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The Polder Model Reviewed: Dutch Corporatism 1965–2000

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The Dutch Polder Model gained international reputation in the 1990s as an example of a successful and peaceful incomes management policy while coping with severe pressure. This article claims that the Polder Model has been overrated and so has its performance in terms of consensus (central agreements). The article discusses the emergence and working of this model in three parts. First, the behaviour of the relevant actors (government, trade unions and employers' organizations) during negotiations on incomes policy is examined.

The government employed more often than not a corporatist strategy; however, the social partners did not comply and displayed competitive behaviour. Second, the outcome of the negotiations in terms of central agreements is analysed. The actual performance rate is low due to 'tough' bargaining between social partners, and not all central agreements were reached through a corporatist government strategy. Finally, the dominance of social democracy in government after 1994 did not increase the number of central agreements. This research demonstrates that there is no typical or successful Dutch

Polder Model. Rather, the behaviour of the actors and related performance are structured by macroeconomic circumstances and exogenous influences.

Keywords: corporatism, incomes policy, labour relations, Polder Model, the Netherlands

From Disease to Miracle?

In the 1970s and 1980s, the Dutch model of corporatist labour relations was considered a negative model beset by institutional sclerosis and political stagnation, which produced the Dutch Disease.¹ In the late 1990s, almost overnight, Dutch corporatism became a positive

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model – the Polder Model (based on the Wassenaar Agreement of December 1982 between trade unions and employers' organizations) – and the Dutch Miracle² came about (Becker, 2001). The Netherlands became the envy of its neighbours. Political scientists and economists diligently studied the country, looking for elements of the model that could be exported to other countries and to the European Union (EU) in particular (Scharpf, 1997; Schmidt, V.A., 1997; Jones, 1999; Labohm and Wijnker, 2000; Slomp, 2002; Falkner, 2003).

Recent events, however, have shown that despite the Polder Model, the Dutch Miracle was apparently not sustainable. The global contraction of economic growth in 2002 and 2003 also had its negative impact on the Dutch economy. Both unemployment and the budget deficit again increased considerably. The 'Miracle' faded just as quickly as it emerged, and so too has the attraction of the Polder Model (Delsen, 2002; van der Meer et al., 2003).

In this article, we investigate whether a Polder Model can be identified from three related angles that are discussed in the literature: actors' behaviour, central agreements³ and the participation of a social democratic government (the Partij van de Arbeid [PvdA]). In this literature it is argued that the cooperative behaviour of the relevant actors involved in incomes policy enhances the performance of Dutch corporatism in terms of central agreements, whereas the participation of the PvdA in coalition government increases both the likelihood of corporatist behaviour by government and trade unions, as well as the number of central agreements (Woldendorp, 2005).

This Polder Model of cooperation, which is furthered by social democratic government and results in central agreements (consensus), is, then, taken as an explanation for the Dutch Miracle of macroeconomic performance in the 1990s. We argue, instead, that it was the macroeconomic and exogenous context that structured the actors' behaviour and was conducive to the performance of that behaviour in terms of consensus (central agreements). In our view, Dutch corporatism and its performance (central agreements) *varies* over time, given the changing context in which party government and social partners have to make their strategic choices. To underline this empirically, we analyse Dutch corporatism and its performance (consensus by central agreement) by examining annual outcomes of negotiations on incomes policy in relation to party government and social partners (see next section and Appendix).

In this approach to Dutch corporatism (and its Polder Model variety), we differ from other researchers, who tend to view Dutch corporatism (and corporatism as a general phenomenon) as an (independent) institutionalized and more or less *constant* feature over time (but see Siaroff, 1999; Traxler, 2004; Vergunst, 2004) that is indicated by consensus between party government and social partners, and which explains macroeconomic performance (see, for example, Schmidt, 1982; Alvarez et al., 1991; Western, 1991; Crépez, 1992; Lijphart, 1999; Siaroff, 1999; Traxler and Kittel, 2000; Kenworthy, 2002).

Specifically discussing the Dutch Polder Model, Hartog (1999: 484), for instance, argues that Dutch corporatism means ‘consultation, co-ordination and bargaining over all important issues of socio-economic policy between union federations, employer federations and the government’ (see also Teulings and Hartog, 1998). Likewise, van Waarden (2002) considers that corporatism in the Netherlands refers to a coordinated, concerted economy in which social partners and the government cooperate in many policy areas. Dutch corporatism is therefore considered to be stable due to the high degree of institutionalized behaviour of the actors involved.

Hogenboom and van Vliet (2000), economists working at the Ministry of Economic Affairs, however, have a slightly different appraisal of the Dutch Miracle and the Polder Model that apparently produced it. The Polder Model consisted of a successful combination of five government policy instruments *cum* goals. From the early 1980s, government policy consistently aimed at deficit reduction, reduction of social security costs, wage moderation, more competition and a stable currency. Eventually, this produced the economic recovery and job growth that constituted the Dutch Miracle (see also van Sinderen, 2000; Stokman, 2000). And many of those policies were implemented against heavy opposition from sections of society, including trade unions and employers’ organizations (see also Gelauff, 2000).

Keman (2003) discusses the question whether the Polder Model may be interpreted as a Dutch variety of the social democratic ‘Third Way’ with regard to active labour market policies. The Dutch Polder Model appeared to be based on the government coalition between the PvdA and VVD (Volkspartij voor Vrijheid en Democratie – Conservative Liberal Party) and D66 (Democraten 66 – Social Liberal Party) after 1994 and seemed to foster the ensuing

Dutch (employment) Miracle. Keman's conclusion is that institutional cooperation and active labour market policies did indeed produce more jobs. However, these were mainly part-time jobs for young people and women, and job growth did not result in either higher rates of employment or less 'broad' unemployment (i.e. registered unemployed and social security beneficiaries aged between 15 and 64). Comparatively, the Dutch (employment) Miracle consisted of catching up with deindustrialization and a concomitant shift of labour to new segments of the labour market.

To recapitulate, in our view Dutch corporatism – including its Polder Model variety of close cooperation between government and social partners in order to arrive at joint policy decisions (central agreements) – is at best a favourable institutional arrangement to develop and implement an incomes policy (see also Lehmbruch, 1979; Marks, 1986; Siaroff, 1999; Molina and Rhodes, 2002). The macroeconomic and exogenous context structured the actors' behaviour and determined its success (central agreements). In other words, corporatism (and its policy-related performance: central agreements) is a variable based on strategic choices of party government and social partners and not a more or less static institutional arrangement that fosters consensus (central agreements).

