack of real cooperation on a tripartite level. On the surface the theory works; it sufficiently explains the cooperation presented by the labour unions and employers' organisations. When examined more closely, it becomes clear the agreement was coerced with a wage ultimatum, leading to forced wage cuts and decreased influence unions had to accept as an outcome. Although there are several iterations of neocorporatism on a national political level, the Dutch version has continually been linked to the 'poldermodel' in the literature on this period (Visser and Hemerijck 10, Woldendorp 6). The cabinet of Van Agt I, before Lubbers I, states it will support the social partners with the expectation of cooperation in 1977 (Kabinetsformatie 1977 83). This system did not lead to a workable political sphere during the Dutch disease, cumulating in the need for reforms. The mechanism of tripartite negotiations ultimately leading to Central Agreements cannot account for the outcome of the Wassenaar Accord, although its failure may explain why reform was required during the Dutch disease.

The reforms which followed after the Wassenaar Accord could align more closely to the upcoming neoliberalism on a national level during the early 1980s. One of the most significant changes to Dutch politics was the decreased power of labour unions, both during and after the negotiations. All forms of organised labour had always been a problem for neoliberals, which is why neoliberalism can explain the significant deterioration of their bargaining position after

the Wassenaar Accord (Slobodian 108-9). The labour unions sought to advocate in favour of higher wages and extensive social programmes, which was successfully prevented post-Wassenaar in comparison to the way they did under neocorporatist cabinets (Medoff 650, Feenstra and Lammers). Because Lubbers I proposed reforms and reduced social programmes, so too had to opponents of those reforms be countered. The outcome of the Wassenaar Accord fits in the paradigm of neoliberal policies. The early 1980s historically fit the rise of neoliberalism in Western states, so perhaps it was the Wassenaar Accord which marked the shift in Dutch policies away from neocorporatism.

Yet the neoliberal value which can explain the outcome, cannot account for the mechanism which led to that outcome. There is no explanation linked to neoliberal theory as for why labour unions needed to participate in the first place, or why they would allow their influence to diminish with the signing of an agreement. The difference between more neoliberal governments, such as the UK with its third year under Thatcher, can be observed in the Dutch cabinet's negotiation strategy. The stark difference in interests such as wage cuts or rises meant political deadlocks prevented neocorporatism to function properly before 1982 (Woldendorp 125). Instead of a neoliberal method of directly imposing changes onto the social partners, which most coalitions want to avoid in regards to future central agreements, the government of Lubbers I went for the passive route. In practice this meant that not implementing the reforms, including wage cuts, would lead to the same high unemployment rate, which Lubbers I could then blame on the lack of cooperation from the labour unions. This is a partial neocorporatist, and partial neoliberal strategy. By threatening to impose its own wage setting, Lubbers I forced the social partners to keep the market sector free from governmental interference (Woldendorp 310). The neoliberal mindset that was on the rise in Western Europe during the early 1980s can be observed in the fact that both the labour unions and the employers' organisations agreed on keeping the government out of the outcome of Wassenaar. However, the strategy of Lubbers I is different in that it distanced itself from the outcome, albeit with the wage freeze ultimatum, thus leaving the social partners with the responsibility of a positive outcome.

RESEARCH SECTION – THE THIRD WAY

The combined mechanisms of including labour unions in the establishment of a new document on which Lubbers I wanted to make a new Central Agreement, while weakening their influence in future negotiations, is in need of an explanation that can account for both of those mechanisms. Where the tactics historically linked to neocorporatism and neoliberalism both contribute to an explanation of the events surrounding the Wassenaar talks, an alternative can explain some specific aspects of how Lubbers I positioned itself during the Wassenaar talks and what the final accord entailed. So far the mechanism of weakening labour unions in favour of implementing a greater degree of free market functioning can be attributed to neoliberal policies. On the other hand there is the inclusive tripartite aspect, which corresponds with neocorporatist tactics extensively described by Woldendorp (31). He later states that the government strategy of Lubbers I is of the passive-problem solving kind, compared to the guiding-bargaining strategy partially attempted by previous governments after the oil crises of the 1970s (Woldendorp 125). The difference between those strategies requires an alternative explanation, which is a mechanism included in Third Way politics.

