

Crossing borders between disciplines, highlighting strengths and weaknesses: a reply

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These inspiring comments do much to show that at the cross-section of business history, political science, and 'old-fashioned' macroeconomic history, we may find interesting questions. To combine different fields yields the danger of making very broad statements that do no justice to the complexity of history, but it also generates new insights.

Keetie Sluyterman raises the question at what stage a pragmatic adjustment becomes 'ruthless neoliberal reform'. To answer that question, we need to address the distribution of power in the economy. I agree with Keetie Sluyterman that 'power' forms the basis of these developments. 'Ruthless' neoliberal reform implies that the interests of most stakeholders are ignored, in favor of corporate and shareholder interests. The main characteristic of the post-war 'European social model' was that states, employers and unions together had some sort of agreement. When all non-market coordination in its various appearances is discarded and when the most powerful actors, the large multinational corporations, dominate the economy while countervailing forces are absent or weak, one could say that 'old-fashioned' pragmatic and creative solutions have been replaced by a ruthless neoliberal economy. In my book, by contrast, I emphasize that negotiations and consultation continue. But I could have emphasized more strongly the increasing imbalance in bargaining processes. When unions become weaker, and other players such as for example consumer associations or green NGO's have not substituted them, only the state can safeguard the institutions of non-market coordination. And even when the government intends to monitor coordination, a free-market environment can develop where power is asymmetrically distributed, inequality of wealth and income increases, and the immaterial gains of the post-war social-democratic welfare state are lost. Western economies may be heading that way, although we should not mistake direction for outcome.

My book is optimistic about the period 1980-2010, in the sense that the Dutch CME has incorporated change while not entirely shifting towards the liberal market model, in a period which by many is viewed as the hey-day of neo-liberal policy. We should keep in mind that non-market coordination is part of the business system (sometimes called the Rheinland business system), which means that it also includes the way firms deal with each other. This should not be confused

with welfare state generosity. Naturally, it is too early to say whether non-market coordination will survive in the future, but my suggestion is that consultation is both engrained in informal institutions and legally embedded in formal institutions (being implemented by laws), so it may continue for quite some time, albeit in constant adaptation. The book is hesitant about the applicability of consultation in a 'green polder model', because this topic has fewer opportunities to allow for broadly shared solutions. However, the recent Energy Agreement of the SER of September 2013 has shown that compromise is possible and agreements can be secured in non-market regulations ('borging'). This approach aims at preserving a public interest in a form that is quite different from the PBO of 1950 but that may be attuned to the present-day setting. Even in a recovering open economy, the tradition of coordination is helpful to guide, direct, and monitor free market dynamism.

Hein Klemann and Dennie Oude Nijhuis both mention the important fact that we deal with a 'small open economy'. Klemann explicitly refers to Katzenstein. In my book, I mention that Katzenstein's very valuable study has pointed at the fact that 'the Dutch have evolved a more openly competitive politics within their corporatist structures' (42). However, saying that a comparative analysis of the Dutch economy should have applied Katzenstein's model is a rather irrelevant point. First, I do not restrict the comparison to small European states but place the Netherlands within the set of OECD economies. Secondly, Katzenstein focuses predominantly on neo-corporatism whereas I test and explore *Varieties of Capitalism*, which is broader in outlook and in criteria, although it is rooted in neo-corporatist studies and not in conflict with Katzenstein's view on small open economies with extensive social protection.¹¹ Thirdly, I aim at contributing to a debate on the use of *non-market coordination*. I claim that in this debate the example of the Netherlands is an important case study. In short, I do not think Katzenstein and Hall & Soskice offer different explanations, but that the latter follow up on the former, extending the argument to the business system and providing a broader view on non-market coordination.

Klemann also raises the question whether the important Wassenaar Agreement was the result of government interference, economic urgency or the rule of a few wise individuals. In the book I give a clear answer: all these three, plus a neo-corporatist tradition that could be revived by those key actors.

Dennie Oude Nijhuis raises several relevant points with which I agree whole-

¹¹ It is important to note that neo-corporatism originally had a strong emphasis on concertation between peak organizations, while non-market coordination may also take place at lower levels. Cf Oscar Molina and Martin Rhodes and Martin Rhodes, 'Corporatism. The past, present and future of a concept', *Annual Review of Political Science* 5 (2002) 305-331, in particular 308.

heartedly. I need to address one point that he mentions as a 'flaw': I 'seem to believe that comparisons were not in vogue before the early 1990s' (17), which Oude Nijhuis claims is not the case. However, I wrote on that same page that 'comparative capitalism is a branch of scholarship that continuously develops as new yardsticks come to the fore' (17) and even literally mention 'that taxonomies have been made on the basis of (...) varieties of corporatism' (17). The point that I was trying to make was that Michel Albert was important in shifting the comparisons debate from neo-corporatism towards business systems. I hope my book shows that we should not remain stuck in the neo-corporatist debate – however valuable Oude Nijhuis finds it – and move onward toward a deeper understanding of the incentives and motivations of the private sector. Coordination is not only about wage bargaining! When Oude Nijhuis states that the United Kingdom and the United States were not highly centrally coordinated, again he seems to think mainly of central wage bargaining and neo-corporatism, which indeed were much weaker in these countries. But when we apply the wider definition of non-market coordination, which is the essential feature of Varieties of Capitalism, it becomes clear that in corporate governance, in research and development, in welfare state policies, and even in a much more accepted role of unions, these countries were much more centrally coordinated during the 1960s and 1970s than we now realize. Our view of this era seems to have been wiped away by the Reagan and Thatcher years. For example, Ronald Dore, William Lazonick and Mary O'Sullivan describe the United States in the 1950s and 1960s as 'managerial capitalism which was more characterized by collaboration than by market capitalism'. Tony Judt and Robert Reich have written about this era in the United States in the same vein.

It is one of the pitfalls of present-day thinking to stigmatize these economies as having always been radically liberal.¹² This is connected to a remarkable characteristic of taxonomies that I examine in my book: they often result in a so-called 'conservative bias': analyzing different categories is helpful to shed light on remarkable differences, but stigmatizing labels can only be attached to those categories for a limited time span: it is the task of the historian to bring that to the fore and determine for which time frame the attached labels may be valid.

12 Ronald Dore, William Lazonick and Mary O'Sullivan, 'Varieties of Capitalism in the Twentieth Century', *Oxford Review of Economic Policy* 15: 4 (1999) 102-120. See also Keetie Sluyterman, ed., *Varieties of Capitalism and Business History – The Dutch Case* (London: Routledge 2015): 5, 146-147.

About the author

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