The structure of this article is as follows. In the first section, the behaviour of the relevant actors during annual negotiations on incomes policy after 1965 is investigated. To analyse empirically the behaviour of the actors, we devised a heuristic framework relating government strategies to styles of decision-making of trade unions and employers' organizations that can adequately capture the behaviour and patterns of interaction that would constitute a Polder Model (see Appendix). The next section deals with the outcome of the annual negotiations on incomes policy in terms of consensus. The issue is whether a Polder Model of corporatist government strategies and cooperative styles of decision-making (C) did indeed more often result in central agreements than corporatist (or non-corporatist) government strategies combined with more competitive styles of decision-making. Hence, we examine the hypothesis 'does corporatism matter?' (Scharpf, 1987; Crépez, 1992; Keman and Pennings, 1995). In the third section, we look at both these issues from the point of view of social democratic government. The question is whether social democracy in government in particular contributes both to the emergence of a Polder Model (behaviour) as well as to more central agreements on incomes policy (perfor-

mance or outcome). This hypothesis has been often put forward since the 1980s (Cameron, 1984; Marks, 1986; Western, 1991; Scharpf, 1991; Crépez, 1992). By way of conclusion, we offer an alternative explanation: we claim that the behaviour of the actors, as well as the outcome (central agreements), was mainly structured by the macroeconomic (Disease or Miracle) and exogenous context (European Monetary Union [EMU]⁴) that induced the government to implement gradual institutional changes with regard to negotiations on incomes policy. We hold that corporatism (including the Polder Model variety) should be understood as an intervening rather than an effect-producing variable when analysing the process of incomes policy formation in the Netherlands. The explanatory power of corporatism appears to be much weaker than is often assumed in the literature.

Managing Conflict in the Dutch Polder Model: Actors' Behaviour

The heuristic framework to capture the behaviour of the actors identifies four government strategies and three styles of decision-making, which are elaborated extensively in the Appendix. The four government strategies are the passive strategy (I – non-corporatist), the cooperative strategy (II – corporatist), the congruent strategy (III – corporatist) and the guiding strategy (IV – non-corporatist). The three styles of decision-making of social partners are confrontation (A), bargaining (B) and problem-solving (C). A Polder Model version of Dutch corporatism, which emphasizes cooperation between the three actors, should, in terms of our heuristic framework, be characterized by a combination of a corporatist government strategy (either cooperative – II – or congruent – III) and a cooperative, problem-solving style of decision-making (C) between trade unions and employers' organizations (see Appendix).⁵ In the Polder Model, social partners are expected to cooperate with each other, while the government is expected to support and facilitate this cooperation, in order to reach a collective outcome that is embodied in a central agreement. Hence, achieving a central agreement reflects the successful working of Dutch corporatism in general and of the Polder Model variation in particular (see next section).

Empirical analysis of opening and concluding government strategies and styles of decision-making of trade unions and employers' organizations⁶ after 1965 (Table A1) shows that in 23 of the

36 years investigated (63.9 percent) the government started by adopting a corporatist strategy in its involvement in the annual negotiations on incomes policy. Social partners, however, overwhelmingly chose to conduct a competitive style of decision-making (confrontation or bargaining) in 33 of the 36 years (81.7 percent). In other words: whereas in a majority of the period investigated the government tried to facilitate cooperation between social partners, with two exceptions (1970, 1990) social partners behaved competitively, putting their own preferences first. From the perspective of *opening* government strategies and styles of decision-making, the behaviour identified did not correspond to the idea underlying the Polder Model.

Looking subsequently at concluding government strategies and styles of decision-making, we can observe some change. Governments ended negotiations on incomes policy less frequently with a corporatist strategy in 19 of the 36 years (52.8 percent), whereas social partners ended slightly more often with a cooperative (problem-solving) style of decision-making in five of the 36 years (13.9 percent). The government continued to try to facilitate cooperation between social partners until the end of negotiations, but with two exceptions (1994, 1999) social partners stuck to a competitive mode of behaviour.

However, the distribution of concluding corporatist government strategies over time is quite skewed. Before 1987, non-corporatist government strategies were dominant: in 16 out of 22 years (72.8 percent); whereas after 1986, corporatist strategies were dominant: 13 out of 14 years (92.6 percent). Conversely the social partners stuck to their competitive behaviour until the very end of negotiations, putting their own preferences first almost all the time. From the perspective of *concluding* government strategies and styles of decision-making of social partners the Polder Model cannot be identified either. Although concluding government strategies were overwhelmingly corporatist from 1987, social partners did not respond with a cooperative (problem-solving) style of decision-making.

The questions are: Why? And, what made many students of corporatism believe in the Polder Model? We argue that the behaviour of all actors involved can be better understood by taking into account the macroeconomic and exogenous variables that induced the government to effect institutional changes with respect to negotiations on incomes policy (Table 1). We also suggest that too many

TABLE 1
Indicators for the Macroeconomic and Institutional Context of Incomes Policy 1965–2000

Year	Indicators				Institutional Context of Incomes Policy	
	Unemployment	Inflation	Growth	Debt		Deficit
1965	0.6	4.0	5.2	–	–1.4	Transition to free incomes policy; no linkage
1970	0.9	3.6	5.7	51.5	–1.4	Free incomes policy but with restrictions (Law on Wage Formation 1970); no linkage
1975	4.0	10.2	–0.1	41.8	–2.2	Free incomes policy but with restrictions; linkage
1980	6.0	6.5	1.2	46.9	–4.2	Free incomes policy but with restrictions; linkage
1985	7.9	2.3	3.1	71.5	–3.6	Free incomes policy but with restrictions; delinkage
1990	5.9	2.5	4.1	78.8	–5.1	Free incomes policy (government intervention in wages in the market sector allowed in case of a national emergency caused by external factors – Law on Wage Formation amended 1986); ad hoc relinkage
1995	6.6	1.9	2.3	78.5	–3.7	Free incomes policy (government intervention in wages in the market sector allowed in case of a national emergency caused by external factors); ad hoc delinkage; EMU criteria
2000	2.8	2.3	3.5	60.1	+0.4	Free incomes policy (government intervention in wages in the market sector allowed in case of a national emergency caused by external factors); ad hoc relinkage; EMU criteria