The major difference between the previous attempt by the Van Agt cabinets and 1982 is the accepted outcome that followed after Wassenaar, so the outlier mechanism has been identified as the emphasis on accountability for the social partners by means of a potential deal breaker through forced wage freezes. It was clear at the time that both the labour unions and employers' organisations would be held accountable for the outcome of the Wassenaar Accord so the negotiators knew there was no alternative (Van Der Braak 41). This part of the outcome of the Wassenaar Accord, the forced agreement due to an otherwise inevitable but undesirable wage freeze, falls in line with responsibility aspect of Third Way politics. Giddens describes this aspect through the theorem of 'no rights without responsibilities', which should apply to citizens and workers up to corporations and organisations (Giddens 52). Ideally, unions and employer organisations are to be held accountable for reaching a workable outcome through constructive negotiations. Based on the model presented in figure 1, the mechanism of leaving both social partners with the duty to reach an agreement is what makes the Wassenaar negotiations a specific case in which a new fact changes the expected outcome.

It is through these apparently small, but observable, changes in a decision-making process that a case-specific mechanism can be identified (Beach and Pedersen 79). In order to strengthen the argument in favour of an alternative explanation, the logical events following the current explanation should be explored. This is where the Dutch disease and political

deadlocks caused by Dutch neocorporatism shed light on the political landscape of the Netherlands in the years before 1982. In the coalition agreements of 1977 and 1982, of Van Agt I and Lubbers I respectively, the governments recognised the strain put on the Dutch economy by the Dutch disease, but presented two distinct approaches as a recovery policy. Van Agt I saw potential in utilising the gas sector as a means to counter the Dutch disease both financially and employment rate-wise (Kabinetsformatie 1977 8). After observing the failure of those policies, Lubbers I presented plans to rely less on the natural resource income (Kabinetsformatie 1982 37). Years of failed policies provided both governments with options to counter the Dutch disease, but the cure came only after Lubbers I moved away from the old neocorporatist solutions in favour of a solution that changed the course of Dutch governmental decision-making.

Beside the change in Central Agreement negotiation style, 1982 is further illustrated as a significant year in that it marked a turning point in the battle against the Dutch disease from an economic policy standpoint. Reflecting on the Van Agt coalitions, Corden identifies that their policies actually contributed to the vicious cycle of the Dutch disease. He notes how increased reliance on a profitable sector can lead to a demand for higher wages in other sectors (370). That is exactly what happened in the Netherlands, so the shift away from this policy by Lubbers I receives praise by the anti-protectionist policies prescribed by Corden (375). A new period arose when public workers were no longer protected by allowing unions to walk away from a Central Agreement they deemed insufficient. After the Wassenaar Accord, unions needed to compromise to a greater extent than before in order to maintain credibility. Whereas neocorporatism focused on tripartite compromises, Lubbers I shifted its economic policies away from that sentiment towards a new way. Corden observed that in the two years after the Wassenaar Accord, this break appeared to have been successful in its aim to cure the most damaging aspects of the Dutch disease.

Moving on to the economic changes, we can observe the neoliberal line used in Third Way politics as an explanation to the economic policy changes induced by the Wassenaar Accord. By the end of the 1970s neoliberal economists identified market distortions, which applies to unions and their wage raises, as political problems rather than issues which require economic intervention or protection (Slobodian 260). An explanation for why the harsher stance on market distortions came later in the Netherlands is given by Spithoven, who notes that the lack of a big industrialised sector meant unions would clash later in comparison to other states (335). Ironically it was the gas industry, one of the bigger industrial sectors at the time, which contributed to the eventual standoff between unions and the other central partners. Although

the domestic market allowed for unions to maintain a strong position in Central Agreement negotiations for longer than other states, the lingering effects of the Dutch disease saw the rise of economic policies which align nicely with neoliberal reforms. However, the Wassenaar Accord was only the beginning of grander policy changes in the Netherlands.

