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BUREAUCRACY AROUND THE STATE:
VARIETIES OF COLLECTIVE SELF-REGULATION
IN THE DUTCH DAIRY INDUSTRY

by

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I T A L Y

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TABLE OF CONTENTS.

1.	Introduction	pag.	1
2.	Motivation of Sector-selection		3
3.	A Short Characterization of the Dutch Dairy Industry		3
4.	Overview of Regulations and Organizations by Policy Areas		4
5.	The Voluntary Interest Associations		8
6.	Self-regulation and Variations in State-intervention		9
6.1.	Self-regulation within Business Interest Associations: The Frisian Dairy Union		9
6.2.	Cartels		13
6.3.	Collective Wage Agreements		16
6.4.	Quality Control of Raw Materials		18
6.5.	Compulsory Collective Propaganda and Research		23
6.6.	Autonomous Decisions of the Statutory Trade Association		26
6.7.	Quality Control of Final Products		30
6.8.	Social Security		36
6.9.	Act on Works Councils		40
6.10.	Co-Government by the Statutory Trade Association		43
6.11.	Pollution Control		45
6.12.	Food and Drugs Regulations		46
7.	Some Comparative Observations		47

BUREAUCRACY AROUND THE STATE: VARIETIES OF COLLECTIVE SELF-REGULATION IN THE DUTCH DAIRY INDUSTRY.

1. Introduction.

Entrepreneurial action in capitalism - i.e. under conditions of competition and class conflict - is first of all guided, if not determined, by the imperatives of the different markets (for final products, raw materials, capital and labour). During the course of development of capitalism new limitations to free enterprise have been set by state regulations. In between these rules of the market and the state a third form can be distinguished: collective self-regulation by capitalists. In order to compensate for shortcomings and self-destructive logics of the market, but to preempt state intervention, capitalists have banded together and agreed on mutual rules of conduct, limiting their own individual autonomy in their collective long term interests. Whenever such forms of self-regulation involve the state to a greater or lesser extent, one can speak of corporatist arrangements, i.e. an interwovenness of the private and the public sphere. This may be the result of private assistance in formulating and implementing public policy or state assistance in the formulation and implementation of private regulations.

Depending on the degree of state involvement in such arrangements and their genesis, Schmitter (1974) has distinguished two subtypes of corporatism, 'state' and 'societal' corporatism. Schmitter uses these concepts to characterize whole societies, but they can also be used to characterize different arrangements within one society, or even within one branch of industry. That implies that even 'state corporatism', which Schmitter reserves for totalitarian states, could be found within one society, connected by him with 'societal corporatism': the liberal capitalist welfare state. As will be seen in this paper, such is indeed the case.

"State' and 'societal' corporatism are however still general types, which can best be seen as positions on a continuum of very little to very heavy state involvement in forms of capitalist self-regulation.

A first aim of this paper will be to distinguish a greater number of subtypes, which are empirically found on this continuum. For practical reasons I will restrict myself hereby to one particular industry in one particular country. Secondly, I will try to analyze some conditions for the emergence, success and stability of these different varieties of corporatism. Thirdly I will look into some consequences for the bureaucratic structure and functioning of the state.

Schmitter pays primarily attention to the structural aspects of corporatism. I will stress first of all the functional side. Different degrees of state involvement will be distinguished on the basis of a number of subfunc-

tions, which may either be performed by the state or by the industry.

These subfunctions are:

- 1- The formulation of or giving advice on concepts of general rules;
- 2- The confirmation of rules, de facto or formally;
- 3- The formulation of operationalizations and norms, necessary for the implementation of general rules;
- 4- The actual implementation and administration ;
- 5- The control on the observation of the rules;
- 6- The supervision of implementation and/or control;
- 7- The sanctioning of transgressors of the rules;
- 8- The handling of appeals.

Next attention will be directed to the structural side: what type of organizations do perform these functions and what is the state influence resp. the influence of the private industry on these organizations ? The following organizational characteristics will be distinguished:

- 1- Who are the initiators ? What is the development pattern of emergence ?
- 2- Legal recognition. Is the organization structure regulated in formal law ?
- 2a-Less extreme: Is state permission required for changes in the organizational structure ?
- 3- Autonomy of authority. Do decisions need state approval ?
- 4- Influence of the state on the governing board.
- 5- Do organizations receive state subsidy ?
- 6- Statutory or de facto monopoly within the domain of the organization.
- 7- Statutory or de facto compulsory membership.
- 8- Statutory or de facto 'tax authority'.
- 9- Statutory or private sanctions (Public law, disciplinary law, civil code)
- 10-Do organizations issue state (guaranteed) licenses ?
- 11-Influence of firms on the executive board (direct, indirect and no representation).

On the basis of these variables, the influence of the state and/or private industry on the staff - i.e. the autonomy of the organization vis a vis industry and state - can also be measured.

Both categories, functional and structural characteristics, will be used to place different forms of self-regulation on a continuum between maximum private and maximum state influence and to indicate whether the arrangement was created 'bottom up' by the private industry or 'top down' by the state. In addition, something will be said about why, and under what conditions these different forms have emerged; whether they are successful in carrying out their tasks, in unburdening the state and in the mobilization of legitimacy ; whether they are stable ; and how differences in success and stability might be explained. But first a word on the sector-selection.

2. Motivation of sector-selection.

The greatest variety in forms of corporatist self-regulation can be found by comparing as many different policy areas as possible. Obviously, this cannot be done for the whole economy, at least in the Netherlands, where a bewildering proliferation of such arrangements can be found. Therefore, an industrial sector had to be selected. The choice has been the dairy industry, because it probably has the largest variety of forms of self-regulation, which, in addition, have often a long history and hence have shown considerable stability, even though the organizational characteristics may have changed over time. The sector has first of all the different forms of corporatism, which can be found also elsewhere in the Dutch economy, such as the statutory trade associations or the social security sector assoc. Investigation of the dairy industry hence presents us first of all with a cross-section of corporatist arrangements, found generally in the Dutch economy. In addition, the dairy industry has some corporatist arrangements, peculiar to the industry. The reasons for this great variety will become clear in the course of this paper. It is one of its aims to delineate such reasons.

A final - practical - reason for the choice of the dairy industry is that this paper is an outcome of an international comparative study on the organization of business interests. One of the sectors selected for this study - in international consultation - is the dairy industry.

3. A short characterization of the Dutch dairy industry.

The dairy industry is quite an important industry in the Netherlands and was that even more so in the past. The importance stems not so much from its contribution to the GNP - the dairy sector accounts for about 6 % of all industrial sales - as well as from its connection with the still important agricultural sector. The Dutch economy has until after the second world war been an agrarian economy, supplying the surrounding industrialized nations as Germany and England with food. Even now, the food processing industry as a whole is one of the largest sectors of the economy. Within this food processing sector, the dairy industry is the largest branch, which is not surprising, given the fact that two-thirds of all farming land is used for dairy cattle farming. Even though only 22.000 people are employed directly by the dairy industry, indirectly over 200.000 people depend on it: as dairy farmers, in the industry, in the dairy trade and in the many associations and organizations of the industry.

International trade is very important. Not counting consumption milk (which is primarily sold on the domestic market), 83,5 % of all products are sold abroad. With a share of 30 % in the world dairy trade, the Netherlands

is the largest exporter of condensed milk, milk powder and cheese in the world and only second to New Zealand in the butter-branch. As a result, the sector is sensitive to international competition, but its position in this competition is relatively unthreatened, due to low production costs of the raw material - Dutch cows have by far the highest annual milk gift in the world - and large, modern factories.

The sector has known a strong merger movement. Around 1900 - when industrial dairy production originated owing to a number of technical innovations - there were over 900 firms. By 1980 this was reduced to 62. Among these 62 there are 4 very large firms - each located in a different part of the country - which account together for 2/3 of the national production. Competition used to be fierce in the past, but is now reduced due to EC-intervention, the oligopolistic market structure and the existence of several cartels (see further down).

Homogeneity is of course relatively high, due to the limited number of products and the bulk character of the production process. There are also no (more) large differences between firms in labour productivity, in growth-rate and in profitability. Only in firm size are there significant differences. An important distinction in the industry is however that between cooperatives owned by farmers and private capitalist firms. Were their respective shares in production around 1910 about equal, the influence of the cooperatives has since then grown steadily. By now, cooperatives account for 90 % of all production. The 4 large firms are all cooperatives. The private sector is primarily active in the branches of consumption milk and condensed milk. Large multinational firms in condensed milk, such as Nestlé and Carnation, dominate whatever there is left of the private capitalist sector. Structural differences and hence differences in interests between these two types of firms have however become very small. The very large cooperatives function more and more just like any other capitalist enterprise. Competition and class conflict are also for them the conditions of existence.

4. Overview of regulations and organizations by policy areas.

In the course of the development of the dairy industry many binding regulations have been agreed to by the industry and/or have been imposed by the state. These can be ordered in four rough categories: 1) products and sales market; 2) raw materials; 3) labour; and 4) organization and technology.

A- Ordering of the product market and sales promotion have been concerns of the voluntary business associations from the very start. Collective sales, sales promotion and combatment of adulteration of products were the original goals for which such associations were established in between 1890 and 1906. Gradually some of these tasks were delegated to special institutions set up and governed

by the voluntary interest associations, sometimes in cooperation with the state. State influence increased especially during and after world war I and during the economic crisis of the thirties. At the moment the following groups of binding regulations can be distinguished:

a- re market ordering:

- 1- Sales and prices, especially on the foreign markets, are regulated by the EC-dairy policy, in the Netherlands implemented by a Statutory Trade Association for the Dairy Industry in so called 'co-government' with the national and EC-authorities.
- 2- In addition to these there are some 'autonomous regulations' by this statutory trade association. Before the coming about of the EC-dairy policy, in 1964, there were many more of such 'autonomous' regulations. They were similar to the present EC levies, interventions and subsidies.
- 3- Private cartels, regulations on prices, production quota and sales conditions exist for some products not directly regulated by the EC, such as condensed milk, coffee cream, consumption milk and cheese.
- 4- For some products (consumption milk, coffee cream, molten cheese) there are binding regulations concerning packaging and labelling.
- 5- In one region, the dairy province Friesland, investments of firms are regulated by the voluntary regional dairy business association.

b- re collective sales promotion:

- 6- There are regulations compelling all firms to contribute to collective promotion of dairy products. These funds are levied by the earlier mentioned statutory trade association and given to two special institutions, the Dutch Dairy Bureau and the Holland Cheese Exporters Association.

c- re product quality:

The product market is further ordered by regulation of product quality. In the past this was done on a voluntary basis by business associations. Now, this area has become largely the concern of general state regulations framing the activities of private control institutions. Three degrees of quality regulation can be distinguished:

- 7- Minimum standards for milk and dairy products sold on the domestic market, laid down in the Food and Drugs Act (Warenwet). They are implemented and controlled by state agencies.
- 8- Composition of products above minimum standards and classification (e.g. on the basis of milk fat content) of butter, cheese, milkpowder and condensed milk is regulated in special state decrees, intended to promote exports. These regulations are operationalized, implemented and controlled by a number of private quality control boards.
- 9- Product 'quality' in the narrower sense of the word, that is taste, smell and look of butter and cheese is also regulated by the state and implemen-

ted by private organizations.

B- Ordering of the raw materials supply also has a long history. In the past, there has been very heavy competition between factories for farmers. This has led to heavy price undercutting and paying too much for bad quality milk, with the resulting threat of further deterioration of milk quality and consequently of product quality, reputation and (export) sales. The following regulations have emerged:

a- re quantity of milk:

10- Compulsory supply of all milk, not needed on the farm, to factories.

This is an 'autonomous' decree of the statutory trade association.

11- In order to reduce competition between factories over farmers-suppliers, some regional associations of dairy firms have bindingly determined which farmer should supply which factory. In cases of conflict over the boundaries of 'supply territories', the regional associations provide binding arbitration.

b- re the price of raw milk:

12- The raw materials market has further been ordered by binding rules on the price of raw milk. Cooperatives pay a weekly advance on the milk price. At the end of the year, the final price the farmer gets, is determined. This is done in order to calculate the profits of the cooperatives away in the price of raw materials. The owner-farmers get their 'dividends' in this way for tax purposes. In the past, factories used to compete continually, luring farmers away from one another by a higher advance on the milk price. In some areas of the country, the regional dairy associations have made binding rules regulating the calculation of the advance on the milk price and in one case (Friesland) even determine the advance centrally every fortnight. Competition is so reduced to the annual final payment.

c- re quality of raw milk:

13- The milk price is based on the hygiene of raw milk and the fat- and protein content. Therefore, binding norms for hygiene - including minimum standards - have been set, as well as regulations concerning the procedures and techniques of measurement. These norms are set, implemented and controlled by special private boards.

14- Similarly, norms have been set for fat- and protein content measurement. Implementation and control has been the work of the voluntary business associations.

C- The regulations concerning labour are - contrary to those just mentioned - not specific for the dairy industry. There are three labour related matters regulated in general industry-wide acts, but implemented by private sector boards or associations. These are:

- 15- Wages and other labour conditions. These are annually negotiated, implemented and supervised by the private employers' associations and trade unions, but within the context of legislation on wage determination.
- 16- Social Security is regulated in a number of general acts, which make participation obligatory - except for the Sickness Absence Act. A number of these plans, the unemployment act, the sickness absence act and the disablement act are implemented by bipartite sector boards, among them a board for the dairy industry, the "Bedrijfsvereniging voor de Zuivelindustrie".
- 17- The introduction of works councils and their structure and authority are regulated in a general act on works councils. Supervision on its implementation and binding arbitration in conflicts between individual employers and workers is delegated to bipartite sector boards. The "Bedrijfscommissie voor de Zuivelindustrie" performs these tasks for the dairy industry.