Note: Woldendorp (2005: 160–1; 274–355), based on OECD publications and CPDS I: Comparative Political Data Set I (Armingeon et al., 2005). *Unemployment:* Standardized unemployment rates as a percentage of the total labour force aged 15–64. *Inflation:* Consumer price index, percentage change from previous year. *Growth:* Annual real economic growth in percentage of GDP. *Debt:* General government gross public debt in percentage of GDP. *Budget deficit:* General government gross public deficit in percentage of GDP.

students of Dutch politics and policy-making appear to have fallen foul of an ecological fallacy: drawing conclusions from a contemporary point of view instead of systematically developing an empirically grounded historical account, as well as leaving aside the socio-economic context in which the negotiations on incomes policy took place.

As is shown in Table 1, in the 1960s and the early 1970s, within a positive macroeconomic context, the search is on for a new system of free⁷ central negotiations on incomes policy. The concluding non-corporatist government strategy went back and forth between the guiding and the passive strategy. Trade unions and employers' organizations had some difficulty adjusting to the new situation after the demise of the centralized, government-directed incomes policy. Their inability to reach agreements reinforced the habitual tendency of governments of all persuasions to take over again the determination of incomes policy as they were used and authorized to do from 1945 until 1965. The government retained that authority in the new Law on Wage Formation of 1970 as well. Only reluctantly did governments refrain from intervention in the formation and implementation of incomes policy to give trade unions and employers' organizations a chance to come to an agreement. Government and social partners clearly played a different game. Or alternatively, the social partners did not always or only hesitantly abide by the rules the politicians attempted to set for the (only) game in town and that increased unstable relations between actors.

In the mid-1970s, the aim of the government's corporatist strategies was to bring trade unions and employers' organizations to conclude central agreements in order to overcome the negative macroeconomic effects of the oil crisis of 1973 (see Table 1). When these attempts proved unsuccessful, the government took over incomes policy with a non-corporatist guiding strategy. In view of external shocks, the government did not continue to play a co-operative game: public authority transformed it towards zero-sum solutions.

In the first half of the 1980s, the concluding non-corporatist guiding strategy conducted by government was dominant between 1980 and 1982, and the passive strategy prevailed from 1983 to 1986. Between 1980 and 1982, the macroeconomic situation gradually worsened, especially after the second oil crisis of 1979/80, intensifying the Dutch Disease (see Table 1). Incomes policy from 1980 to 1982 was determined by government policy aimed at a reduction

of the rapidly increasing budget deficit. To that effect, incomes policy in the market sector had to result in moderation. Because of all the linking mechanisms between the market sector and the (semi-) public sector,⁸ a moderate incomes policy in the market sector made it more feasible to achieve moderation in the (semi-) public sector as well. This, in turn, would contribute to a reduction of the rate of increase of the deficit. From 1980 to 1982, trade unions and employers' organizations were unable to reach any central agreement, although they came quite close in 1980. The main obstacle was their widely differing views on how to tackle the economic problems that resulted in growing unemployment, rising social security transfers and climbing budget deficits. Neither party was prepared to give an inch on the issue of incomes, despite efforts by the government. Consequently, to reach its objective of a reduction in the rate of increase of deficit spending and public debt, government largely took over responsibility for incomes policy in these years (den Butter and Mosch, 2003). Again, it ought to be noticed that while the social partners chose competitive behaviour, it was the government that switched towards a passive or an interventionist strategy. Hence, the degree of corporatist intermediation was limited and usually unsuccessful.

From 1983, based on the *bipartite* Wassenaar Agreement of December 1982 in the market sector (see later), the government had effectively severed all linking mechanisms between wages in the market sector and wages and benefits in the (semi-) public sector. Both sectors were only relinked partially and on an ad hoc basis in the 1990s, within the context of the preparation for the EMU in 1999. Consequently, the incentive for the government to intervene with binding policy measures in negotiations on incomes policy in the market sector was greatly reduced after 1983, despite the continuing Dutch Disease (see Table 1). In other words, due to former stalemate situations and economic stagnation the interactions and related behaviour changed in the 1980s. The government's main preoccupation in those years was the reduction of government expenditure and the budget deficit by reducing the (semi-) public sector. Incomes policy in the market sector was largely left to social partners (Hemerijck, 2003).

After 1986, governments did not revert to the non-corporatist guiding strategy when agreement proved difficult. In part this was due to the amendment of the Law on Wage Formation. From 1987 onwards, government intervention in incomes policy in the

market sector was only feasible in the case of a national emergency caused by external factors.⁹ Trade unions and employers' organizations now had ample room to manoeuvre to pursue their interests in the market sector. However, because the market sector was effectively severed from the (semi-) public sector by the government since 1983 and only relinked ad hoc and on a partial basis in the 1990s (depending on macroeconomic performance), disagreement between social partners in the market sector did not have the same detrimental effects on the government budget as it had in the late 1970s and early 1980s. Even if the government's corporatist strategy was not successful in bringing social partners to an agreement in the market sector, government did not feel the urge to intervene in incomes policy with binding policy measures to prevent a negative spillover to the (semi-) public sector. And after 1995, economic growth and the restructuring of the labour market that resulted in the Dutch Miracle (see Table 1) made it easier for the government to reach the EMU targets.

Obviously, both fiscal and macroeconomic developments did play a role and enabled the government's preference to pursue a concluding corporatist strategy. It is not the behaviour of the actors that appears crucial but rather the circumstances that made consensual behaviour possible. In particular, the reduction of regulatory constraints by the government (delinkage and the Law of 1987) helped to reduce the need for binding intervention in the case of disagreement between social partners. From this point of view the Polder Model is not so much a new type of corporatism (as, for instance, Visser and Hemerijck [1997] claim), but rather a form of neoliberal governance (Molina and Rhodes, 2002). All three actors took up new roles and seemingly adjusted their behaviour accordingly. This change of game is – in our view mistakenly – labelled the Polder Model.