Without the economic interventions planned by the cabinet of Lubbers I for the course of the 1980s, the Netherlands was expecting higher unemployment rates in the public sector (Kabinetsformatie 1982 33). Although in 1977 a small breakthrough in tripartite negotiations appeared to set a foundation on which future negotiations might succeed, the incoming government of Van Agt I failed to build upon the previous government's achievements (Woldendorp 122). The economic malaise of the Dutch disease meant Van Agt I wanted to implement austerity measures while the social partners had just compromised on restricted wage increases. The government acknowledged this in their coalition agreement, but looked for short term changes regardless, in the hope that it would put the government in a better bargaining position for the coming years (Kabinetsformatie 1977 22).

With the degree to which the cabinet of Lubbers I adhered to Third Way politics with several policies, it can be argued that criticisms of Third Way policies apply to the outcome of the Wassenaar Accord as well. Embedded in the term 'Third Way' is implied how it seeks to find a middle path between the left and right. This idea can lead to contradictions concerning economic policies, which in turn makes Third Way policies, borrowing from social welfare state and neoliberal privatisation and deregulation, ineffective and overly optimistic (Giddens 25). The coalition agreement that was signed in late 1982 falls prey to this criticism as well, most notably in the department of an extensive welfare state and its maintenance. The document first proposes to increase public employment rates, an expansion of the welfare state especially focussed on the younger generation (Kabinetsformatie 1982 31). Later it seeks to decrease wages and prevent extra costs on public wage spending, a neoliberal policy proposal (Kabinetsformatie 1982 33). The idealism of such far-reaching policy proposals is similar to how Giddens describes how a Third Way government should govern.

Before the Wassenaar Accord is further compared to Third Way policies as proposed by Giddens, another point of critique requires mentioning. When Giddens describes the various inceptions of the Third Way throughout Europe, the Netherlands until 1999 falls under a 'market and consensus-oriented' approach (31). Although he does not mention any Dutch policies directly, his interpretation aligns with the commonly accepted view of the 'poldermodel', with the government seeking to find middle ground for the social partners. The Wassenaar Accord breaks the consensus with an ultimatum, the forced wage freeze, which is a

governmental intervention and as such does not follow market functioning. It is here that Giddens misinterpreted the agreements in the Netherlands as consensual. This research has so far sought to indicate the lack of genuine tripartite negotiations in favour of altering Dutch governmental decision-making. In Giddens' defence it must be noted that he suggests Third Way policies come in different models and ideologies with overarching similarities, notably modernising the welfare state (32). Disregarding the label Giddens attaches to it, the theme of renewed welfare state policies and institutions he presents as integral to Third Way politics does apply the Netherlands.

After a theory-driven perspective on the Wassenaar Accord, the outcome itself can in retrospect be applied to the theory which appears to explain the outcome most effectively. The reverse analysis of the empirical manifestation of the case allows for the causal linkage to be either weakened or reinforced (Beach and Pedersen 37). Although such an analysis does not stand on its own, the applicability of an outcome to the theory without looking at the intervening variable means the hypothesis at least has value on the case level (Beach and Pedersen 40). In order to do so, Giddens' later theory is supplemented by Blair and Schröder's Third Way manifesto he influenced in 1998. The manifesto contains more direct policy prescriptions which can be compared directly to the trends mentioned by De Beer. Reiterating the trends De Beer identifies in literature on the Wassenaar Accord, the following five were the most prominent and are suitable to be analysed in comparison to Third Way policies.