D- Finally, there are collective regulations concerning organization and technology. These are:

- 18- Collective dairy research with compulsory financial participation. Just as with collective propaganda (no.6) levies are imposed by the statutory trade association and handed over to a separate institution, the NIZO or Dutch Institute for Dairy Research.
- 19- In some regions of the country, the regional dairy associations control the books of the member firms and stipulate bookkeeping procedures and techniques to be used. The associations did and do this on behalf of the farmer-owners of the cooperatives, who did especially in the past not feel knowledgeable enough to control the management of their factory. The institution of this tradition was stimulated by the suspicion which existed between farmers and factory directors.
- 20- Finally, firms are subject to pollution control measures and pollution taxation, in the implementation of which the private business associations participate. Some regional dairy associations measure the pollution emissions of their member-factories, on the basis of which the state imposes a levy.

These regulations and organisations differ very much in the degree of self regulation or, in complementary terms, state involvement. They can also be ordered along a continuum of state interference. This will be done shortly. First however I will outline the existing system of voluntary interest associations, which sometimes perform self-regulatory functions, but more often have initiated and presently govern the specialized institutions, which regulate the industry.

5. The voluntary interest associations of the dairy industry.

There are at present 12 voluntary business associations in the Dutch dairy industry left. They can be found in the bottom line - the first order associations - of the accompanying organization chart. Three categories can be distinguished: a) general associations of cooperative firms; b) general associations of the private industry; and c) product-specific associations.

The cooperative sector is organized in 4 regional and one national dairy association. In the past, there have been 8 regional associations, whose domain boundaries coincided mostly with provincial boundaries. Four of these have been liquidated in the mean time. Due to the merger movement they had only one very large member left. The remaining 4 regional associations form together with the remaining individual large firms in other parts of the country the national cooperative dairy union FNZ, which has become the most influential voluntary association in the sector. Of all the regional associations, the Frisian dairy union, in the 'dairy province' Friesland, is the most important one, among others owing to the fact that the merger movement has not gone so far yet there. The union does hence not yet get competition from a large member.

The small private industry is organized in one association, the VVZM (Association for Dairy Industry and Milk Hygiene), with much less resources, as may be indicated by its number of staff: 6. By comparison, the FNZ has 95 staff members and the Frisian Union over 200.

Furthermore, there are 6 smaller product-specific associations: for condensed milk, coffee cream, butter concentrate, consumption milk, molten cheese and ice cream. Their members are usually also associated to the general dairy associations.

There is not really a sector peak association in the dairy industry. Formally, there exists a 'Central Dairy Committee', to which the FNZ and the VVZM are affiliated, but this committee has only met twice in the past 15 years. Real interest aggregation and coordination takes place in the non-voluntary statutory trade association for the dairy industry. Most associations are present on the executive council or in subcommittees of this statutory association.

The FNZ and the VVZM are, as general associations, the ones which represent the industry in most specialized sector boards. They are also the only employers' associations, and hence carry out the wage negotiations. All the product-specific associations are purely trade associations. Some are disguised cartels and hence organizations of self-regulation.

To complete the picture: on the labour side the situation is more simple. There is no sector specific labour union any more. Workers in the dairy industry can become a member of three competing unions: the largest 'Voedingsbond FNZ' (merger of former socialist and catholic trade union for the food proces-

NATIONAL INTERSEKTORAL PEAK-ASSOCIATIONS.
 E = Employers' Association
 T = Trade Association

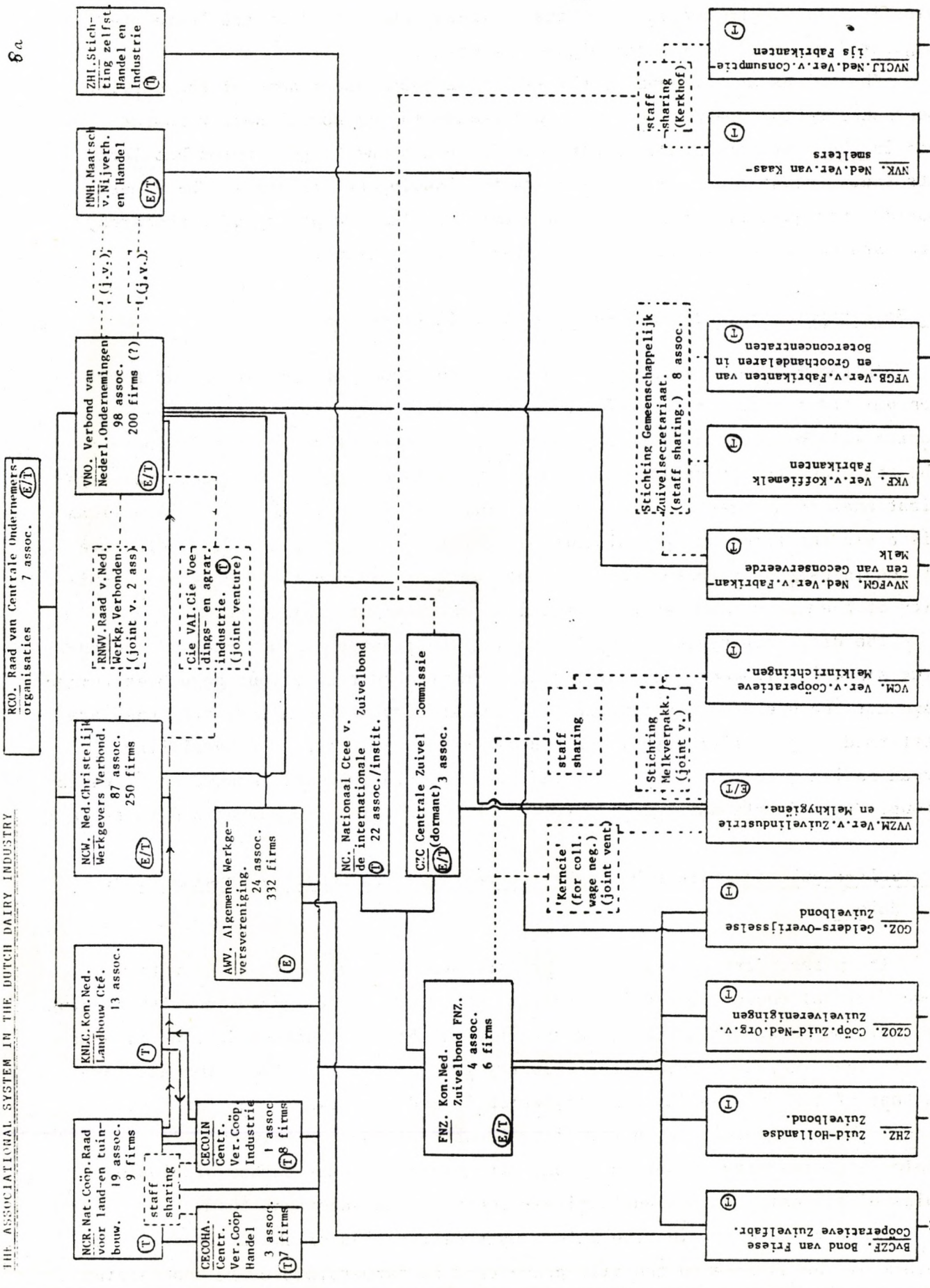
SECTORAL PEAK-ASSOCIATIONS

JOINT VENTURES, STAFF SHARING ARRANGEMENTS BETWEEN FIRST ORDER ASSOC.

FIRST ORDER ASSOCIATIONS.

Number of member firms

Not product - specific



sing industry), the smaller protestant 'Voedingsbond CNV' or the 'Unie BLHP', a general union of medium and higher employees.

The unions are present on the executive councils of some of the earlier mentioned sector boards: They are represented in all social sector boards and in the statutory trade association (although the largest union has left its seats vacant over the past 5 years for ideological reasons). The other boards, for quality control, raw materials, collective propaganda, research, etc. are solely activities of the business associations.

6. Self-regulation and variations in state-intervention.

In the following paragraphs the different types of regulation and the concomittant organizations will be discussed in more detail. The following topics will be covered: a) the present distribution of responsibility between the state and the private industry for the different subfunctions; b) the organizational structure and its degree of autonomy vis a vis the state as well as vis a vis the firms; c) the historical conditions of emergence (in the nature of the industrial structure and/or state policy); d) and the succes and stability of the arrangement and the conditions which might explain it.

The different types of regulation will be treated in the order of increasing state involvement. Some of the afore-mentioned regulations have been lumped together because they are functionally and structurally similar, i.e. they are performed in a similar way by one and the same organization or by similar organizations. In this way the 20 different regulations are reduced to 12 variations. Their functional and structural characteristics are summarized in table I.

6.1. Self-regulation within business interest associations: The Frisian Dairy Union.

The purest form of collective private self-regulation is found within some regional cooperative dairy associations. These have agreed on rules binding to their members, but as the density ratio in their respective domains is near 100 %, they in fact regulate the industry in their domain. The strongest case is that of the Frisian dairy union, which is and has always been the most tightly knit organization in the dairy industry (and possibly even in the whole Dutch industry). That is to say, it has the largest number of binding rules of all dairy unions and actively controls and sanctions them.

These rules determine the milk supply territories of the different firms, determine the advance on the milk price paid to farmers, prescribe bookkeeping techniques and the control of the books of the firms by the association and regulate the investment behavior of the member-firms. That is, here we find

OVERVIEW OF FUNCTIONAL AND STRUCTURAL CHARACTERISTICS OF DIFFERENT SELF-REGULATORY ARRANGEMENTS.

paragraph no.	6.1.	6.2.	6.3.	6.4.	6.5.	6.6.	6.7.	6.8.	6.9.	6.10.	6.11.	6.12.
	Regulat. Frisian Dairy Interest Assoc.	Cartels	Collective Wage Agreement.	Quality Control Raw Material (milk)	Collect. Propag./ Collect. Research	Statutory Trade Ass. Autonom. Decisions	Quality Control Final Products	Social Security	Works Councils	Statutory Trade Ass. Government	Pollution Control	Food and Drug Regulat.
A. SUBFUNCTIONS.												
1. Formulating or advising on concepts of general rules.	0	0	0	1/4	1/4	1/2	1/2	1/2	1	1/2	1	1/2
2. Confirming, determining rules - de facto - only formally (public registration)	0	0	0	1/4	1/4	1/2	1	1	1	1	1	1
3. Formulating operationalizations, norms	0	0	0	0	0	1/2	1/2	1/2	1/2	1/2	1	1
4. Actual implementation and administration	0	0	0	0	0	1/2	0	1/2	1/2	1/2	3/4	1
5. Controlling observation of the rules	0	0	0	1/4	1/4	1/2	0	1/2	3/4	1	1	1
6. Supervision of implementation and control	0	0	0	0	1/4	1/2	1	1/2	1/2	1	1	1
7. Sanctioning transgressors	0	0	0	0	1	1	0	1	1	1	1	1
8. Handling appeals.	0	0	0	0	1	3/4	1/2	1/2	1/2	3/4	1	1
B. STRUCTURE (OF THE (SEMI-)PRIVATE ORGANIZATIONS INVOLVED).												
1. Initiators	0	0	1	0	0	0	0	0	1	1	1	1
2. Legal recognition of rules/organization. State permission required for changes in organizational structure)	0	0	0	1/2	1/2	1	1	1	1	1	1	1
3. Autonomy of authority: do decisions need state approval ?	0	0	0	0	0	1	0	1/2	0	1	1/2	1/2
4. Influence state on governing board ?	0	0	0	0	0	1/2	0	0	0	1/2	1/2	1
5. Do organizations receive state subsidy ?	0	0	0	1	0	0	1	0	0	1	1	1
6. Statutory or De facto monopoly ? (D=1)	1/2	0	1/2	1	1	1	1	1	1	1	1	1
7. Statutory or De facto compulsory membership ? (D=1)	1/2	0	1/2	1	1	1	1	1	1	1	1	1
8. Statutory or De facto tax authority ? (D=1)	1/2	0	1/2	0	1	1	1	1	0	1	1/2	1/2
9. Statutory or Private Sanctions ? (1=Public/Criminal Law; 1/2=Disciplinary law; 0=Civil Code)	0	0	0	0	1	1	1	1	1	1	1	1
10. Influence firms on organization board (1=Direct/indirect representation through firms; 1/2=Indirect representation through other persons; 0=No representation)	0	0	0	0	1	1	1	1	1	1	1	1

CODES:

0 = Private business responsibility; no state interference with org., no state recognition, sanctioning, subsidies, no statutory powers.
 1 = State responsibility; state recognition, state influence, subsidies, statutory powers
 1/2 = mixed responsibility or responsibility of statutory trade association or Social Economic Council.
 (semi-public org.)

one association maintaining the regulations no.11,12,16 and 4, mentioned earlier in par.4.

All subfunctions around the four types of regulation are performed by one and the same private association: the formulation and determination of rules as well as operationalizations, the actual administration, control, sanctioning and the handling of the appeals procedures. At no stage is there government interference, except of course in so far as the state registers constitutions of private associations, requires them to satisfy the civil code and backs internal association rules by private contract law. The rules of the Frisian union regarding milk supply territories and border conflicts, the advance on the milk price and the financial control of the firms are all laid down in the constitution of the association. Regulation of investment behavior however is done more informally by the association's staff, on the basis of its acquired authority over members.