The Role and Importance of Central Agreements in Dutch Corporatism

In this section, we explore the performance of Dutch corporatism and in particular of the Polder Model in terms of consensus by examining the relationship between government strategies, styles of decision-making and central agreements. Recall that unlike other students of corporatism we view corporatism, including the

Dutch Polder Model and its policy-related performance – consensus indicated by central agreements – as varying over time due to the strategic behavioural choices made by party government and social partners instead of a more or less static institutional arrangement that fosters consensus (central agreements). Corporatist outcomes are therefore defined as those outcomes in which the government seeks to facilitate trade unions and employers' organizations to achieve a 'structure induced equilibrium' or in the Dutch case, a central agreement (Shepsle, 1995: 283–4). Corporatist outcomes are characterized by corporatist government strategies (cooperative and congruent) in combination with the bargaining (B) and problem-solving (C) styles of decision-making of social partners. The Polder Model outcomes refer to the combination of both corporatist government strategies and the problem-solving (C) style of decision-making (see Appendix).

The substance of the outcome can be explained in terms of a reordering of the lists of needs of each actor as expressed in their respective agendas. The government is the pivotal actor in this corporatist process of reordering (Keman, 1999: 262–5; see also Katzenstein, 1985). In the corporatist arena, all actors usually have comparable lists of needs and interests. But almost by definition, these needs and interests differ in the importance attached to them by the actors involved. And usually trade unions and employers' organizations have quite conflicting ranking orders. This implies that government has to mediate and to encourage the occurrence of *viable* agreements (compromises acceptable to all). At the same time, the government itself is also an actor with a comparable list of interests in a certain ranking order. To reach agreement between all three actors, it will be necessary to try and reorder each actor's list of interests on the basis of potentially shared interests. In the process of consultation and negotiation, with all corresponding conflicts, it becomes clear whether or not this reordering may occur and an agreement (compromise) can be reached, sanctioned by parliament.

Corporatist government strategies were indeed more successful in reordering actors' preferences than non-corporatist strategies. Nevertheless, only in a minority of 14 of the 36 years (38.9 percent) under review was a central agreement reached and only two of these cases represent the Polder Model. Finally, in three of these 14 years government strategy was of the non-corporatist variety (Table A1). This result is somewhat surprising. Although no Polder Model could

be identified from the perspective of government strategies and styles of decision-making, in quite a few years we can identify a 'structure-induced equilibrium' or central agreement. The relation between a Polder Model and central agreements is apparently less straightforward than usually claimed. A corporatist government strategy (a prerequisite for the Polder Model) can lead to a central agreement, despite competitive instead of problem-solving (Polder Model) behaviour on the part of the social partners, whereas in some cases a non-corporatist government strategy may induce social partners to a cooperative (problem-solving) style of decision-making that results in a central agreement as well. Our findings clearly indicate that Dutch corporatism indeed varies over time. It is not a highly institutionalized policy arrangement that is constant and effective (central agreements) over time (as, for example, van Waarden [2002], Hemerijck [2003] and den Butter and Mosch [2003] have put forward).

The distribution of concluding corporatist government strategies is skewed, and so is the distribution of central agreements. Between 1965 and 1987, only five central agreements could be identified, three of which were associated with non-corporatist government strategies combined with cooperative (problem-solving – C) behaviour of social partners. From 1987, nine central agreements could be identified. Seven of these central agreements were associated with corporatist government strategies combined with the competitive, bargaining style of decision-making (B), and two with the Polder Model problem-solving style of decision-making (C). This signifies in our view that central agreements in the Netherlands were usually reached through more or less 'tough' bargaining between social partners, supported, facilitated or resolved by the government. Corporatist government strategies resulted in more central agreements than non-corporatist strategies, but reaching a central agreement was not related with cooperative (problem-solving) behaviour of social partners, i.e. the Polder Model.

The inability to reach a central agreement despite a corporatist government strategy, on the other hand, was directly related to the (competitive) behaviour of social partners. This was the case in eight annual rounds of negotiations between 1965 and 2000 (Woldendorp, 2005: 149ff.). As has been elaborated, the crucial issue has been how the negotiations were conducted by government, and to what extent the economic situation allowed government to play a mediating role in reordering the agenda for finding an equilibrium.

What we observe is that with great difficulty and by making major concessions to both trade unions and employers' organizations, the government succeeded *in 1973* in getting social partners to conclude a bipartite central agreement on incomes policy at the central level. It was a classical case of reordering or compensating preferences based on each actor's agenda, at least at the central, national level. However, implementation of the agreement on the decentral level led to conflicts and a number of strikes. The explanation for the failed central agreement is that the successful reordering at the national level ran into difficulties with the rank and file of the national organizations during implementation. Although social partners at the national level had agreed to a reordering of preferences, arranged by the government's corporatist strategy, they could not deliver at the decentral level.

In *1975, 1978 and 1979*, the government's policy packages were all aimed at enticing social partners to conclude a central agreement to counter the macroeconomic effects of the 1973 oil crisis. One or both social partners refused to consider a central agreement based on these policy packages as they were unwilling to compromise on the issues of incomes policy and felt that these policy packages were insufficient. That governments continued their corporatist strategies despite this lack of cooperation and did not implement a non-corporatist binding strategy again, was due to their efforts to patch up relations with social partners (especially the trade unions) after their binding (crisis) interventions in 1974 and 1976. Furthermore, in 1979 there was a change of government. The incoming government did not want to sour its relations with the trade unions immediately after it had come to power. The other, non-corporatist, passive strategy was no option either, given the combined detrimental effects of the oil crisis and the linkage of macroeconomic performance and the government's budget.

In *1988, 1989 and 1995* negotiations again did not result in a central agreement. The differences between the preferences of social partners could not be bridged by the government's policy packages. As the government could no longer intervene with the non-corporatist guiding strategy because of the new Law on Wage Formation of 1987, and the market sector and the (semi-) public sector remained delinked, it chose to keep social partners at least involved in central consultations with a corporatist strategy.

In *2000*, neither party argued for a central agreement. Decentral negotiations proceeded without much difficulty due to a booming

economy and a government policy that boosted buying power of the lower paid and included a partial linkage between the market sector and the (semi-) public sector. The explanation for the failed central agreement is that within the context of a booming economy no actor desired a central agreement as no actor felt the urge for coordination.