Trends WA (De Beer 23):

- No direct governmental interference in setting wages
- Decentralisation of the negotiations on employment condition
- Willingness to negotiate and compromise
- Lower organisation and weakening of the position of labour unions
- Moderation of real wages and costs

The first point partially corresponds with Third Way policies in that it seeks to increase market functioning. While Blair and Schröder do not mention wage setting directly, they do emphasise the need for increased market functioning, albeit with an active government behind it (10-11). This sentiment is echoed by Giddens, in addition to the criticism that labour markets cannot be fully open because of the lack of self-regulation seen in neoliberal states (36). What is interesting about this trend is that it was not fully implemented in the Netherlands, starting with 1982 itself, where the government used the wage freeze ultimatum (De Beer 23). This means that the criticism from Giddens concerning an active government is observable in the

Netherlands as well. Without the inclusion of that notable point it would have been applicable to the previous neocorporatist policies. On this point the outcome of the Wassenaar Accord comes remarkably close to the way Third Way politics seeks to implement a greater sense of market functioning.

The second point is interesting because in theory it is applicable to the proposals of the Third Way thinkers, but in practice it was not observable in the Netherlands. The literary trend was that employment condition negotiations would be decentralised, leading to different agreements per sector (De Beer 27). By arguing against centralisation and in favour of sector-specific regulation, Giddens agrees with this idea (58). However, De Beer looked beyond the trend and the data implied very little decentralisation on this issue ever took place (30). Here it can be stated that ideologically the outcome of the Wassenaar Accord is applicable to Third Way politics, but in practice it did not manifest itself in such a way.

Concerning the third point, most has been said in the first part of this section. While in the literature the Netherlands' system of compromise has often been described as the 'poldermodel', it was mostly the unions that had to compromise after the Wassenaar Accord. As a trend, it is true that after the Wassenaar Accord, Central Agreements were established more routinely when compared to the crisis years in the 1970s (De Beer 26). Blair and Schröder appeal to trade unions in their manifesto, which is not what happened in the Netherlands after 1982 (5). Giddens takes a different route when he advocates in favour of 'flexibility' in the labour market, requiring all social partners to compromise in order to achieve higher employment rates (75-77). Willingness to compromise was a key factor in neocorporatism, so perhaps Third Way politics seek to incorporate this factor in its policies, without losing an eye on increased market functioning.

The fourth point is an odd one compared to the others, because it is a trend on which the Third Way has little to say. In earlier sections the decline of union influence has been described and explained, although this has not directly been linked to Third Way policies. While data for the Netherlands indeed shows a decrease in union participation, this is by no means a Dutch phenomenon (De Beer 31). From a Third Way perspective, Blair and Schröder express their good will towards unions (5). Giddens chooses to focus on balancing market functioning with regulation, where the former is described as the best way of protecting democracy (52). Third Way politics requires corporations to contribute to modernising the welfare state, possibly at the expense of unions. International trends, in part due to the rise of new sectors with lower unionisation, may impact old social structures, are received passively in Third Way literature.

The Dutch government has not taken major steps into diverging from the trend set in motion by the Wassenaar Accord.

Lastly a point on which little can be said from an ideological Third Way perspective. A moderation of wages was only mentioned implicitly in the Wassenaar Accord, where it stated that the weak financial position of businesses could not bear higher wages (Akkoord van Wassenaar 1). De Beer notes that this trend has been discernible since 1980, two years before the Wassenaar Accord (23). This policy is rather specific for the Netherlands, where the implementation came paired with an increase in part-time workers (De Beer 24). As such there is little mention of comparable policies in the manifesto or in Giddens' later work.

While the first part of this section focused on analysing Third Way policies and seeking to reconcile those with the outcome of the Wassenaar Accord, the last part reversed that premise. By looking at the empirical manifestation of the case, the stronger and weaker explanatory factors of the theory become clear. For Third Way politics this meant that the overarching factor of modernising the welfare state by means of increased responsibility for social partners, without breaking down the welfare state to the extent that neoliberalism has prescribed. The method of process-tracing provided some unique insights into the build-up and outcome of the Wassenaar Accord, in addition to exploring the various explanations. Analysing the mechanisms required for the shift that took place in governmental decision-making, a new explanation was presented in Third Way politics. Although not all observations that took place after the Wassenaar Accord could be accounted for by looking at relevant Third Way theory, the usefulness of this theory over neocorporatism and neoliberalism has been asserted as methodologically.