Except again for the formal recognition by the inclusion in the public association register, there is no state influence on or within the Frisian dairy association. Decisions do not need state approval, there is no state representative on the board, the association does not receive state subsidies and carries out the sanctions itself (except for the backing in the end by contract law). Furthermore, there is no state assistance for authority of the association over its members. The Frisian union has no statutory privileges.

Nevertheless, it has acquired quite some autonomy vis a vis its members. To be sure, since the union is an association with members, the members are represented on the executive board - as required by the civil code. Furthermore membership is formally voluntary. De facto it has however become obligatory. No firm in the province can permit itself not to be a member. Moreover, there is no alternative organisation. The Frisian union has always had a monopoly in its domain, even without state assistance. More importantly, the degree of professionalization has become very high. The association has a staff of over 200 employees (on an industry, employing only 1.600 workers). The de facto influence of the secretary has been very high (although this is changing under the growth in size of the member firms). An indication for this is that the secretary in the past had an important say in the selection of directors for the member firms, formally the task of the executive committee of the cooperatives, made up by member-farmers of the cooperative. "When a dairy engineer had carrier aspirations, he did best to request an audience with the union secretary", thus our informant. The secretary could develop such a position because of the lack of expertise among the farmer-members of the cooperatives, in combination with a distrust among farmers vis a vis the director of their dairy factory, as well as the great financial interest of the farmers in their factory. They were namely completely personally liable

for all eventual financial losses, according to the legislation on cooperatives. The secretary owed its authority hence to the need by the boards of the cooperatives for a neutral outside advisor. Furthermore, the authority is based on a dependence, which has been the result of the many services the secretariat of the Frisian union provides to the affiliated cooperatives. Over the years, the members have become used to this dependency-relation. A consensus has developed over the need for a strong, well resourced organization with authority over the members, in their mutual interest. In this way, the association developed into a kind of executive of a multi-plant firm, providing staff services and exercising authority over the affiliated plants. The difference with a business firm is however that the member-firms are autonomous. They can formally withdraw from the association. In addition, the relationship is not only a hierarchical one. The staff autonomy is important when it comes to implementation and control. The association policy however is - contrary to in business firms - determined by the members. The binding rules are the result of sometimes extended negotiations between the members in the policy-making councils. The bookkeeping prescriptions as well as the advance on the milk-price - determined every fortnight - are prepared in special member-committees, and finally determined by the executive board. The rules on the milk supply territories are fixed regulations. 'Border conflicts' are resolved by binding arbitration by a committee of 'distinguished persons', which acts autonomous from the executive, and also decides on appeals by members to association decisions and sanctions.

The existence of these forms of self-regulation can only be explained by the past. Both need and possibility stem from the structure of the industry in former days. The need for such regulations developed out of two factors: a) the fierce competition between factories for farmer-milk suppliers; and b) the distrust between farmer-members of the cooperatives and factory directors.

The fierce competition resulted from the existence in the early days of many small factories (1908: 84 in Friesland, compared to the present 11), the easy entry to the market due to the still low degree of capital intensity and the need for more milk suppliers. The cooperatives were interested in paying their members as high a milkprice as possible. In order to maximize this price, they had to increase efficiency, among others by using economies of scale. This required more milk suppliers. The farmer-owners of a cooperative were so interested in increasing their number by luring farmers away from neighboring cooperatives, among others by offering a (temporary) higher milk price. A first attempt to reduce this type of competition was the measure to centrally prescribe the advance on the milk price, introduced in the early twenties. In this way, differences in milk price advance disappeared

and competition was restricted to the annual final payment of the milk price. Competition was more drastically reduced by the binding prescription to each farmer which factory he should supply. As this was an important encroachment on the freedom of the farmer, it was not easily agreed upon. It took over 30 years of discussion, and of all regional dairy unions only the Frisian succeeded in establishing binding arbitration of 'border conflicts'.

The distrust of farmers vis a vis their director and their interest in the financial management of their firms, given their personal liability, has been mentioned already. This was an important motive for the association becoming the 'accountant' of the factories on behalf of the farmers. The same opposition between farmers and directors also lead to a control of the association on the determination of the quality and the fat- and protein content of the milk by the factory. Quality and composition of the milk formed namely the basis of the milk prices, the farmer got from the factory. In later years quality control became the subject of a special control arrangement. Therefore it will be discussed later on (Cf.par,6.4.)

Self-regulation was a response to a need, but required also preconditions, making self-regulation possible . A most important condition was the emergence of a rather autonomous organization with a secretariat with a high degree of authority. As has been indicated, this was the result again of the farmer-director opposition, of the lack of knowledge among farmers and of the need for central services. In addition, a strong social identity between the members has enhanced the possibility of self-regulation.

This social identity stems first of all from the common property structure and the ties of the cooperatives to the agricultural world and its organizations. Secondly, the existence of 'common enemies' in the form of capitalist dairy firms and dairy traders/customers, who opposed the establishment of cooperatives in the early days and later on their market ordering regulations, provided a common fate. Thirdly, the exceptional strong organization in Friesland has to be explained from a common regional identity. Friesland, as a rural and agricultural province, has always had many conflicts of interest with other, especially the western part of the country , where political power is concentrated and interests in international trade and finance dominated politics. The Frisians, in addition, have their own specific culture, even their own language, distinct from Dutch, which has all contributed to strong social cohesion among the Frisian dairy cooperatives.

The arrangements have been quite succesful. Competition has been reduced, broad consensus over self-regulation has further enhanced the legitimacy of the interest association and strengthened social cohesion. State intervention has not been necessary to alleviate the problems to which the private regulations are a response. The arrangement has been very stable over the years and would

likely be continued, if it was not for the fact that they might become redundant in the future. The merger movement - which by the way has also reduced competition for farmers - is likely to continue. Whenever the 11 remaining dairy firms one day form a single cooperative, a single association of dairy farmers exploiting a number of factories, as has already happened in other parts of the country, the interfirm self-regulation will automatically be replaced by intra-firm rules. Horizontal agreement will then cease to be the basis for the rules and will be replaced by hierarchic authority.

In such a case, the territorial scope of the regulations could be changed: from provincial they might become national rules. But this is not likely. With the increasing size of firms, the authority relations between associations and their member-firms are changing, also on the national level. The large firms will no longer feel the need to have their books controlled by an association. If only for the fact that the influence of the farmers in their cooperatives is decreasing with the increase in size and professionalization of the dairy cooperatives. More and more cooperatives function just like any other capitalist enterprise. Moreover, the financial stake of the farmers in the cooperatives is presently being reduced. Were they in the past fully liable for all debts, full liability has now been limited. Full liability was necessary in the past to be able to loan the necessary capital, which the farmers did not have themselves. (Choice of the cooperative legal form was not so much ideologically as well as financially motivated). By now, the cooperatives have amassed such huge amounts of capital that they have no problem any more with the financing of their investments.

As far as the supply and price of the raw material milk is concerned, there is presently already an informal understanding on these matters between the four large cooperatives. It won't be likely that they will feel a need to formalize such agreements. Formal binding rules, backed up by sanctions, seem especially necessary when the number of concerned firms is reasonably large. With only a limited number of competitors, prisoners dilemma problems, which might jeopardize agreements, are much less likely to occur. The end of this type of self-regulation hence seems to be near, notwithstanding its remarkable stability over the past years.

6.2. Cartels (on the product market).

Cartels are a special type of self-regulation by voluntary business associations and are hence also private arrangements. The afore mentioned regulations of business associations are in fact nothing more than cartels on the raw materials market, just as collective wage agreements have been cartels on the labour market, at least in those prewar years when these agreements were unilaterally made among business firms. The word 'cartel' however is usually

reserved for self-regulation on the product-market.

Such cartels differ from the 'cartels on the raw materials market' insofar as they have been the object of state intervention. Cartels on the product market are in most countries normally seen as contrary to the public interest and legal interference has usually gone in the direction of limitation or outright prohibition. This is the case in such 'liberal' countries as the USA (anti-trust legislation) and in countries, where legislation has been strongly influenced by the USA, such as Western Germany. The Dutch government has had a more lenient attitude towards cartels, at least until the very recent adjustments to the EC-cartel legislation. In the Netherlands, cartels have been legally allowed, unless... In other countries legislation approaches cartels from the opposite way: they are prohibited, unless... Cartels in the Netherlands have to be registered with the government (in a secret cartel register). By thus informing the state, the latter may decide to declare the private arrangement illegal. On the other hand, the state may also declare the cartel generally binding for all firms in the industrial sector concerned, including those, not present around the table when the agreement was reached, that is, if asked to do so. The state will take such a measure, whenever it is convinced that this serves a general interest or is necessary to protect the industry. Such generally binding cartels exist for example in the sector of book publishing (seen as a prerequisite for the availability of a wide variety of Dutch books), or in several retail trades to protect small shopkeepers from competition by large supermarkets. Private business has hence the possibility of state assistance to prevent free ridership jeopardizing a private agreement. This dates from the 1935 Act on Generally Binding Declaration of Cartels, instituted during the economic crisis to enable the state to protect industries against self-destruction.

There are a number of cartel-agreements in the dairy industry, varying in degree of formality. Only one, in consumption milk, is declared generally binding, but as this is a regulation of the statutory trade association for the dairy industry, it will be discussed later on (par.6.6.). In the other cartels the only state involvement is that they have to be registered with the state. (Insofar as they differ from the regulations, mentioned in par.6.1.). Everything else is a private affair.

The most formalized cartel is the one on coffee cream for the domestic market ('evap'). This cartel has the disguise of a product-specific interest association, the Association of Dutch Coffee Cream Manufacturers. It is a quota cartel. The 5 members get every year a part of the market, dependent on their historic market share (the average over the past 3 years). If they sell more than their quatum, they have to pay a significant fine to the association. Out of the funds, created by these fines, the secretariat of the association is paid - i.e. its members pay no regular dues - and competitors who sell

less than their quorum receive a compensation. This cartel is restricted to coffee cream sold in bottles. Unsweetened condensed milk (that is what coffee cream is), sold in tins, is not part of the arrangement, but its market share in the Netherlands is very small. Its producers, such as Nestlé and Carnation, do not belong to the club.

The agreement is a relatively recent one - it dates from 1973 - and was a reaction to a market squeeze, a threatening overcapacity. It was sponsored by an already existing Association of Manufacturers of Condensed Milk (from 1953). The majority of participants knew each other already from this association.

The agreement is relatively unstable, as most voluntary cartels seem to be. Presently, the cartel is undermined by member-firms selling more and more coffee cream in paper packaging, which does not (yet) fall under the quota system.

One would expect a cartel especially on the domestic market, because agreements for a limited territory might be more easy to implement and control. Nevertheless, there are also two cartels for the international market, negotiated in the Netherlands. They have a more informal character. Their effectivity stems from the high share of Dutch exports in the international trade.

One such cartel concerns condensed milk, where Dutch producers have a 60 % share in world trade. Furthermore, the remaining 40 % is primarily accounted for by two large multinational firms, Nestlé and Carnation, which, through their Dutch subsidiaries, are present around the table. This table is set within the aforementioned Association of Manufacturers of Condensed Milk, and has informally grown over the years. It seems to be more stable than the coffee cream agreement. This by the way may be an explanation for the fact that here less formal arrangements were sufficient. Another explanation for this informality may however be that the foreign participants might get in trouble in their home country, when their cartel-activities became too much in public focus.

A third price agreement concerns exported cheese (where the Dutch take care of 25 % of world trade). Here the institutional cover is provided by the national cooperative dairy union FNZ, as 93 % of the cheese production is in cooperative hands. The cheese manufacturers meet every fortnight in the Cheese Committee of the association, to discuss prices and set minimum export prices. The agreement is relatively unstable. The present overcapacity and the resulting fierce competition lead regularly to a disintegration of the arrangement. All the more because - given the informal character - there are no sanctions placed on the agreement. But every time again the producers have succeeded in coming up with a new temporary agreement.

For other products, such as butter and milkpowder, there are no private price agreements. The presence of cartels in the aforementioned products and

their absence in butter and milkpowder can be explained by several factors. A very important reason for this difference is that the markets for butter and milkpowder are under the direct influence of the EC-collective dairy policy and the other products not. Butter and milkpowder are namely the so-called intervention products. Surplus raw milk can, processed in butter and milkpowder, be handed in at the EC-intervention bureaus against a minimum price, set by the EC-authorities, the so-called intervention price. However, firms as well as farmers prefer of course to make a better price than this minimum for their processed raw milk. They are especially keen on selling milk processed into cheese, because this product has the highest value added, and therefore could yield the highest proceeds. Henceforth competition is the fiercest on the cheese market. The need for price agreements is therefore here the highest. The strong competition makes it at the same time relatively difficult. The result is an unstable and informal price arrangement, which continually needs to be renewed.

The presence of cartels in the branches of coffee cream and condensed milk must be explained differently. Here not so much need as well as opportunity is the deciding factor. Coffee cream is produced by only 5 firms for a stable, relatively closed domestic market. Condensed milk on the international market is also produced by a limited number of large firms, all present in the Netherlands, with a lenient cartel-policy. What more could big dairy business wish ?

6.3. Collective Wage Agreements.

Collective wage agreements are more 'public' insofar as they are not any more an internal arrangement of business, as the types of regulation mentioned so far, but are the result of negotiations between two or more organizations, representing different social classes.