Summing up, the ineffectiveness of corporatist government strategies was due to the (competitive) behaviour of one or both of the social partners. A corporatist government strategy was only effective if both social partners were willing to negotiate a reordering of their preferences. In the eight years discussed that was not the case, as social partners were more or less captured by their constituencies, on the one hand, and by economic circumstances and EMU requirements, on the other. Reaching central agreements or not is – in retrospect – therefore, not simply a matter of corporatist behaviour or choosing the right strategy alone but foremost a delicate interplay of these factors and contextual circumstances.

The three central agreements that were associated with a non-corporatist government strategy combined with a cooperative (problem-solving) style of decision-making of social partners were an expression of the leading role of the government in negotiations on incomes policy under the condition of an institutional linkage between the market sector and the (semi-) public sector. In 1970, in the context of a positive macroeconomic performance; in 1983 and 1984 in the context of a negative macroeconomic performance that led to the Dutch Disease. In 1970, negotiations on incomes policy between social partners proceeded smoothly and, aided by an initial corporatist strategy of the government, resulted in a bipartite central agreement – a classical case of reordering or compensating preferences by the government, based on the actors' agendas. But trade unions and the government collided head-on about the new Law on Wage Formation. Trade unions were reluctantly supported by employers' organizations. In response, the government unilaterally intervened in the agreement on the price indexation that was the cornerstone of the bipartite central agreement, and ended its involvement in incomes policy with adoption of the non-corporatist guiding strategy. The explanation for this rather unexpected outcome is that the central agreement was based on the initial combination of strategy and style of decision-making. The non-corporatist strategy with which the government ended its involvement in incomes policy was the result of a conflict between social

partners and the government about the future of negotiations on incomes policy that spilled over to the substance of incomes policy in 1970. With its concluding non-corporatist strategy, the government made it quite clear that it intended to remain the pivotal actor in negotiations on incomes policy.

In 1983 and 1984, central agreements were struck and the government's concluding strategy was the non-corporatist, passive strategy. These two years were both covered by the famous central Wassenaar Agreement of December 1982. For 1983, under strong pressure from the incoming government, trade unions and employers' organizations succeeded in striking a deal. The bipartite Wassenaar Agreement involved an exchange of the automatic price indexation for a reduction in working hours and the creation of part-time jobs in the market sector. When after the initial agreement, decentral negotiations on the exchange proceeded too slowly for the government's liking, it again threatened to intervene with binding measures. That induced trade unions and employers' organizations to conclude more decentral agreements based on the central Wassenaar Agreement. These collective agreements covered 1983 and 1984. In response, government refrained from any further intervention in the market sector and concentrated its own policy efforts on the (semi-) public sector. All linking mechanisms were put on hold in 1983, and in 1984 wages, pensions and benefits were cut to reduce the growing budget deficit and public debt (Dutch Disease).

The Wassenaar Agreement is a peculiar central agreement. It was not the result of a government policy that enabled social partners to reorder or compensate their preferences. On the contrary, the Wassenaar Agreement was the result of a threat by the government that it would continue to completely determine incomes policy as it had done in 1980, 1981 and 1982 if no agreement in the market sector was reached. The government's message to social partners was, in effect: come to an agreement or become obsolete with respect to incomes policy in the market sector. And despite their continued differences of opinion, after the three years 1980–82, social partners indeed favoured a bipartite agreement on incomes policy in the market sector more than the continuation of a completely government-directed incomes policy in that sector that made them redundant. Incomes policy in the (semi-) public sector, however, remained firmly under government control, despite heavy opposition by the trade unions. If the Wassenaar Agreement of 1983 is to be taken as the start of a Polder Model, it was a model forced

on social partners by the government. The model also applied only to the market sector. Incomes policy in the (semi-) public sector was completely under government control.

In conclusion, although reaching a central agreement can be associated with a corporatist government strategy aimed at reordering the actors' preferences, in particular after 1987, it should be recognized that the success of that strategy depended on the behaviour of social partners. If social partners were not willing to negotiate a reordering of their preferences, no central agreement could be reached. A successful reordering usually involved some 'tough' bargaining between social partners and between social partners and the government. It was not dependent on cooperative, Polder Model behaviour of social partners. The macroeconomic and exogenous context clearly had an impact on the outcome of negotiations – in particular under the conditions of reduced regulatory strains effected by the government: delinkage in the 1980s, the Law of 1987 and the ad hoc relinkage in the 1990s. This reinforces our contention that Dutch corporatism indeed *varies* instead of representing an institutionalized and constant policy arrangement over time that habitually produces consensus (central agreements). Our research suggests that Dutch corporatism, including the Polder Model variety, was more effective when (external and institutional) conditions were more favourable; neither cooperative behaviour of social partners nor government per se could produce these favourable conditions.

Social Democracy in Coalition Government: Does it Make a Difference?

Comparative research claims a strong relation between corporatism and social democratic government (Cameron, 1984; Marks, 1986; Western, 1991; Crépez, 1992). For the Dutch case, however, the link between corporatism and social democratic government is more complex. In the Netherlands, the PvdA has always been part of coalition governments when in government. After 1965, when the PvdA was in government, the party either governed with the CDA (Christen Democratisch Appèl – Christian Democratic Party) or its precursors, or with the VVD and D66. Until 1994, the CDA was usually both the median and largest party in parliament and was always included in government (Laver and Schofield,

1998). It was the pivotal party dominating the centre space in the Dutch party system (Keman, 1997, 2002; van Kersbergen, 1997, 1999). In 1995, the PvdA took over the position as largest party in government and parliament from the CDA, but the CDA remained the central or median party. In other words, for the major part of the period after 1965, Dutch corporatism would appear not to be the product of social democracy per se, but rather of Christian democratic (participation in) government with or without social democracy.

As in most systems with coalition governments, the distribution of portfolios in Dutch coalition governments is largely proportional to the respective party's seats in parliament. With respect to the ministries claimed by respective coalition parties, the largest party usually takes the post of prime minister (PM). When in coalition with either the PvdA or the VVD, the CDA, or its precursors, usually took the portfolio of Social Affairs (which includes Labour), the ministry directly responsible for incomes policy. It was only in the coalition after 1994 with the VVD and D66, that the PvdA became the dominant party in government and held both the office of PM and the Ministry of Social Affairs (Woldendorp et al., 2000: 395–401).