RESULTS

Because the events and mechanisms surrounding the Wassenaar Accord are quite case-specific, it is not so much the outcome as the description of certain policies which can be applied to similar policies. Giddens himself noted the various ways in which Third Way policies have manifested throughout Western democracies, including the Netherlands (31). These democracies have different political histories and economies, making a one-size-fits-all version of the Third Way is unlikely. Nevertheless, some similar trends can be observed, most notably the modernisation of left-of-centre politics. Several scholars, including Spithoven, Giddens, Woldendorp and, at a later stage, Hemerijck, have interpreted Dutch politics as a Third Way deviation of the earlier Dutch neocorporatism. This research has analysed how the Wassenaar Accord can be seen as the watershed moment during which the Dutch government shifted its negotiation strategy in favour of a Third Way.

It can be stated that neocorporatism paved the way for the significant reforms proposed and implemented after the Wassenaar Accord. By failing to reach Central Agreements through the old system, Lubbers I had a stronger mandate to force either side of the wage and influence negotiation that was Wassenaar. The shift in governmental strategy did not come out of nowhere, so can the timing of the shift towards a Third Way policy be explained? In the years before the Wassenaar Accord a Central Agreement could not be reached due to a social partner or the government's unwillingness to compromise over certain aspects of a potential agreement, 1982 broke that mould. There were external factors at play as well, setting the stage for a change in the tripartite negotiation process. The external shocks of the oil crises, which contributed to the severity of the Dutch disease, must also be taken into account. The economic impact of the Dutch disease exposed the cracks in neocorporatism, after which a shift towards Third Way policies can be observed.

In order to test the degree to which Third Way politics can account for the policies implemented by the Dutch government since the Wassenaar Accord, the process of the negotiations has been traced and the outcome analysed. The first part indicated that neocorporatism failed as a strategy for so long that in 1982 the incoming cabinet of Lubbers I used their mandate to employ a different strategy in the form of a passive stance in the negotiations. After comparing the policies associated with neocorporatism, neoliberalism and Third Way politics, it was the latter which could account for the shift towards a passive stance. Here it is not implied that neither neocorporatism nor neoliberalism lack any explanatory value on the outcome of the Wassenaar Accord. Rather, it strengthens the case for an alternative

explanation that both theories can account for specific aspects of the outcome and that the Third Way borrows from both ideologies.

Neocorporatism was able to account for the tripartite negotiations which included trade unions. Because the distinct neocorporatist system the Netherlands has had since WWII, it was expected that more successful Central Agreements would be established. Problems arose for neocorporatism as a strategy when during the 1970s two oil crises led to a vicious economic cycle later known as the Dutch disease. Policies associated with neocorporatism would prove to intensify the economic issues. If the Dutch government would have continued with the variant of neocorporatism it implemented in the 1970s, it needed more inclusive tripartite negotiations with stronger direct input from the government. That system was used up to 1982 with a decreasing success rate (Woldendorp 120). Also lacking in neocorporatism was the harder stance on unions, characterised in 1982 by the threat of wage freezes. Because its economic policy concerning the Dutch disease was linked to the wages ardently defended by the unions, neocorporatism as it was known could not lead to a successful end of the Dutch disease.

Another solution could have been neoliberal policies which were regarded as successful in both the United States and the United Kingdom. Austerity measures, privatisation and deregulation seemed to be a cure of the economic issues caused by the oil crises. Some of those policies were implanted in the Netherlands as well, but only after the shift had already taken place. The Wassenaar Accord was rather inclusive towards unions, which does not fit the neoliberal paradigm. More importantly, it was the first the time government took a passive stance such negotiations. This does not fit early 1980s neoliberalism and its emphasis on sovereign states over social constructs such as unions (Slobodian 261). The Netherlands has had a long neocorporatist background so although many Western democracies indicated a shift towards neoliberalism to a certain degree, another shift was needed in the form of the Wassenaar Accord.