In the Netherlands they can even be more 'public'. Just as the state has the authority to declare cartels generally binding, it can also do that with sector-wide collective wage agreements, negotiated by voluntary associations. In fact, the 1937 Act on the Generally Binding Declaration of Collective Wage Agreements was modelled on the cartel act from two years earlier. By doing so, the agreement gets a public law character and becomes binding also for those employers and employees, not represented by the negotiating partners. Here again, the associations get state support in preventing free rider problems jeopardizing the arrangement. (competitors paying lower wages and hence being able to sell at lower prices.) Such state support also strengthens the negotiating organizations. Membership becomes namely more attractive. If firms want to have a say on the wages they are going to have to pay, the only way is to become a member of the association and voice their opinions. Whenever

a collective agreement is declared generally binding - on request of the partners in the agreement - the state becomes involved in confirmation, control of observation and sanctioning of the regulations. This is the case in many branches of industry.

The sector-wide collective wage agreement in the dairy industry is however usually not declared generally binding. The employers at least feel no need for it. They bind their members by signing the contract, and as almost all firms are organized, the agreement is in fact binding for the whole industry, only on grounds of civil law (Only two small dairy cooperatives are unorganized, one for personal reasons, another for ideological ones. It is located in an extremely orthodox protestant region). The difference is that confirmation, implementation, control on observation and sanctioning is all done by private employers associations, with the assistance of trade unions and private contract law.

This is an indication of the preference of the dairy industry - as well as its capacity, in this case based on the high density ratio - for private self-regulation. Whenever possible, the dairy industry has tried to minimize state intervention - as will be seen in paragraphs yet to follow. The only state involvement in the actual process of collective agreements is passive: just as cartels, the collective wage agreements are registered with the state. State influence on the organizational structure is also minimal. As far as the employers' side is concerned, the same type of voluntary business associations as involved in the regulations mentioned in the previous paragraphs, negotiate and implement the agreements. They have no statutory powers, are not formally recognized by the state, receive no state subsidies, etc.

The initiators however have not been private business. The first collective wage agreement came about under pressure of the trade unions and the state. The dairy associations have long withstood such pressures, at least on the national level. The Frisian dairy union agreed already in 1905 to a province-wide wage agreement, if only with a trade union, sponsored if not established by itself. This agreement moreover was voluntary. Member-firms could pay the wages and working hours, mentioned in the agreement, but were not obliged to do so. Only after 1920 did the signature of the association president come to bind the members. In other regions, as well as nationally, unilateral voluntary agreements on wages and working conditions were made among employers. Such 'cartels on the labour market' became however never binding.

The first nation-wide bilateral sector agreement came much later, in 1948, many decades too after national wage agreements had been reached in other industries. In 1948, the dairy associations could no longer withstand the external pressures. The postwar state-guided wage policy and the national framework agreement reached within the Foundation of Labour (a bipartite

industry-wide consultation body, established at the end of world war II in the illegality) forced all sectors, which did not yet have a collective wage agreement, to settle on one. (Only then did the dairy business associations join a national peak employers' association, namely for advice on the collective wage negotiations). The emergence of this type of bilateral self-regulation was hence the result of national developments in labour relations and of the general increase in state intervention by the new, partly social-democratic governments under the conditions of postwar scarcity.

So far, the formal procedures around wage negotiations have been sketched. The last 10-15 years however have seen a continuation of abnormality. Almost every year parliament has accepted temporary ad hoc enabling bills, authorizing the state to intervene in wage negotiations. Thus the state has set ever more restricting conditions to the wage negotiations, setting e.g. limits to compensation for inflation, vacation pay, minimum wages, etc. As a result, the private character of wage negotiations has become more and more only a formal matter. The material content of the agreements has been state-determined. The

autonomy of private business has thus been very unstable here, due to the periodic but increasing state intervention nationally. This is a more general tendency, as will be seen in following paragraphs.

6.4. Quality Control of Raw Materials.

Milk, as an organic matter, is a sensitive raw material. It deteriorates fast and is easily polluted. This is not only a danger to public health, but also to the efficiency of the production process. Milk, polluted for example with butter-acid bacteria creates problems in the cheese manufacture and results in a higher percentage of waste material or second class products. In order to stimulate farmers to produce good quality milk, factories voluntarily introduced already at an early date the principle of payment according to quality. In 1933 the state made this compulsory in the western urbanized part of the country, where most milk was used as consumption milk. In 1958 this obligation was extended to the whole country. This was an initiative of the state, who however delegated the necessary rule-making to the statutory trade association (Cf.par.6.7.)

In addition to the 'quality' (the cleanliness, presence of bacteria, anti-biotics-residues,etc.) also the fat- and protein content of the milk is important, because it determines the 'dairy-value' to be derived out of the milk. A higher fat-percentage leads to more butter per unit milk. A higher protein content makes for better quality cheese. Hence, next to payment according to 'quality' also payment on the basis of 'quantity' - as it was called - came gradually to be an accepted practice. In the fifties this also was made compulsory, by regulation of the statutory trade association.

This payment-system lead to a need for an 'objective' determination of the milk quality. Factories could of course determine quantity and quality in their own laboratories. But first of all, the farmers did not trust their factories enough to allow them to determine quantity and quality without any form of external control. Secondly, given the heavy competition between factories for farmers-milk suppliers, the factories were sometimes tempted to test milk less rigidly, or to measure too favorable for the farmer, in order to pay him (temporary) a higher price for lower quality milk than a neighboring factory. In order to make such 'unfair competition' impossible, a central uniform system of quantity and quality control was required, regulating and controlling the milk analysis by individual factories.

At an early date, the provincial cooperative dairy associations took it upon them to perform this activity. This fitted in well with their other self-regulatory activities: control of the books and reduction of competition for farmers-suppliers. The associations of the private dairy industry however could not perform this task themselves. They did not have the required legitimacy, given their looser relation with farmers and the more manifest interest conflicts between farmers and the private industry. Hence they established from 1920 on 6 independent milk control stations in those parts of the country, where the private industry was located, in the western part and in Friesland.

When nationwide compulsory payment according to quantity and quality was introduced, the state wanted to get more control over the quality determination. Since at the same time the statutory trade associations were established, the state thought this to be a good task for the STA. The industry however, which originally opposed the establishment of the statutory trade association, also opposed such a transfer of authority from the existing private institutions to a semi-public one. In a pre-emptive move the voluntary dairy associations jointly established a new private control system, more independent from the voluntary associations. This was however done only for the so called qualitative control, where public health interests were most involved. The 'quantitative control', on weight, fat- and proteincontent, was to be left to the regional dairy associations and the existing independent institutions of the private industry. The state consented with this arrangement.

Almost all subfunctions in the present milk control system are therefore in private hands. Only the basic regulation, the obligation to pay milk according to its quality and quantity, is a semi-public responsibility (The 1958 'Dairy By-law on Supply of Milk by Dairy Farmers to the Industry'). Furthermore, the statutory trade association passively supervises the implementation, in so far as the private supervisory agencies have to be registered and recognized by the STA. All other subfunctions are carried out by private foundations,

created by the industry. These provide binding rules regarding milk analysis (in a sense the operationalizations of the general rule on payment according to quality), such as on sampling procedures, choice of chemicals to be looked for, methods of analysis, quality norms for 1st, 2nd and 3rd class milk, etc. They carry out the analysis, control and supervise, sanction transgressors and even handle appeals.

These tasks are carried out by a rather complex set of organizations, the result of the long and complicated history of the milk control and the differences between the private and the cooperative sector as well as between the western urbanized consumption milk area and the other primarily cheese and butter producing rural areas.

The organization of the 'quantitative control' of the milk is the simpler part. It is regulated and supervised by the private regional cooperative dairy associations and three independent institutions which do the same for the private industry and those cooperative firms for which there is no regional dairy association any more. Sometimes, these organizations have laboratories of their own, in other cases the analysis is delegated to independent regional milk control stations.

The 'qualitative control' is more complicated. Most important are the 8 Regional Organs for Milkcontrol (ROM's). These set binding regulations concerning quality determination and payment systems for their territory and they supervise the milk analysis and pay special attention to the uniformity in quality determination. The regional ROM's are supervised in turn by a Central Organ for Milkcontrol (COM), which coordinated the activities of the ROM's, harmonizes rules by giving binding prescriptions to the ROM's (but this is only possible when a majority of ROM's agrees) and controls the control activities of the ROM's, among other by taking samples everywhere itself and having them analyzed and by checking the techniques and instruments of the different laboratories. This actual analysis is done by 6 milk control stations, spread out over the country. They investigate cleanliness, smell, presence of bacteria, acids, oxidants, residues of anti-biotics and pesticides. Milk is then classified in three classes, 1st, 2nd and 3rd class. For third class milk, farmers have to pay a fine, for first class they receive a bonus, paid out of the fines and out of regular contributions of the factories to the ROM's, which have a central pooling fund for this purpose. For presence of pesticides and anti-biotics a much higher fine has to be paid. The system is based on control afterwards. Preceding control is considered impossible given the bulk supply of milk and the necessity of direct processing. Therefore the system must have a preventive character. The height of the fines is therefore so calculated, that a farmer will not benefit from intended adulterations.

As said, the system as a whole has to be recognized by the statutory trade association. This means that it recognizes the COM and through this organization - automatically and indirectly - the ROM's, which have to be recognized by the COM. Decisions are taken autonomously. ROM-decisions need the approval of the COM, but COM-decisions are autonomous, except for decisions to change the constitution (need state approval) or to change prescribed milk payment systems (need approval of the STA).

The organizations are foundations, not associations. This has been a conscious choice, because it would give the organization a greater autonomy vis a vis the firms. Foundations have no members, hence the firms to be controlled have no direct influence on the board. They have only indirect influence. Their voluntary interest associations namely appoint the members of the executive board. The state is only passively represented on the board. The organizations have voluntarily placed themselves under state supervision (again to enhance their image of 'objectivity'). This implies that civil servants have access to the board meetings of the supervisory COM, but have no voting rights.

The ROM's have a monopoly in their territory, given to them by the COM, which has recognized only one ROM for each territory. Affiliation (not membership!) is compulsory by regulation of the statutory trade association, in an indirect way. The STA has issued a by-law, determining that only factories, which are affiliated to (and hence controlled by) a recognized milk control organization are allowed to process and sell milk and dairy products (Formal recognition is hence required in order to ensure compulsory affiliation).

This indirect way has been chosen, because formal compulsory membership of private organizations is unconstitutional. Even this 'detour' may be illegal, but, contrary to the situation in quality control of final products (Cf. par. 6.7.) no one has yet challenged the arrangement for the courts. The whole dairy industry consents to this compulsoryness, created voluntarily by itself. At the outset however there has been some opposition to compulsory membership by the pre-existing voluntary control associations. They opposed it because they did not like the complement of compulsory membership: compulsory acceptance of every firm as affiliate. In the past, some firms had made themselves unpopular by unfair competitive practices. Their colleagues did not want to be compelled to accept such a competitor as affiliate of the control institution. Therefore, a special institution was created, a nationwide Special Organ for Milkcontrol (BOM), which would accept firms, not admitted by their regional organ. Hence under the present compulsory arrangement firms do not have a choice (whether to join and which organization to join), but the control organizations do have a choice (whether to admit a firm or not). The BOM has for the past years however been a sleeping organization, with no members.

Given the monopoly and the compulsory affiliation, all further authority

of the organization can be based on civil law, which regulates the internal affairs of private organizations. Hence they have no need for statutory tax authority or statutory sanctions. The financial needs are satisfied by the internal rules on contributions and fines. Payment is sanctioned by the civil code. And unlike in voluntary associations, affiliates cannot avoid continued payment by leaving the organization. Appeals procedures are also a private internal matter. The COM has instituted and regulated a private Council of Appeals (Raad van Beroep), where firms can appeal decisions of the ROM's, including decisions to issue sanctions.

Quite separate from this private arrangement there are also state-agencies, which could perform the same activities. The Inspection Boards for the Food and Drugs Act from the ministry of health (Keuringsdiensten van Waren) can also control milk samples and issue warrants to transgressors of minimum quality norms and sue them in the state courts. A similar authority has the General Inspection Board (AID, Algemene Inspektie Dienst) of the ministry of agriculture. They have no supervising authority over the private control system, but exist next to it. They could check the private activities by independent controls, but they hardly do that any more. The Food and Drug Inspection Boards, which in the past used to carry out thousands of controls among milk suppliers now only analyse one or two samples a year. They trust the private control. Hence we have here a clear example of private offloading of state activity. The state control boards can so spend their energy on products of other branches of industry.

The arrangement has been a rather stable one up till now. It has been successful in offloading the state and has legitimacy, not only towards the state, but also towards the industry, as may be apparent from the fact that no firm has yet challenged the possibly illegal compulsory affiliation. Some changes are however pending. The number of ROM's and of control stations will likely be reduced and the state influence will increase, as the milk control system will be brought under the new general 'Quality of Agricultural Produce Act' (Landbouwkwaliteitswet, 1974). When that happens, the COM will get more hierarchic authority over the ROM's (now the COM-decisions need approval by a majority of ROM's) and the AID-state control board will get a supervisory authority over the private control system. The most important impetus for this change is the EC-legislation, which required the Dutch ministry of agriculture to change its quality legislation (no quality distinctions may be made any more between products for the domestic market and for exports within the EC). A new act was accepted in 1974, and for reasons of neatness and simplicity, the state wants to bring all control systems under this act. Furthermore, the state also has an interest in reduction of complexity. The present complex arrangement is too opaque for many in- as well as outsiders. Reduction of the number of regional

organizations has furthermore become possible because much less samples have to be analysed (a result of the decrease in number of dairy farmers) and with the new technology raw milk can be transported over larger distances, without loss of quality.