This means that research into a relation between corporatist government strategies and social democratic government in the Netherlands (and comparable party systems like, for example, Belgium, Finland and Austria) is faced with a difficulty. The international literature clearly argues that corporatism goes together with social democratic (dominance in) government. In the Dutch case, that is only more or less the case for the coalitions after 1994. In coalition governments before 1995, the CDA was the dominant party in government and the party primarily responsible for incomes policy (see also Lijphart and Crépez, 1991). Therefore, in the Netherlands, the conditions governing international research into the relation between social democracy and corporatism in fact only apply to the years after 1994, and even then not completely.

Taking this into account, we conduct our discussion of the possible relation between a corporatist government strategy and the PvdA in government in two stages. First, we establish whether government participation of the PvdA as such and corporatist government strategies indeed go together. Next, we investigate whether or not there is a difference with regard to corporatist government strategies between coalition governments with the

PvdA before and after 1994. In other words, does social democracy matter for the Polder Model?

Based on the international literature, we expect that coalition governments in which the PvdA participated concluded their involvement in incomes policy more often with a corporatist government strategy than coalition governments in which the PvdA did not participate. We also expect that after 1994, coalition governments in which the PvdA participated and held both the office of PM and Minister of Social Affairs more often employed a corporatist government strategy than coalition governments with the PvdA prior to 1995.

Finally, we discuss the outcome of incomes policy of coalition governments with and without participation of the PvdA in terms of central agreements. In the preceding sections, we have established that corporatist government strategies more often resulted in a central agreement than non-corporatist government strategies. Consequently, we expect coalition governments in which the PvdA participated to reach more central agreements than coalition governments in which the PvdA did not participate. Furthermore, we expect coalition governments in which the PvdA participated after 1994 to do even better.

Before 1995, the PvdA participated in coalition government in 11 of the 30 years (36.7 percent), and after 1994 in all six years investigated (Table A1). In seven of the 11 years (63.6 percent) before 1995, the government concluded its involvement in incomes policy with a corporatist government strategy, whereas after 1994, when the PvdA was the dominant party in government and held the Ministry of Social Affairs, the government did so in all years. Governments in which the PvdA did not participate show the opposite pattern of concluding government strategies. Those governments ended their involvement in incomes policy with a corporatist strategy in only six of the 19 years (31.6 percent). A corporatist government strategy indeed coincided with the participation of the PvdA in government. This finding concurs with international research on the relation between corporatism and social democracy in government. Moreover, that relation was strongest when the PvdA was both the dominant party in government and held the office of Minister of Social Affairs.

However, there were exceptions to this pattern. How to account for this? We see two factors that influence these deviations: one, institutional changes put forward by government led to negative

responses either by one or two of the social actors. Two, macroeconomic circumstances (affecting Dutch macroeconomic performance or the fiscal context) influenced the room for manoeuvre for government and apparently limited the flexibility of the social partners to find an equilibrium position (Keman, 1999; Scharpf, 2001).

These factors can account for concluding non-corporatist strategies employed by coalition governments in which the PvdA participated but was not the dominant party (Woldendorp, 2005: 188ff.). In all four years, social partners could either not come to an agreement at the central level, or did not want to negotiate at the central level. In 1966, the government reacted by reverting to the trusted pattern of the centrally guided incomes policy and took over responsibility for incomes policy. In 1974 and 1976, the government also reacted by taking over incomes policy, but this time it was an emergency policy to boost the economy in order to counter the negative macroeconomic effects of the 1973 oil crisis. Last, in 1992, the government remained passive with regard to incomes policy in the market sector because there was no threat of a spillover from that sector to the (semi-) public sector.

This indicates that it was indeed mainly external circumstances (the change from a government-guided incomes policy to a 'free' incomes policy in 1966 that was driven by economic growth; the macroeconomic effects of the 1973 oil crisis in 1974 and 1976; and the delinkage of the market sector from the (semi-) public sector in 1992 that was instituted in 1983 and 1984 to counter the effects of the severe economic crisis in the 1980s – Dutch Disease) that accounted for the actors' behaviour.

Concluding corporatist government strategies of coalition governments in which the PvdA did not participate can also be explained by these factors (Woldendorp, 2005: 190ff.). In 1965, government and social partners conducted a classical corporatist reordering of needs that resulted in a central agreement brokered by the government. In 1973, that was also the case, but in this year, the rank and file of social partners failed to deliver on the decentral levels. That the government stuck to its corporatist strategy was due to its outgoing status. In 1979, all efforts of the government to reach a central agreement foundered on the unwillingness of trade unions to compromise on an incomes policy based on the government's policy programme. The incoming government did not want to jeopardize its relation with trade unions and refrained from

implementing a non-corporatist government strategy. *From 1987 to 1989*, all efforts of the government to reach a central agreement succeeded only in 1987. That the government nevertheless stuck to its corporatist government strategy in 1988 and 1989 can be explained by the continued delinkage of the market sector and the (semi-) public sector, in combination with the new Law on Wage Formation of 1987.

Finally, can participation of the PvdA as the dominant party in government after 1994 account for the emergence of a new, or more effective Polder Model in terms of central agreements? The answer is: no. We have elaborated that participation of the PvdA in coalition government did lead to more concluding corporatist government strategies, particularly after 1994. We have also elaborated that concluding corporatist government strategies more often led to central agreements than non-corporatist government strategies. Before 1995, coalition governments in which the PvdA participated reached a central agreement in five of the seven years (71.4 percent) that these governments concluded their involvement in incomes policy with a corporatist government strategy. After 1994, that was the case in four of the six years (66.7 percent). In both periods, only one central agreement was reached by a Polder Model combination of corporatist government strategy and problem-solving style of decision-making of social partners. Clearly, participation of the PvdA as the dominant party in coalition government after 1994 did not produce a new, or a more successful Polder Model in terms of central agreements.

In conclusion, the role of social democracy has been important and more accommodating for corporatism compared to other parties. However, its role as government party in relation to producing cooperative, problem-solving behaviour of social partners or achieving a central agreement should not be overestimated. Unlike other authors, we argue that social democracy is not a necessary central actor to make corporatist intermediation work in the Netherlands.