The case study presented in this research identifies the outcome of the Wassenaar Accord as a shift towards Third Way politics in the Netherlands. By method of process-tracing the mechanisms at work have been analysed and to a great extent fit into the Third Way paradigm presented by Giddens. The first part of the results compromise the case specific mechanism of making the social partners responsible for the outcome of the negotiations. This strategy was not utilised by previous Dutch governments, explained in greater detail in Woldendorp's research. Third Way politics is to be seen as a strategy focussing on modernising the welfare state by taking the best functioning aspects of social welfare state policies combined

with necessary neoliberal reforms. Including the social partners, leaving them in charge of an outcome, without losing the final say due to the wage freeze clause, was the winning combination of policies from both sides. Although the set-up was rooted in neocorporatism, the outcome left unions weaker for future negotiations and allowed Lubbers I to implement a multitude of neoliberal reforms throughout the rest of the 1980s.

Complementing the findings mentioned above, the second part of the results includes a reverse analysis of the Wassenaar Accord's outcome in relation to Third Way political theory. It was to be expected that not all of the political trends identifiable after the Wassenaar Accord would fit within the scope of Third Way politics as described by Giddens, in addition to Blair and Schröder. The Netherlands has a long history of neocorporatism and political strategies are unlikely to completely shift towards another ideology. Interestingly, the analysis showed how many trends overlap while also shifting away from neocorporatism towards policies that fit the Third Way politics paradigm. The combined policies of compromises and requiring social groups with political power to take responsibility for the outcome of negotiations fit within the mentality that comes with the Netherlands' multiparty system. In that system, political parties need to compromise in order to enter a ruling coalition, protecting the party's core values while finding a middle road towards the other parties. It was during the Dutch disease that such a coalition brought the increased responsibility towards the social partners, ultimately leading to a modernisation of the Dutch welfare state and successfully countering the problems stemming from the Dutch disease.

This research consisted of a two-pronged analysis of the mechanisms leading to a shift in policy-making and the political theories that can account for those mechanisms. By focussing on the core values of neocorporatism, neoliberalism and Third Way politics, several expected strategies and outcomes were identified. Although not all aspects of the negotiations and the outcome of the Wassenaar Accord can be explained fully through one of the theories, the Third Way seemed best suited to account for the outcome and the shift of governmental strategy regarding the negotiations. Further analysis indicated that the outcome of the Wassenaar Accord mostly aligns with Third Way policy proposals, strengthening the hypothesis of using the Third Way as an alternative explanation for the events of 1982.

CONCLUSION

Throughout the various sections presented above, this research sought to explain the policies implemented by the Dutch government both before and after the Wassenaar Accord. An analysis of the Dutch situation regarding the Dutch disease and the need for socioeconomic reforms set the stage for an in-depth description of neocorporatism. Where the research seeks to validate the hypothesis ‘the Wassenaar Accord can be identified as a policy of Third Way politics’, rather than neocorporatism or neoliberalism, a detailed account of the three political theories has been provided. Beach and Pedersen’s extensive description of explaining-outcome process-tracing makes for a highly relevant method concerning the proposed case study. The interesting aspect of the Netherlands concerning policy-making in the 1980s is that in the period leading up to the rise of neoliberalism, the Netherlands experienced the Dutch disease. This negative economic trend can still be observed in various states around the world, so further research into the cure of the Dutch disease is warranted. By looking at the Netherlands through a broader lens of the Third Way and neoliberalism, one could argue that the Netherlands was just another West European state adhering to neocorporatism in the 1980s. Indeed it was austerity measures implemented at the cost of union strength that appears to have paved the way for what is now regarded by many as the Dutch Miracle.

It has become clear that the Dutch disease became the catalyst needed for a shift in Dutch Central Agreement negotiations. Perhaps unions had been too influential in the outcome of such negotiations for too long, but by 1982 the incoming cabinet of Lubbers I used their mandate to force the first successful negotiations since 1977. The government achieved this agreement by utilising a core aspect of Third Way politics, which is increased responsibility for the society, social groups and social partners. Out of the Wassenaar Accord came not a proposal of full market functioning, so at least in 1982 neoliberal thought was not dominant in the Netherlands. Yet it marked a shift away from how neocorporatism had brought tripartite negotiations to a common ground, after years of failed negotiations due to the impact of the Dutch disease.