6.5. Compulsory Collective Propaganda and Research.

The dairy industry is equipped with a well resourced organization, making general propaganda for the Dutch dairy products (especially the products with the highest value added , butter and cheese), the Dutch Dairy Bureau. With its budget of 70 million guilders (about 30 million dollars) it tries to purvey and maintain the popular picture abroad of the dutch, walking around in wooden shoes, wearing funny clothes, and living under windmills and cow udders. Especially the growth-market Western Germany is its victim: The symbol of the Dairy Bureau, a naive natural 'milk girl', in Germany called 'Frau Antje', markets the "Echter Käse aus Holland", covering up the fact that the way in which ever more milk is squeezed out of the udders of the dutch cow, is not quite so natural any more. The Bureau is quite succesful. The market share of dutch cheese abroad is continually increasing and has passed the 50 % in the neighboring countries Germany and Belgium. A smaller cousin of the Dutch Dairy Bureau, the Holland Cheese Exporters Association (HCEA) directs similar activities further away, to North- and South America. Both organizations - foundations - typify a complicated mix of state - and private regulation.

The organizations themselves are private arrangements. The governing board of the Dutch Dairy Bureau is made up of 15 representatives of the different business associations of the dairy industry, 1 representative of the trade unions and 1 representative of the semi-public statutory trade association in the dairy industry (Cf. par. 6.6.) State influence on the governing board is hence only very indirect. It appoints the chairman of the statutory trade association, who represents then - one step further away - this association on the board of the Dutch Dairy Bureau. Decisions are taken autonomously, the organizations themselves do not have statutory powers and neither do they receive state subsidies. They are financed by the industry.

The Dairy Bureau and the HCEA are however the organizations which only implement and administer a regulation, made by a different organization, the statutory trade association (par. 6.6.). The actual regulation is the compulsory 'tax' on the industry for collective propaganda purposes, which in 1982 amounted to f. 5,50 per 1000 kg. processed milk. This regulation is an autonomous decision by the statutory trade association, which has been allowed to share in the state monopoly on taxation. The statutory trade association collects the funds for the Dutch Dairy Bureau and the HCEA and controls and supervises the

tax payment. Because of its financial responsibility, the STA has to approve the budgets of the two organizations and it controls their financial affairs more in general. Hence also the presence of the chairman of the STA on the board of the foundations.

This regulation by the STA can be called private. The voluntary business associations and trade unions, which form the governing board of the STA, are free to decide whether or not they want collective propaganda or not. If they choose for it, they can use the statutory powers, with which the association has been vested by the state, to compell every firm in the industry to contribute. Such a decision however requires formally the assent of the minister of agriculture.

The statutory nature of the arrangement also implies that sanctioning and handling appeals against a decision to issue a levy are in the end state responsibilities. The STA has the power of summary execution ('parate executie'), i.e. levies are recoverable by distress-warrant without legal verdict (dwangbevel), with assistance of an official writ-server on the basis of the Bill on Civil Claims (Wetboek van Burgerlijke Rechtsvordering). Appeals are handled by the district-courts ('arrondissementsrechtbanken'). Some subfunctions are thus carried out privately, others by or with assistance of the state. The STA, as a strongly state determined organization, fits in between.

The organizational characteristics of this arrangement are thus rather complicated. They have to be scored for three organizations, the statutory trade association which formulates and controls the rule (earmarked taxation), the state institutions, which handle sanctions and appeals and the private foundations, which implement the arrangement. The organization of the compulsory propaganda hence exemplifies a complicated mix of private and public authority.

Recently, by the way, the situation has become even more complicated. The Dutch Dairy Bureau has over the last couple of years been receiving funds out of the so called 'co-responsibility levy'(medeverantwoordelijkheidshewing), which farmers have to pay over the milk they produce in excess over their amount in the preceding year. This is a state, or rather a supra-state (EC) regulation, introduced to combat overproduction of milk. The measure is in the Netherlands carried out by the statutory trade association in so called 'co-government'. The levy itself is a state decision and no longer a private choice as with the earmarked tax, but the decision to use part of it to finance the Dairy Bureau is an autonomous decision of the statutory trade association and is hence again a mixed state-private responsibility.

A similar arrangement has been made for collective research and development purposes. The statutory trade association also taxes the industry for this activity, in the same manner as it is done for collective propaganda. The funds, hfl.11,7 million in 1980, are handed over to another private foundation, similar

in structure to the Dutch Dairy Bureau, the Netherlands Institute for Dairy Research (NIZO).

The organization which formulates the rules, the STA, may be state-initiated. The propaganda arrangement itself however was a private initiative. The representatives of the industry on the board decided voluntarily on this arrangement, as has been pointed out. What's more, it was a continuation and extension of an already existing arrangement on a voluntary, rather than a compulsory financial basis. Already in 1924, the voluntary association FNZ started a collective propaganda campaign for natural butter, to counterbalance the aggressive advertisements of the margarine-industry. This program was extended in later years and taken over by the private joint venture, the Crisis Dairy Bureau, originally established by several voluntary associations as an exportquota cartel during the crisis of the thirties. When this Bureau lost its quota-division task in 1936 to the statutory Crisis Dairy Council (Crisis Zuivel Centrale), a predecessor by the way of the present statutory trade association, it concentrated itself on collective propaganda. After the war, its name was changed in Dutch Dairy Bureau, and only in the late fifties did the propaganda get a compulsory basis through the establishment of a financial connection with the statutory trade association. Until that time, collective propaganda was a wholly private and voluntary arrangement.

The collective research however shows an opposite line of development. The present private NIZO, compulsorily funded by the industry, originated in 1950 out of a state Agricultural Research Station. Here a former state activity was privatized.

These arrangements hence were a reaction against a felt need to counterbalance an external threat: the margarine-industry, which was especially well developed in the Netherlands (Unilever !) (Margarine was, around 1910, incidentally called 'Dutch butter' abroad). The emergence was however possible because of the bulk nature of the product. Firms for this reason did not develop brands and hence did not insist on individual brand-advertising. The close social cohesion of especially the cooperative industry which has stimulated many other collective arrangements played also here an important role.

The arrangement seems relatively stable. It is not a subject of political debate. Nevertheless, the financial basis is gradually becoming more state-influenced. Not intentionally, but as a side consequence of changes in the EC-dairy policy (co-responsibility levy.).

6.6. Autonomous Decisions of the Statutory Trade Association.

The most important organization in the dairy industry is probably the statutory trade association (STA) for the dairy industry (in Dutch: *Produktschap Zuivel* or PZ), created under the 1950 Act on Statutory Trade Associations. This act has been the example of implementation of explicit corporatist ideology, as it was developed in catholic thinking, since + 1848 and embodied in the papal encyclicals *Rerum Novarum* (1891) and *Quadragesimo Anno* (1931). Under this act, first of all, the national tripartite formal advisory council of the industry, the Social Economic Council, was created. Furthermore, the act made it possible to establish tripartite statutory trade associations, regulating an economic sector. This could be done on request of the voluntary organizations of the industry. Under some conditions however also the state could take the initiative to establish such governing bodies. Two types of associations were thought of: so called 'bedrijfsschappen', which organize a sector horizontally, i.e. all producers in a certain production phase; and so called 'produktschappen', which organize a complete product column, i.e. from raw materials producers to the final retail trade.

Under the act, 15 vertical 'produktschappen' and 42 horizontal 'bedrijfsschappen' have been created since 1950. Twelve of them have disappeared again in the meantime. They are mostly located in agriculture, food processing, crafts and trades and a few other industries, such as leather and shoes and mining. For the dairy industry, a vertical 'Produktschap Zuivel' (PZ) was created. This took however some time - it was established only in 1956 - due to opposition by the industry. The voluntary dairy associations originally felt no need for such semi-public regulation and went even so far as to create a private alternative, the Central Dairy Committee (1953). At first they boycotted the PZ, created on initiative of the state. The opposition however did not last long.

The opposition seemed a little strange, given the fact that the dairy industry knew a long history of public and semi-public regulatory organizations. This began during the first world war, when organizations were required to regulate distribution of scarce raw materials and control prices and supply of dairy products in the interest of domestic availability. Absence of control would have lead to soaring prices and scarcity on the domestic market, as all dairy products would be sold abroad to the warfaring nations, which were willing to pay high prices. Hence exports were limited by licensing. The agencies implementing these rules were on and off state or private boards. The original agencies were state agencies ('rijksbureaus'), but were in 1916 replaced by 'product associations' of the industry. The motive was to avoid in this way "stiff working state bureaucracies". One of the first sectors to get such an associations was the dairy industry. Private organization was deemed easy here, as the industry

already knew self-governing private associations, in the form of quality control stations (Cf.par.6.7.). Furthermore, the minister of agriculture, trade and industry of the time knew the dairy industry very well as he had been a former secretary of the voluntary dairy association FNZ. Criticism on ineffective and biased implementation by the private associations in parliament lead once again to a change in 1918. The associations were replaced by state agencies, with advisory committees, made up of representatives of the industry. These new organizations did not only have a task in the interest of the consumers, but also of the farmers. For the first time the state provided bonuses on the milk price, in order to protect the farmers' income and so indirectly to safeguard the self-sufficiency in dairy products. The bonuses were however only given to factories (and so to their farmers) which were a member of the voluntary dairy associations. In this way, the state strengthened these associations, by providing them with a selective good, in return for their cooperation with state policy.

During the twenties, regulation was relaxed , but in 1932 new market ordering legislation was introduced - the Crisis Dairy Act, later the Agricultural Crisis Act - to safeguard the supply of cheap dairy products under the conditions of economic crisis. To this end again the farmers' income had to be protected. Levies were issued on all fat products and out of the funds thus formed, subsidies were given on dairy products to bridge the gap between high prices for the farmers and low prices for the consumers. To implement these regulations, a Crisis Dairy Board was created, made up by representatives of the industry. In 1936 once again the state increased its control. The Crisis Dairy Board was replaced by a Crisis Dairy Committee under heavy state influence. That was even more increased by the replacement of this committee by a so called 'Woltersomse organization' for the dairy industry, the 'Bedrijfsschap Zuivel'. These organizations were named after the civil servant, responsible for their establishment. Behind him stood however the german occupants. These organizations(from 1940) were therefore based on the corporatist ideology of the fascist occupants and fitted the description of state corporatism by Schmitter completely. The 'Bedrijfsschap Zuivel' had far reaching authority, including the authority to close factories and was made up of industrialists, individually selected by the state. For the voluntary business associations there was no place in this arrangement. After the war, the 'Bedrijfsschap Zuivel' continued to exist until the establishment of the new statutory trade associations in order to regulate the market under the conditions of postwar scarcity. Its authority was however reduced and the influence of the organized industry on the board was increased. The staff apparatus however remained the same.

The new statutory trade associations were given three types of binding authority vis a vis the industry in their domain: they could issue so called

'autonomous rules', initiated and proclaimed by themselves (but requiring formal state approval); they could participate in the implementation of state regulations in so called 'co-government' ('medebewind'); and they could issue 'general administrative decisions' necessary for its functioning, such as the requirement by the firms to register with the STA, to pay levies, to provide information, etc.

In the years until the formation of the EC-dairy policy, the 'autonomous' rule-making activity of the STA was extensive. Generally speaking, the STA formulated and implemented market ordering regulations, more or less equal to the ones, later on included in the EC-dairy policy. In fact, EC-dairy policy was heavily influenced by the pre-existing STA-regulations in the Netherlands. The architect of the EC-dairy policy, the European Commissioner Mansholt came from dutch agricultural circles and knew the dutch system of regulations very well. He had been minister of agriculture before. Many of his civil servants in Brussels came also from the dutch STA. Thus the STA-rules controlled in- and exports, issued levies and provided premiums to stimulate dairy sales, especially abroad. Overproduction could be taken out of the market by the STA at certain minimum prices. Influence of the industry in the market regulation was then very high. As our informant said: "The representatives of the industry were often calculating during the STA board meetings what the different rules proposed would cost or yield their own firms." All this changed when the regulatory action was raised to the supra-national level in 1964. The 'autonomous' activity was drastically reduced. Only a few 'autonomous' rules remained, such as:

- a rule requiring all farmers to supply all their milk to dairy factories (cf.par.6.4.)
- a rule on the payment of milk to farmers according to its quality and fat- and protein content and providing some specifications on the determination of quality and quantity (Cf.par.6.4.)
- a rule, establishing a minimum retail price for milk, intended to protect the small retail businesses against supermarket competition.
- rules on compulsory levies, not used for the maintenance of the STA-organization, but for special activities such as collective propaganda and research(6.5.)

These rules are formulated and confirmed by the industry. The autonomous character is exemplified by the fact that these generally binding rules are not published in the 'State Gazette' (Staatscourant), but in the Ordinance Paper of the Social-Economic Council (which has a supervisory task over the STA's). These rules require however formal approval by the state. The formulation of operationalizations, the supervision of the implementation and control and sometimes the actual administration and control are done by the STA. In other cases, implementation and control is done by the other private organizations, as mentioned in par.6.4. and 6.5. The STA does not carry out sanctions itself. It has no

right to disciplinary measures (tuchtrecht) (only some horizontal 'bedrijfs-schappen' in other industries have this). The STA can however declare a transgression of certain rules a criminal act. Prosecution, trial and penalty for such acts are regulated in the 1969 Act on Economic Delicts. Warrants are issued by the Economic Control Board of the state and judgement is given by state district-courts.