Conclusion: There Was No Polder Model and Dutch Corporatism Varies over Time

In this article, we have argued that a Polder Model that emphasizes cooperation between social partners must be located in the cooperative, problem-solving style of decision-making. In addition, govern-

ment strategy must be corporatist as it is supposed to support or facilitate this cooperation to make the Polder Model work, i.e. result in central agreements. We have concluded that there is hardly any evidence to support the emergence and existence of such a Polder Model in the Netherlands as a structural feature – neither after 1987, nor in the 1990s. Although concluding corporatist government strategies did increase considerably after 1987, the main concluding style of decision-making of both trade unions and employers' organizations remained the competitive bargaining style (B). Dutch corporatism was typically a combination of the cooperative corporatist government strategy (II) and the competitive bargaining style of decision-making (B). Despite the fact that governments attempted time and again to develop cooperation by means of consensual policies, the preferences of the social partners remained the central focus during negotiations on incomes policy. In our view, this does not represent a typical Polder Model as discussed in the literature.

The emergence of a Polder Model was also analysed from the perspective of central agreements. The Polder Model is assumed to foster agreements between social partners and between social partners and the government. After 1987, the number of central agreements was indeed considerably higher than before. However, central agreements were not all based on concluding corporatist government strategies and neither did all concluding corporatist government strategies result in central agreements. Besides, only two of the 14 central agreements between 1965 and 2000 were based on the cooperative problem-solving style of decision-making (C) of social partners. Hence the relation between a Polder Model and the eventual result in central agreements remains very weak.

The emergence of a Polder Model was finally analysed from the perspective of government participation of the PvdA. The stronger position of the PvdA in government after 1994 did not produce a new, or a more effective Polder Model either.

Our research findings also imply that the importance that researchers have attached to the Wassenaar Agreement of December 1982 is overrated. The Wassenaar Agreement cannot be considered as a watershed. Corporatism did exist in the Netherlands between 1965 and 2000, but it has always varied; it was not a constant factor with a predictable outcome. It varied both in occurrence and in performance (central agreements). That variation, however, did not constitute a new Polder Model in the 1990s. Negotiations

on incomes policy between 1965 and 2000 sometimes resulted in central agreements, sometimes they did not, depending on macroeconomic developments (Disease or Miracle) and the exogenous context (EMU requirements), which influenced the actors' behaviour and sometimes led to changes in the institutional arrangements effected by the government (from a government guided to a free incomes policy, to linkage, delinkage, then relinkage), which then in turn influenced the actors' behaviour. In short, neither corporatism nor social democracy in government is decisive in directing or explaining Dutch incomes policy. The explanatory power of both is much weaker than usually assumed in the literature.

We argue that Dutch corporatism can be better understood as (literally) 'muddling through' by actors caught up in self-interested behaviour under circumstances that limit (or increase) their room to manoeuvre. Those who see successful (social democratic) government, or those that stress a change in attitude of social partners miss this crucial point. The Dutch play 'pluralism' as a game but the degrees of freedom are limited by macroeconomic and other exogenous circumstances. There is no Polder Model. Corporatism in the Netherlands varies over time and incomes policy agreements in the Netherlands are contingent on the macroeconomic and exogenous context.

Appendix

In this study we use a classification of corporatist intermediation between government and the (recognized) social partners (employers' organizations and trade union federations) in the Netherlands that is derived from an extensive study by Woldendorp (2005). The basic structure is to relate governmental strategy with respect to incomes policy concertation to styles of decision-making pursued by social actors. Four options of government involvement and three styles of decision-making are distinguished.

Government Strategy

I = Passive strategy (non-corporatist): the government remains passive and abstains from any intervention in the negotiations between trade unions and employers' organizations (*formation*).

The government does not intervene in the outcome of the negotiations (*implementation*).

II = Cooperative strategy (corporatist): the government restricts its interventions to the facilitation of negotiations between trade unions and employers' organizations (*formation*). Government either does not intervene in the outcome of the negotiations, or the intervention does not go against the trend of the outcome of those negotiations (*implementation*).

III = Congruent strategy (corporatist): the government actively intervenes with its own policy proposals in the negotiations between trade unions and employers' organizations. The government's interventions are aimed at facilitating agreement between all three actors involved by formulating a policy package that can potentially accommodate all (*formation*). The government may intervene in the outcome of the negotiations with its own policy proposals with respect to wages, taxes and social security premiums and benefits, but without going against the outcome of the negotiations between government, trade unions and employers' organizations (*implementation*).

IV = Guiding strategy (non-corporatist): the government puts its own agenda first. Trade unions and employers' organizations are compelled to accept the government's agenda as the basis for incomes policy. The government basically implements its own policy with respect to wages, taxes and social security premiums and benefits without much regard for the agendas of the 'social partners' or the outcomes of the negotiations (*formation* and *implementation*).

Style of Decision-Making of Social Partners

A = Confrontation: the agendas of trade unions and employers' organizations differ substantially. There is hardly any common ground to reach agreement. Negotiations may be characterized by defection (from negotiations) and open conflicts (like strikes, lock-outs and the like) between trade unions and employers' organizations. Both actors put their own (self-) interest first.

B = Bargaining: the agendas of trade unions and employers' organizations feature the same issues and concerns, but with differing emphases with regard to desired solutions and policies. Negotiations may be protracted, quite conflictual, and result in deadlocks.

Parties may threaten to defect, but will avoid actual defection. Both actors' rational interests make it difficult to come to an agreement.

C = Problem-solving: the agendas of trade unions and employers' organizations feature the same issues and concerns and share enough common ground with regard to desired solutions and policies that there is a basis for exchange and compromise. Negotiations may nevertheless be characterized by temporary deadlocks or even long duration, but parties will continue to strive for the best joint optimal outcome. Both actors have one or more shared interests that induce them to come to an agreement.

Government's fourfold strategy involves two choices: corporatist involvement in incomes policy or not, and active or passive. The styles of decision-making can be understood in game-theoretic terms and are derived from Scharpf (1998: 54–7; see also Scharpf, 1987). *Confrontation* represents 'conflict' with little room for agreement (A). *Bargaining* is based on self-interested behaviour; however, with a possible outcome that represents an equilibrium (B). Finally, *problem-solving* is a different game; here we assume that actors have an eye for the collective outcome (C).