Authors such as Hemerijck and Woldendorp, while writing on the Dutch Miracle, the ‘poldermodel’ and the Netherlands’ style of neocorporatism, have mentioned the Dutch relation to Third Way politics. Giddens, writing from a Third Way perspective and an authority on the matter, has included the Netherlands as a variation of Third Way political decision-making. In the literature, this common ground is often found in the ‘poldermodel’ of consensus, epitomised by the Wassenaar Accord. This research has argued it was a lack of real consensus, brought to

a boiling point by the Dutch disease, which led the cabinet of Lubbers I to threaten with an ultimatum unless a workable outcome was achieved. By forcing the social partners to find their own solution or face wage freezes which could be blamed on them, unions have seen a decline in influence during Central Agreement negotiations. The Wassenaar Accord can now be identified as a watershed moment not of the neocorporatism from the 1970s, or of neoliberalism rising in other parts of the World, but of Third Way politics in the Netherlands.

APPENDIX A

Wassenaar Accord

24 November 1982

The central organizations of employers and employees represented in the Labor Foundation:

- considering that essential for a structural improvement of employment is the recovery of economic growth, a stable price level, the strengthening of the competitiveness of companies and in connection therewith improvement the financial return position;
- considering that a multi-annual policy in the social and economic field based on this in a positive sense is necessary at all levels;
- whereas, in the medium term, the recovery of economic growth will not make it possible for the entire workforce and their growth in the years to come to work;
- whereas, to this end, a policy approach covering several years is needed in connection with the above-mentioned policy, aiming at a better distribution of existing employment; an approach in which multiple forms of redistribution of employment are eligible, such as reduction of working hours, part-time work, combating youth unemployment;
- considering that, in connection with the agreements to be made by the parties, the form, phasing and employment effects must be regarded as one of the starting points. Whereas, in view of the weak financial position of businesses, a better distribution of existing employment must not lead to an increase in costs;

- whereas efforts should be made to give such a policy a real impetus in the year 1983, in which a possible alternative spending of wage claims already stipulated in the Central Agreements can only be negotiated freely at collective agreement level;
 - I. call on the parties to the agreement to create the conditions for establishing a policy in this sense as soon as possible;
 - II. state that in addition there are grounds for consultations with the Labor Foundation on a number of aspects relating to the redistribution of work and the fight against youth unemployment with the intention of making recommendations on this matter before 1 January 1983;
 - III. express the desirability - while preserving everyone's views and feelings regarding the policy intentions of the new cabinet:

- that on the basis of the aforementioned considerations and policy intentions, the 1983 collective agreement negotiations in the companies and industries will be started in the short term and make an urgent appeal to the Cabinet to allow parties to be granted freedom on the basis of the above recommendations to negotiate on a collective agreement level. They commit the willingness to inform the Cabinet in the course of the spring of 1983 about the actual developments in and outcomes of the collective agreement negotiations.

The Presidents of central organizations of employers and employees represented on the Board of the Labor Foundation:

- Wim Kok (chairman of the Federation of Dutch Trade Unions);
- Chris van Veen (chairman of the Federation of Dutch Enterprises);
- Steef van Eijkelenburg (chairman of the Dutch Christian Employers' Association);
- Harm van der Meulen (chairman of the Christian National Trade Union);
- Wouter Perquin (chairman of the Royal Dutch Entrepreneurs Association);
- H. van der Schalie (chairman of the Trade and Business Unit for Senior and Senior Staff);
- S. Veninga (chairman of the Dutch Christian Entrepreneurial Association);
- Joris Schouten (on behalf of the Catholic Dutch Farmers 'and Gardeners' Association, the Royal Dutch Agricultural Committee and the Dutch Christian Farmers 'and Gardeners' Association).

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