Appeals to convictions are also an internal state matter. However, appeals to STA-rules are semi-publicly handled. Such appeals come for the Council of Appeals for Trade and Industry (College van Beroep voor het Bedrijfsleven). This council is appointed by the state and operates according to rules, given by the state (the 1951 Act on Administrative Justice of Trade Associations, ('Wet administratieve rechtspraak bedrijfsorganisatie')). Some members of this council are however nominated by the organizations of the industry.

As far as the organizational structure is concerned, the statutory status of the 'Produktschap Zuivel' implies of course heavy state influence. The STA has been equipped with a statutory monopoly in its domain, statutory compulsory affiliation of all dairy firms, statutory tax authority, statutory authority to enact binding legislation within its domain and its decisions are hence backed by public law. In return for this, the status and organizational structure are regulated in law, i.e. the association cannot autonomously change its organizational structure; rules and decisions are at least subject to formal state approval; and the state is represented on the governing board by a state appointed full-time paid chairman and some civil servants who have the status of observants without voting right.

In a sense the STA is a part of the state, run by the industry. Its legal status is perhaps best compared to a municipality. Whereas the domain of a municipal government is a territory, that of the STA is an industry. Both function under public law, have the authority to tax their 'inhabitants' and to enact autonomous legislation which has the power of law, but within the limits set by the central state; in both the central government is represented through its appointment of the 'chairman' (Dutch city mayors are appointed by the central state) but furthermore both are governed by their 'inhabitants'. These are not 'members', but 'subjects' of the authority. A difference however is that the city council is elected directly by the subjects (but candidates are nominated by political parties), whereas the executive board of the STA is made up of representatives, not only nominated but appointed by the different voluntary associations of the dairy farmers, the dairy industry and the dairy trade, at least those associations recognized by the state. The affiliated firms are hence only indirectly represented on the board. All firms in the domain have to be registered with the STA, have to pay the different levies and have to provide the requested information on production, sales, stocks, production

costs, 'dairy values balance' (input of milk, output of different products). The STA uses such information not only for its co-government activities (par.6.10.), but also to construct statistics on the industry. The STA strengthens the voluntary associations in turn insofar as members of voluntary associations are permitted to deduct their contribution to the voluntary association from the STA-taxes, with a maximum of 50 % of the required tax. The STA does not receive state subsidies, at least for its 'autonomous' activities.

The STA as an organization has been rather stable. Its staff apparatus has grown continuously and at present 241 people (1980) are employed by it. Delegation of state authority has in this way created a significant semi-public bureaucracy. The 'autonomous' activity however has been rather unstable. It has decreased, due to increasing state (=EC) regulation of the dairy market. The large staff is hence primarily employed for activities, performed in co-government. As this activity has a different public status, it will be treated separately. (Par.6.10.)

6.7. Quality control of final products.

Quality control regulations exist not only for raw materials (par.6.4.), but also for final products. Both control arrangements are however completely separated. The organization structure is different and state influence is greater in the control of final products.

As in raw milk control, also in product control a distinction has been made between 'quantitative' and 'qualitative' control. Contrary to the situation in milk control, in product control the 'quantitative' control came first and it is still the most important part. Quantitative control, that is control on the composition of cheese and butter, such as water and fat content, dates from the beginning of this century. Qualitative control, understood as more subjective control on the smell, taste, look and packaging came only in 1938.

Composition was a prime concern of the voluntary dairy associations, because falsification of composition threatened the export position of dutch butter and cheese. Some interest associations were even formed originally for this problem. Merchants and also factories tried to enrich themselves by mixing cheaper margarine or water in the butter and selling it for the price of regular butter. To be sure, such falsifications were nothing new. They were as old as dutch cheese and butter. Ever since the 16th century the archives abound with complaints over adulteration of butter and cheese, and municipal governments have been issuing charters prohibiting such adulteration. The city of Delft had such a charter already in the 15th century.

The scale of the problem increased however after 1890. First of all, because of the agricultural crisis due to the cheap american grain, more and more arable

farmers changed over to dairy farming, thus increasing the butter supply. The industrialization of the butter manufacture with the invention of the Alfa-Laval milk centrifuge further increased butter production. Especially exports to the industrialized followed grew fast. The development of the margarine-industry, which was especially strong in the Netherlands, created furthermore not only an extra competitor, forcing price reductions through adulteration, but also provided a substance with which butter could be mixed. Special machines were even created for this kind of falsification, so called butter-blenders. New industrial technology made it also more easy to skim the fat of the milk for butter production, before such skimmed milk was used for cheese production. Such cheese was almost completely made up of water. Hence it became known as "civil engineering works" ('waterbouwkundige kunstwerken'). The difference with good cheese could not be seen when the cheese was young. But after a couple of weeks it plunged together. Competition forced even honest producers and traders to follow in the adulteration practices, with the result that the quality of dutch butter and cheese became ever worse. Dutch dairy products got a bad name abroad - especially compared with the better Danish butter (where much less adulteration took place, among others due to the lack of a margarine-industry.). In 1903 for example a much publicized lawsuit was held in England against a Gouda-cheese with only 1,6 % fat and 57 % water. Such publicity did no good to Dutch exports.

In an effort to fill the regulation gap, left by the Dutch state - which was between 1853 and 1890 at its zenith as 'nightwatch state' - the voluntary associations tried to curb these practices. In an attempt to create some order on the market, they instituted a private system of quality control within their association. This was a voluntary arrangement. Factories could have their produce controlled and then stamped with a trade mark, guaranteeing a minimum fat content. In order to make this system work, much propaganda was made abroad for the trade mark. Not everywhere this voluntary system worked. Many producers were afraid to join. Their customers, the dairy traders, prohibited them to do so. The traders did not want their autonomy ('to mix') to be restricted.

Only when the state intervened, became the system a little more effective. The Butter Act of 1889, and especially the later elaborations, were among the first new forms of state intervention in the economy, after the short Dutch experience with the liberal 'nightwatch' state. These state rules were not yet binding rules, that went too far for the liberal tradition of those times. The state gave a legal definition of butter and issued from 1904 on 'state-guaranteed butter marks'. Firms could get such a mark (but were not obliged to), when they subjected themselves to certain restrictions and quality norms. The industry, especially the provincial agricultural societies, responded by establishing Butter Control Stations in different parts of the country. These private institutions became authorized to issue the state butter marks to firms voluntarily affiliated to them. Such firms had to submit to quality control by

these institutions and were forbidden to "produce, keep, transport or have transported any other butter or fat looking like butter, than that which was defined as butter in the State Butter Act". Under the voluntary arrangement the control stations could select their members, and hence those which could receive a state guarantee (as they had the monopoly on issuing these in their territory). Firms producing next to butter also margarine and firms known for falsification practices stood no chance of becoming a member.

From 1911 on a similar arrangement emerged for cheese. The enactment of a Bill on State Cheese Marks was followed by the establishment of a number of Cheese Control Stations. Cheese took a little longer to regulate, because first of all, the industry disagreed on the definition of required composition for different kinds of cheese. Secondly, there were technical problems of developing a trade mark, which would be difficult to remove from the cheese but which would neither harm the cheese. In 1930 a similar control system on milkpowder followed, after the private dairy association FNZ had in vain tried to develop a control system of its own. The purely private arrangement again got stuck on the opposition of the dairy merchants.

The control remained voluntary until the first world war. As already mentioned, during that war state permission came to be required for export of dairy products. Such a license was only given for controlled products. After the war the state wanted to continue this de facto compulsory control, to protect the export interests. The industry was at first opposed, not so much because it did not want compulsory control, but because it did not want to be compelled to admit margarine producers or known falsifiers to the control stations. This conflict was resolved by the establishment of a state-controlled control station, where firms, refused by the private control stations could become affiliated, that is of course, if they lived up to the requirements. In this was, control became de facto compulsory, at least for exported produce. Control for the domestic market was not required, at least by these private control institutions, but in practice, also domestic supply came to be voluntarily checked.

Control on the domestic market is regulated by the Food and Drug Act. The state agencies, controlling the observation of this act however do not involve themselves with butter any more. They only check on cheese and especially consumption milk. This regulation will be dealt with separately, as it is a case of a very high degree of state regulation (par.6.11.).

In addition to this control on composition the private dairy associations organized subjective, so called 'organoleptic' inspections of dairy products. Inspectors classified products in different quality grades, on the basis of smell, taste and look. At first these inspections were purely voluntary and had the character of a sporting match. When later on the results were made public, participation became de facto compulsory. Finally, in 1938, the state also

required such an inspection for an export license and supported the establishment of a private 'quality' control board by the industry.

This system has existed until 1982. Altogether there were 5 Butter Control Stations, 4 Cheese Control Stations, 1 Control Station for Milkproducts (milk-powder) and 1 'quality' control board for all three products, the ZKB. The first two categories coordinated their activities in a Central Committee for the Butter Control Stations and a Central Committee for the Cheese Control Stations. To complete the organization network: There is in addition an Association The Cheese Trade Mark ('Vereniging het Kaasmerk'), producing and issuing trade marks on behalf of the state and two Central Councils for Appeal for resp. the butter- and the cheese control stations.

Basic legislation was provided by the state in the Act on the Export of Agricultural Produce ('Landbouwwet') of 1938 and the different product-decrees, based on this act. This act also formulated conditions for the private implementation agencies, necessary for their formal recognition and authority to issue state certificates. This legislation was regularly adapted to new products and new production methods. The industry had the formal right to advice on such changes through the just mentioned Central Committees. Operationalization of these state rules was done by the different control stations. They issued: a) binding inspection rules, such as rules on sampling procedures and methods of analysis, permitted chemicals and other additions, special conditions for the reception and use of trade marks, prescriptions on conditions for inspection, such as bookkeeping procedures, provision of information and access of inspectors to the firm premises; b) a disciplinary by-law; and c) of course they issued state trade marks and certificates. The organizations furthermore carried out the actual analyses and their administration and sanctioned transgressors. Appeals to disciplinary action were handled by the special Councils for Appeal. These had a semi-public character. The council members were all appointed by the state, but a minority of its members was nominated by the private control institutions. They operated independently according to rules, made by themselves, but authorized by the minister of agriculture. Costs of the appeals were paid for by the state. The state furthermore passively supervised the control stations through the State Dairy Inspection Board ('Rijkszuivelinspectie').

The formal state supervision implied that the control stations were formally recognized. This required state assent for the constitution, the disciplinary by-law, rules on rates for control and more generally for the financial report. Furthermore, state representatives had to be admitted to the board meetings; the appointment and dismissal of the chief of staff, the director, required state approval and in one case, the 'quality' control board ZKB, the state appointed the chairman of the board.

The organizations had a near monopoly in their domain. The state had recognized only one control station for each product-territory domain. An alter-

native existed in the state controlled control station, but this was not an alternative for a firm, but for the control station, when it wanted to refuse a firm. Membership was de facto compulsory. Until 1979, all organizations were completely privately financed. Since then, the state subsidizes 50 % of the costs (under new product-quality legislation, see further down).

Some organizations were associations with members, others were foundations. But where they were associations, the members were not the firms, but the voluntary dairy interest associations FNZ and VVZM, which in the foundations formed also the board. Hence the firms to be controlled had nowhere a direct influence on the policy of the control stations.

The possible sanctions of the control stations were given to them and defined and limited by the state through disciplinary law. Sanctions were: a) oral and written reprimands; b) fines of up to hfl.10.000,- per offence; and c) intensified control at the expense of the firm. Fines were given very frequently. The proceeds were high, over millions of guilders and sufficed to pay for the organization. This was due to a system of 'calculated offenses'. The fines were calculated exactly so high, that at a certain level they compensated the extra earnings to be had by mixing a little more water in the dairy products. This level was the level that the control boards wanted to reach in the end. Therefore the norms were set a little higher. Both firms and control stations used official formula to calculate the fine-level resp. the 'offence' to be committed. As a director said, this was only possible on the basis of private disciplinary law. When the control would have been sanctioned by criminal law it would be much less effective. Judges would be unlikely to impose the heavy fines required for this game, for such 'unimportant offences' as a little more water in the cheese - at least given Dutch criminal law norms. Nevertheless, it remains a little strange that firms are willing to pay so high a price - on average f.11,- guilders per 1.000 kg. cheese - to reach a fat content they could in principle also reach without such costs.

The arrangement outlined so far has however been changed very recently (1982). This change was caused by the EC. Under EC-policy, it is not allowed to have different quality legislation for exports and for the domestic market. However, that was just what the 1938 Act on Export of Agricultural Produce was. This act was therefore replaced by a new one in 1974, a general act on Quality of Agricultural Produce (Landbouwkwaliteitswet). It took another 8 years, before decrees for different dairy products under this act were announced.