Using the operationalization of government strategies and styles of decision-making listed here, an in-depth investigation of 36 annual rounds of negotiations on the formation and implementation of incomes policy between 1965 and 2000 was conducted. This investigation represents a consecutive series of case studies based on 'thick' description. The behaviour of all three actors during negotiations (as well as the outcome: central agreements) was classified in terms of strategies and styles of decision-making from start to finish. It should be noted that we allow for changing styles and strategies during the process of annual negotiations on incomes policy. As a result we have 12 (4×3) possible situations that characterize these negotiations in relation to the outcome: a central agreement is reached or not (see Table A1).

The necessary data were taken from both primary and secondary sources. Primary sources for social partners included their annual notes with which they entered negotiations. The government's policies and interventions are documented in the annual budget and related government notes and parliamentary debates. All these documents, plus accompanying actions, have been more or less extensively reported in the *Bulletin of the Social and Economic Council* (SER), which has served as an important source for the research. Additionally, a comprehensive literature on (the history

of various aspects of) Dutch corporatism, wage bargaining and incomes policy was studied (for an extensive elaboration, see Woldendorp, 2005: 46–77; 276–8; and for the reconstruction of all 36 rounds of negotiations, Woldendorp, 2005: 278–355).

Government strategies and styles of decision-making each represent a certain rank order of possible strategic behaviour (ordinal scale): strategies of government intervention (but not of corporatism) and styles of decision-making of cooperation between social partners. However, the combinations of both represent nominal categories that are used to classify their behaviour. Furthermore, tests (chi-square) based on cross-tabulations of both opening and concluding government strategies and styles of decision-making indicate that there is no statistically significant relationship. Therefore, we decided to present the research in a descriptive-analytical fashion, identifying and elaborating meaningful clusters of behaviour and outcome (central agreement or not) in relation to specific periods or circumstances.

TABLE A1
Actors' Strategic Behaviour, Social Democracy in Office and Central Agreements
1965–2000

Year	Opening Government Strategy and Style of Decision-Making	Concluding Government Strategy and Style of Decision-Making	Social Democracy in Coalition Government	Central Agreement on Incomes Policy
1965	IIIA	IIIB	Out	Yes
1966	IB	IVB	In	No
1967	IVB	IVB	Out	No
1968	IVB	IB	Out	No
1969	IVA	IVA	Out	No
1970	IIC	IVC	Out	Yes
1971	IVB	IA	Out	No
1972	IIB	IA	Out	No
1973	IIB	IIA	Out	No
1974	IIA	IVB	In	No
1975	IIB	IIB	In	No
1976	IIA	IVB	In	No
1977	IIB	IIB	In	Yes
1978	IIA	IIB	In	No
1979	IVA	IIA	Out	No

continued on next page

TABLE A1
Continued

Year	Opening Government Strategy and Style of Decision-Making	Concluding Government Strategy and Style of Decision-Making	Social Democracy in Coalition Government	Central Agreement on Incomes Policy
1980	IIB	IVB	Out	No
1981	IIIA	IVA	Out	No
1982	IB	IVB	Out	No
1983	IIIA	IC	Out	Yes
1984	IC	IC	Out	Yes
1985	IVB	IB	Out	No
1986	IA	IA	Out	No
1987	IIB	IIIB	Out	Yes
1988	IIA	IIA	Out	No
1989	IIB	IIB	Out	No
1990	IIIC	IIIB	In	Yes
1991	IVA	IIB	In	Yes
1992	IA	IA	In	No
1993	IIIB	IIIB	In	Yes
1994	IVA	IIC	In	Yes
1995	IIA	IIA	In – dominant	No
1996	IIB	IIB	In – dominant	Yes
1997	IIB	IIB	In – dominant	Yes
1998	IIB	IIB	In – dominant	Yes
1999	IIIB	IIIC	In – dominant	Yes
2000	IIB	IIB	In – dominant	No

Sources: Woldendorp et al. (2000: 394 ff.); Woldendorp (2005: 274–355).

Notes

1. The Dutch Disease is commonly characterized by a vicious circle of increasing unemployment and rapidly rising social security transfers, leading to deficit spending and an increasing public debt (Visser and Hemerijck, 1997; Andeweg, 2000; Delsen, 2002).

2. The Dutch Miracle is commonly characterized by a virtuous circle of job growth, resulting in low unemployment and reduced social security transfers, leading to balanced budgets and a decreasing public debt (Visser and Hemerijck, 1997; Andeweg, 2000; Delsen, 2002).

3. The policy agreement on incomes policy: bipartite: between trade unions and employers' organizations; tripartite: between social partners and the government.

4. EMU criteria included a public debt of not more than 60 percent of GDP; an annual budget deficit of not more than 3 percent of GDP; and an inflation close to the EU average.

5. Note that in our analysis of Dutch corporatism, the Polder Model variety of corporatist government strategies (II and III) and style of decision-making (C) represents only part of the possible range of combinations of strategic behaviour of party government and social partners within the Dutch institutional framework of labour relations. But here we investigate whether or not we can identify a specific phenomenon that is broadly discussed in the literature on Dutch corporatism: the Polder Model.

6. In the Appendix we report the opening and concluding strategies and styles of decision-making. These refer to the first bid in the annual round of negotiations and the subsequent changes during the process.

7. Meaning free from the government interference that was customary in the era of the centralized, government-directed incomes policy between 1945 and 1965 (Windmuller, 1969).

8. The linkage came into force in 1974 with the policy package of the government Den Uyl (PvdA). Wages, benefits and pensions in the (semi-) public sector became linked to the statutory minimum wage (1969) and to the average rise in collectively agreed wages in the market sector. In 1979, this linkage became statutory (the Law on Adjustment Mechanisms). Consequently, incomes policy in the market sector had a direct effect on incomes in the (semi-) public sector and on the government's budget (deficit). From 1983, the linkage was put on hold; since 1992 it has been conditional (Law on Conditional Indexation) (Visser and Hemerijck, 1997: 132ff.).

9. Central negotiations between social partners are conducted within the framework of the Law on Wage Formation of 1970/1986. The law of 1970 marks the legal transition from a government-guided incomes policy to free negotiations, although government reserved the authority to intervene in these negotiations. From 1987, only a 'national emergency, caused by "external" factors' can serve as a legitimate cause for government intervention with general binding measures in incomes policy (Korver, 1993: 394).

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