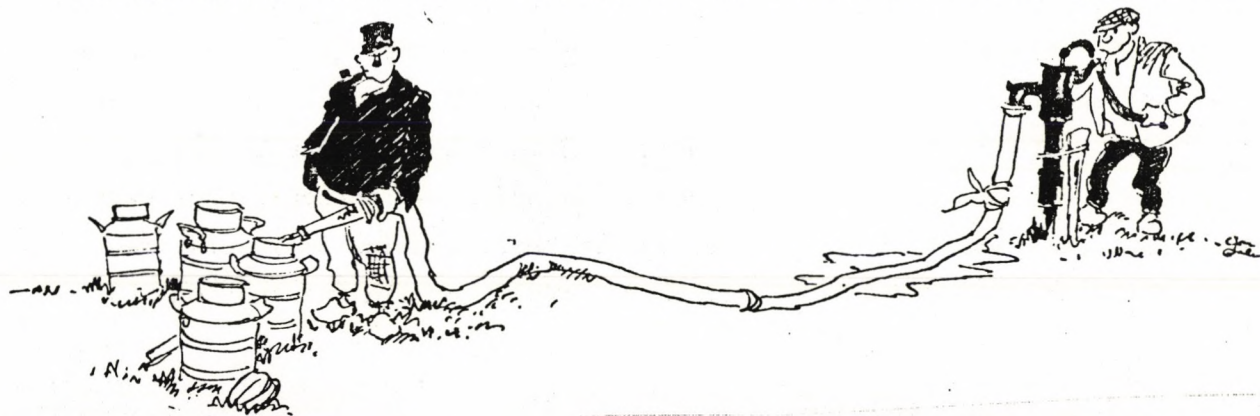
The state used this opportunity to simplify the organization structure of the implementation. It forced the industry into a typical corporatist structure as defined by Schmitter: "singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated, recognized or licensed (in this case almost created) by the state..." The new structure is modelled

on the one, created in 1957 for quality control of raw materials (par.6.4.). The formerly existing organizations are gradually brought into one organization, the COZ, or Central Organ for Dairy Hygiene. Its board is the central private authority. Some of the control tasks are carried out by former control stations, which now have become a part of this larger organization. In other cases, where control stations have been liquidated, subdivisions of the COZ carry out this task. The Councils of Appeal are also integrated in the larger whole.

The former interorganizational structure is hence transformed into an intra-organizational one. Affiliation is made compulsory through a rule of the statutory trade association, requiring affiliation in order to be able to market dairy products. The COZ has a strict monopoly, because it has become the only recognized control institution. Influence of the state is the same as in the formerly existing organizations and finance, sanctions and appeals are also similarly organized.

An interesting recent development is that compulsory membership has been challenged by some new affiliates, the cheese traders. Under the new act, cheese traders are also considered producers, since cheese is sold to them and taken to their warehouses when it is 14 days old. It can however only be sold after 28 days. In the meantime, the cheese ripens. This is also now considered 'production' and hence traders have been forced to join the control organization. Unlike the dairy industry they have not consented in this and have challenged compulsory membership of private institutions for the EC-court in Luxemburg. The first verdicts have been in their favor. As a result, the arrangement now misses its legal basis for compulsory membership and hence its closedness.

Great anxiety has been the result both in the industry and the relevant state agencies. New compromises are sought to fit the law. The state has come forward with the suggestion to appoint the private control functionaries as unpaid detective civil servants. i.e. to vest a private employee with public authority. The industry has however opposed this, because such a civil servant would have the duty to maintain secrecy, also vis a vis the executive board of the private COZ, i.e. his employer. The industry would pay his salary, but would not be able to control him. No solution has been found yet. The discussion is still going on, while one is waiting for the result of further appeals procedures.



6.8. Social Security.

Whereas the dairy industry is unique in the self-regulation types mentioned under the paragraphs 6.1., 6.4., and 6.5. and whereas it shares the types 6.6. and 6.7. only with other sectors in agriculture and food processing, the self-regulatory arrangement present in the field of social security is an industry-wide one. All economic sectors have private manned sector associations, involved in the implementation of social security legislation.

As with the previous type, the formulation and confirmation of the basic rules is a complete state responsibility. All 39 social security plans, present in the Netherlands, have a legal basis. Many of these are small, i.e. for a limited category in the population, such as war victims or the mentally disabled. The 9 larger plans can be divided in two categories: the so-called People's Insurance Plans, which cover people independent of (former)employment situation, such as old age pension, widows- and child allowances and the health insurance plans. They are implemented by regional state controlled 'Councils of Labour' or - in the case of the health insurance plan - by private regional associations. Secondly, there are the Workmens Compensation Plans, only for wage labourers. These insurance schemes compensate for loss of income due to inability to work because of unemployment, illness and disablement. They are implemented by privately governed social security sector associations ('Bedrijfsverenigingen')

There are altogether 26 bipartite insurance associations, among them one specifically for the dairy industry. Eleven of them, including the dairy industry, have delegated administration to a collectively formed Communal Administration Office (GAK). The sector associations are supervised by a tripartite Social Insurance Council (modelled on the Social Economic Council, which, among other, supervises the statutory trade associations). The organizational picture is completed by 10 regional tripartite Councils of Appeal, supervised by a Central Council of Appeal, for 100% made up of professional lawyers.

The Social Insurance Council is the official advisory body to the government in social security matters. It has the right to be consulted by the government on new legislation. Usually however, also the sector insurance associations are heard, especially on the technicalities of implementation, but sometimes also to inform the state on special sector problems with new legislation.

Rule-making as said is the responsibility of the state. There is however room for private operationalization of these rules. This is done both by the Social Insurance Council and by the sector insurance boards. The latter have the authority to issue rules, norms, conditions and prescriptions, necessary for implementation and binding for everyone in their domain. Employers are obliged to register with the association, to supply certain information and

to follow guidelines regarding the wage administration. They have to admit inspectors on their premises and into their books to allow them to check the correctness of the wages paid and the premiums due. In addition, sector insurance associations can determine the height of the premiums, compulsory for everyone in their domain, for some insurance plans. They also have the right to exempt employers from participation in the general sickness fund, if they care to take the risk themselves.

Responsibility for the actual implementation rests with the sector insurance associations. This includes collection of premiums, administration, distribution and control of benefits, social guidance of benefit-receivers and the provision of information on the complicated social security system to the general public. The sector associations also control the observation of the rules. To this end they take measures to prevent and combat fraud both by employers and employees and they develop prevention programs directed e.g. at reduction of sickness absenteeism.

Insofar as sanctioning means the withholding of benefits, the sector associations are also responsible for the task. Appeals by prospective benefit-recipients to the sector associations are handled by the Councils of Appeal, which have priority over the civil courts.

Sector associations have the right to track down illegal benefit-recipients and premium dodgers. To this end they have their own criminal investigation department. The controllers employed by them have the right to enter premises of employers and workers. The associations also maintain files on all employers and employees, containing a record of their 'benefit- and premium history'.

Cashing premiums overdue is done with help of the state. The sector associations have the authority to issue a levy against a debtor's property at once ('parate executie') and can request bankruptcy (A right, by the way, which even the fiscal authorities don't have). The premiums due have furthermore a priority claim.

The organizations are of course legally recognized. Rather: their structure is exactly prescribed by law. They are endowed with statutory powers: they have a monopoly in their domain, all firms are compulsory affiliated and the sector associations have 'tax authority' insofar as they levy premiums, to be paid by all subjects in their territory. The state has no direct influence on the sector associations but it appoints one-third of the members of the Social Insurance Council, including the chairman. The executive of the sector associations is made up of representatives of the employers' associations and trade unions, recognized by the state. The firms are hence only indirectly represented. Similarly, the Councils of Appeal are made up of a representative of each class party, complemented by a professional lawyer, appointed by the state.

The sector associations as such were a private initiative , although not in the dairy industry. Around 1900, some employers established the first sector insurance associations to implement privately initiated insurance schemes, meant as an alternative to state plans for compulsory accident and sickness insurance acts, then pending in parliament. The employers have fought these plans vehemently. In fact, this led to the first nationwide sector-unspecific employers association. The Association of Dutch Employers (VNW), was formed in 1899 to keep accident insurance out of state hands. Employers opted here for a 'second best strategy': under the threat of state regulation they initiated private regulation. The state insurance plan nevertheless became law, but the private sector associations remained in existence. The protestant fraction had, during the parliamentary discussion over the first accident insurance scheme in 1901 proposed to make the private sector associations responsible for the implementation of the act, but they did not succeed in gaining a majority for their amendment. Implementation was given to a state insurance bank, to be established. However, in 1902, corporatism made its first inroad in social security. Then the tripartite Councils of Appeal were established, which still exist.

Other insurance plans, such as for invalidity and sickness were discussed in parliament for many years, but their enactment was retarded because of conflicts over the organization of implementation. The first sickness insurance act was for example introduced in parliament in 1913, but it took 17 years before such a law was enacted (in 1930). In the meantime , the number of private insurance plans in collective agreements increased. Voices were heard to sanction these forms of self-regulation publicly (i.e. declare them generally binding, just like collective wage agreements) and to delegate formal authority of implementation to the existing bipartite sector insurance associations. A problem was however that not all employers were a member of a sector insurance association and compulsory membership of private associations was not considered acceptable yet.

In 1930 therefore the implementation of the new sickness insurance act was delegated to the sector association, but these did not get a monopoly, nor was compulsory membership required. The sector associations administered the law only for the employers, who were voluntary members. Unorganized employers had to affiliate themselves with state controlled regional councils of labour for the insurance of their workers. In addition, there could be more than one private association in each sector, i.e. even as sector association they did not have a monopoly.

This compromise led to fierce competition among sector insurance associations and between these and the state controlled councils of labour. The different associations tried actively to recruit employers as members, a.o. by

competing with lower premiums. The result was that some associations tried to reduce benefits as much as possible in order to be able to manage with lower premiums. Low premiums was namely what employers - who decided which association to join - attracted, not high benefit-levels for their workers. Competition seemed so to be at the detriment of the workers. For this reason, the trade unions asked for monopoly recognition of sector insurance associations and for compulsory membership. Only after prolonged discussions was monopoly and compulsory membership introduced: under the 1952 Social Security Organization Act, which regulated the status of the present insurance associations. In return for these statutory privileges, the state increased its influence on the implementation organization somewhat.

This form of corporatist self-regulation seems to be rather unstable. State influence is increasing, first of all in rule-making, as the state tries to curb the growth of social security expenditures. The high growth-rate is completely absorbing what is left of economic growth and is hence limiting if not frustrating political decisions on budget priorities. In order to check this high growth-rate new acts and decrees are issued at such a high pace, that there is no longer enough time to hear the supervisory councils and/or the lower implementation associations beforehand, as was usual until recently.

In addition, the state tries to increase its control over implementation, because too lenient benefit-distribution is seen as one cause of the skyrocketing expenditures. Furthermore, concern has grown over the complexity of the implementation structure and the unclear division of responsibilities. Apart from sector associations, social security plans are implemented by regional councils of labour, private health insurance associations, municipalities and their horizontal and hierarchic coordination structures. Benefit-recipients have to change schemes and agencies as their carriers as benefit-receivers develop. Often they lose their way in the maze of programs and agencies. It has become survival of the fittest. Those who are best informed about the system profit the most from it. Therefore, in a recent study by state civil servants, both rising costs and complexity have led to a questioning of the whole corporatist implementation structure. The corporatist Social Economic Council has of course opposed these plans, but the state is following its own course. The end of this type of corporatist self-regulation could be near, at least formally.

Factually, this is already the case. The implementation agencies have grown so large and their tasks have become so complicated - with the development of jurisprudence - that the implementation is controlled more and more by the many bureaucrats and technocrats, employed by the sector associations. They, rather than the representatives of the interest associations, take the decisions. As employers' representative van Brussel complained: "In this jungle of ever more refined, detailed regulation and of endless consultation procedures, the

sincere amateur, which the average board member is, can only find his way lead by a professional guide. That gives this professional guide a great power." What is happening here is a well-known phenomenon, only it is not usually associated with corporatism: the rise of bureaucracy, but within corporatism. A paradox indeed: Corporatist structures, in earlier days defended as an alternative to state bureaucracy, have turned by their growth into the very alternatives they were to prevent.

6.9.. The Act on Works Councils.

The Netherlands has since 1950 an Act on Works Councils, which has been twice renewed and extended in the meantime, in 1971 and in 1979, after prolonged political debate. This act requires firms with more than 100 employees to institute a works council, made up of elected representatives of the employees. In 1982 this obligation was extended to firms with between 35 and 100 employees .

The 1950 act also provided for so called Sector Committees ('Bedrijfs-commissies'), bipartite institutions, i.e. made up of representatives of employers' associations and trade unions, with the task to supervise in their domain the implementation of the works council act and to mediate in and decide in conflicts between an individual employer and his works council over rules and authority of the council. Since then 71 sector committees for works councils have been formed, including one, specifically for the dairy industry.

The formulation and confirmation of the rules is here thus a complete state responsibility. The act describes the structure and authority of works councils in such great detail - no doubt a consequence of the compromise character of especially the recent elaborations - that little room is left for sector committees to decide on interpretations and operationalizations of the law. The act itself specifies a few cases, where sector committees are to provide the necessary interpretation, such as what firm unit should be taken as the basis for a works council in the case of multi-plant or multi-division firms. Furthermore it has to approve of the working rules of each works council after having checked whether they agree with the law and with jurisprudence.

Secondly, the sector committees are to perform some very basic administrative activities, such as the registration of all works councils in their domain and the registration of cases, where employers voluntarily endow their works councils more authority than required by law (which does not happen of course).

The most important task however is to mediate and provide binding arbitration in cases of conflict between an employer and his works council. Such conflicts may concern the temporary exclusion of a council member from council activities the use by the works council of certain facilities, the hours/days they spend on their councilwork and on training, the opposition of the employer to the invitation of certain outside experts, etc. A second category are cases where a works council does not provide the necessary approval of the employers' personnel policy, where this is required by law. In such cases, the employer can appeal to the sector committee to provide the necessary approval in lieu of the works council. Mediation by the sector committee is required in cases where the employer declines to help initiate a works council, before the state court can force him to do so. The basic idea is hence that of self-regulatory con-

flict resolution, under the expectation that where this does not succeed at the firm level, it might succeed at a higher (sector) level.

Finally, the sector committee has some tasks in the appeals procedure. Employers and/or employees can not so much appeal the law, as well as request exemption. The sector committee than has the power to exempt firms from the obligation to establish a works council or to allow it to deviate from some other legal requirements, such as the number of council members.

Actual control on the observation is no ones authority in particular. Generally, trade unions watch whether firms comply with the act. But due to the lack of control there are hundreds of firms which are required to have a works council, but don't have one. Sanctioning is a state responsibility. Demands for observation of the law are handled by the special Business Chamber of the Amsterdam district court. Appeals - also against decisions of the sector committee - are handled by the minister of social affairs.

The principle of sector committees has been a state initiative. They are legally recognized and their structure is closely prescribed in law. The establishment of individual sector committees is however a task of the semi-public Social Economic Council on request of the concerned employers' association and trade union. The domain of the sector committee has most often followed the domain of the smallest partner in the collective negotiations, which is usually the employers' association. This has also been the case in the dairy industry.

Their legal recognition is a monopoly recognition. There is only one sector committee for each sector. They have no members, but all firms, required by law to have a works council, are subjects of the committee.

There is no state presence in the committee. The committees are made up of representatives of those employers' associations and trade unions, recognized by the state. Decisions are taken autonomously, but financial affairs are controlled by the Social Economic Council. The activities of the committees are to be paid by both the employers' associations and the trade unions. In practice however, it has been decided by the collective wage agreement partners that the employers finance the committees. They usually carry out the secretariats-work.

The sector committees were established in 1950, a time when also other corporatist organizations such as the statutory trade associations and the social security boards were established. The basic motive here was not so much a felt need in the industry, as well as the corporatist ideology, then very influential in government. The idea was that such task as the supervision of works councils could best be delegated to the organizations of the industry as they could best judge on the specific sector conditions, to be taken account of in implementation. Furthermore, it was seen as just another institutional

linkage between the organizations of the different classes, conducive to the harmonious class relations in the postwar years. The sector committees don't seem to have 'suffered' much under the increasing class conflicts since the late sixties. They have remained rather aloof from the mainstream in labour relations. Their members are usually also less perceptible functionaries of the different class organizations, who have continued close cooperation with their natural opponent, while their more vocal colleagues mobilized the workers against the 'enemy'. The aloofness also stems from the relative unimportance of the sector committees. Their tasks were very limited and have only recently been enlarged. Many sector committees never met, confining themselves to written communication.

This scant activity has led to a discussion, threatening the future of the present arrangement. The Social Economic Council, which supervises the sector committees, has conducted a study and noticed that due to the lack of activity, many smaller sector committees (such as the one in the dairy industry) got insufficient experience with mediation and hence don't built up expertise. And anyway, the association representatives do not have the necessary legal knowledge to guarantee a consistent interpretation of the law in the interest of the equality before the law, thus concluded the SER. As usual, the contradiction between delegation and equality before the law is solved in the Netherlands in favor of the latter. Hence centralization is pending. Plans are being discussed to abolish the sector committees and replace them with a general industry-wide council, assisted by a staff of professional lawyers. Interest may give way to expertise, corporatism to technocracy, a similar trend as has been noticed in par.6.8. concerning the social security sector boards.

6.10. Co-Government by the Statutory Trade Association.

After the establishment of the collective EC-dairy policy from 1964 on, the STA has become involved in the implementation of this policy in the Netherlands. The national government has delegated its responsibility for this policy to the STA, but of course supervises the STA-activities in this field.

Involvement of the STA in policy formation and confirmation is here of course minimal. The STA however has the legal right to be heard by the national government, whenever it considers new measures relating to the dairy industry. Furthermore, the STA represents the Dutch government in the Advisory Committee on Management of Milk and Dairy Products in Brussels and in this way it can influence EC-dairy policy. However, it has no authority in this field, except for some national operationalizations of EC-dairy policy, such as decisions on how to use the co-responsibility fund, under what conditions to give advances, etc. Such operationalizations, so called 'measures in co-government' require state approval, just as is the case with the 'autonomous decisions'.

The basic activity of the STA under this regime is implementation and administration. It is a kind of semi-private tax- and customs office. It collects the levies and provides the subsidies, instituted by the EC.

The intention of the EC-dairy policy - as of all agricultural policy - has been to safeguard the supply of foodstuffs, among others by guaranteeing the dairy farmers an income (This has also been the goal of the former national state policy, cf. par.6.6.). The policy is therefore oriented towards a so called 'guiding price' ('richtprijs') a farmer should get for his milk. This price is annually determined by the EC-authorities. In order to obtain this objective, a complicated system of market ordering rules have been proclaimed.

The 'guiding price' for milk requires a minimum price for dairy products. This is the so called 'intervention price, also annually determined. When firms do not succeed themselves in selling dairy products at a higher price, they can hand in surplus production at EC-intervention bureaus, located in each member-country. For such purposes milk has to be transformed into the long keeping products butter and skim milkpowder (which together with water form milk). Only for these products is there an intervention price. In order to get rid of these intervention stocks a number of subsidies exist, such as for schoolmilkprograms, for use of milkpowder in cattle food, for food help programs and for incidental actions such as the Christmas-butter actions.

A problem has been the difference in price level between the internal EC-market and the outside international market. The internal price level is

higher, to ensure the farmers their income. In order to bridge this price difference, two types of measures have been taken in addition:

- a- Duties are imposed on cheap competing imports from outside the EC, to bring them to the EC-price-level;
- b- Export restitutions are given on exports to bring their prices down to the outside level in order to make EC-products competitive on the international market. Firms can get advances for such exportsubsidies.

Finally, in order to combat overcapacity, the EC has since 1977 imposed the so called 'co-responsibility levy' ('medeverantwoordelijkheidshemming'). This is a duty on milk, farmers produce in excess over their production of the preceding year. These levies are collected through the dairy factories. They are used for several subsidy programs, including paradoxically a program to increase efficiency by subsidizing mechanization and automation projects (which will of course create still more overcapacity).

The STA collects all these levies, pays restitutions, advances and subsidies. Whenever these do not balance, the difference is paid by the central EC-fund. In addition, the STA controls the milkprice the farms receive, in order to check whether the 'guiding price' for milk is reached. These tasks require a lot of administrative activities, performed by STA-staff under the supervision of the semi-private governing board. Because of its complexity due to the many rules, frequent changes thereof and many individual exceptions, quite a lot of expertise is required.

Since quite large amounts of money are involved - in 1980 about 1 billion dollars - the financial supervision of the implementation is very complicated. First there is a check by the accountancy department of the STA, secondly by the auditors of the ministry of agriculture, than by those of the EC Orientation- and Guaranteefund, by the EC Calculation Court and by the Dutch Exchequer and Auditor Department.

Supervision, control, sanctioning and appeals are hence all handled by state agencies. The organization of implementation is furthermore also heavily state influenced as has already been indicated. The organization structure is namely almost the same as that for the 'autonomous activity' of the STA. State influence is only a little stronger, as the STA receives state subsidies for this take-over of state responsibilities.

The arrangement has been succesful as far as débureaucratization of the state is concerned. The department of Dairy Farming and Industry of the ministry of agriculture is very small, compared to similar departments in other EC-countries, where EC-policy is implemented by the national state. The complexity of the tasks require however an extensive bureaucratic and professional apparatus. By absence in the state, it has grown up around it.

6.11. Pollution Control.

Insignificant, but interesting as a somewhat extra-ordinary borderline case, is the involvement of the industry in legislation on pollution control. Legislation, generally implementation, control, sanctioning and handling appeals are all state responsibilities, except for one incidental element in the implementation: in those parts of the country where still large regional voluntary dairy unions exist, such as Friesland and the eastern part, the state has authorized these associations to measure the pollution emissions of their member-firms, on the basis of which these firms are taxed by the state for pollution. They in addition perform this task also for a number of neighboring firms in other industries.

This is quite extra-ordinary, as such associations, as interest associations, would have an interest in keeping pollution taxes for their members low. They don't have the neutrality, required for such a task. It seems that here the common denominator 'expertise' provides a bridge between state civil servants and functionaries of interest associations. Both seem to believe that expertise as common value can dominate interest. And there is no indication that they are wrong in this case. The associations are equipped with large professional staffs, which could value their professional ethics more than their position in an interest association. They can probably do so, because of the autonomous position, these regional dairy unions have developed vis a vis their members, as has been mentioned in par.6.1. This might have convinced the state agencies of their sufficient neutrality to delegate this task to the associations. On the other hand, the dairy unions don't seem to mind to have to police their members in the interest of the state. Other associations surely would. Apart from the relative autonomy, this might be explained by the fact that the associations combine control of pollution emissions with advice on how to reduce these.

The organizations structure of this form of private assistance in the implementation of public policy is wholly private. Voluntary interest associations, already discussed in par.6.1. carry out the arrangement.

6.12. Food and Drugs Regulations.

Minimum quality standards for the domestic market are regulated in the Food and Drugs Act (originally 1919). This has been especially relevant for the branch of the consumption milk. Milk has been one of the first articles which has been regulated by a special decree under this act, owing to its easy decay and its importance for public health. In fact, several municipal governments had already regulations, dating from before 1919. In Amsterdam for example, dilution with dirty canal water (also the city sewers) was declared a criminal act in the local police-rules (Not dilution as such, at least in Amsterdam. Dilution, with sometimes over 70 % water was allowed, but the water had to be clean. Thus milk would be accessible to the poor, thought the Amsterdam city-council). Other city governments required minimum fat percentages, etc. The city inspection boards for milk by the way were the predecessors of the later State Inspection Boards for the Food and Drugs Act. These Inspection Boards ('Keuringsdiensten van Waren') control and implement at present officially the act for all dairy products. In practice, they restrict themselves to the control of consumption milk and cheese, especially in the retail trade, where they check how long the cheese remains in the store and under what conditions. Butter control is left to the private quality control boards, discussed in par.6.7., just as cheese in and shortly after the factory.

This type of regulation is almost completely a state affair. State agencies regulate, implement, control, supervise, sanction and handle appeals. The private industry comes only in the picture in the phase of advice on (changes in) legislation. The ministry of health, responsible for the Food and Drugs Act, has a special statutory advisory committee for this act, the 'Adviescommissie Warenwet'. This committee, in which the food industry, including the dairy industry, is represented, has the legal right to be heard on all new legislation under the Food and Drugs Act.

As a statutory advisory committee is has been initiated by the state. Its structure and authority is described in the Food and Drugs Act and as such it has a representation monopoly. The industry is indirectly represented, through its associations. Even within the advisory committee there is state influence. Industry-representatives have to share the committee with a number of civil servants, usually appointed as member because of their expertise. As such, representatives of the State Inspection Boards are present.

7. Some Comparative Observations.

1. The different cases, presented in the preceding paragraphs, show a variety of corporatist arrangements. All, except the extremes, show a mix of state and private responsibilities in the creation and implementation of binding rules and the related administration of justice for a circumscribed category in the population, in between case 1 (complete private self-regulation) and case 12 (almost complete state regulation). In all cases, private industry and their interest associations partake in the state monopoly over the legitimate exercise of force, the monopoly over taxation and, as a means, derived from these, the monopoly over the creation of rules, binding for all subjects within a certain territory.

This function of collective private self-regulation by the industry with more or less state assistance, is really the defining element of corporatism. Corporatism is therefore not so much a "system of interest representation", as in the famous definition of Schmitter (1974). Not the articulation, aggregation and representation of interests vis a vis the state is characteristic for corporatism, as well as the opaque mix of public and private responsibility in government, which not only includes the formulation of rules (where interest representation is directed at), but also the implementation, control, sanctioning and handling of appeals. It seems that Schmitter's definition is still to much the result of his confrontation with pluralism - also stressing interest representation - in the context of which his article was written.

2. Many of the here presented cases of this corporatism, stressing the involvement in public policy, however do fit the structural elements of Schmitter's definition: "singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly in exchange for observing certain controls on their selection of leaders..." ; From case 6.4. on (quality regulation in milk) the organizations involved have a monopoly within their domain and have compulsory membership or affiliation. They perform different regulatory activities in different policy areas and are hence functionally differentiated. They are singular and hierarchically ordered. In case 6.4. the regional organs for milk control are integrated and coordinated by the central organ; the propaganda and research organizations of 6.5. are under the control of the statutory trade association (6.6. + 6.10), which in turn is coordinated with others in other sectors through the statutory national Social Economic Council. This council also coordinates and supervises the Sector Committees for Works Councils (6.9.). The Sector Insurance Associations (6.8.) are coordinated and supervised by the statutory

Social Insurance Council, an equivalent to the Social Economic Council. And with the recent reorganizations, also the quality control stations (6.7.) have been hierarchically integrated in the Central Organ for Dairy Hygiene (COZ). From case 6.2. on all are recognized by the state, either indirectly through the statutory trade associations, as in case 6.4. and 6.5., or direct. Some of them have even been created by the state, such as cases 6.6.,6.9. and 6.10. They have been granted their statutory powers by the state, directly or indirectly in return for state influence on the leaders (6.6.,6.10), on the board (6.5.,6.7.,6.8.)or on the selection of those associations which can appoint leaders: in all cases 6.4.-6.10 and 6.12. only state recognized voluntary associations can appoint board members. In these cases the industry is only indirectly represented. They are not members, and hence do not have the rights accorded to members of associations by the civil code, such as influence on the board and on the policy.

3. Apart from these common elements - which define them as forms of corporatism - there are significant differences. The different cases represent a complete range of variations in between very high private and very high public influence. This will be more apparent, when the complexity is somewhat reduced by selecting only a limited number of dimensions on which the cases are scored, as in table II. In this table, the different arrangements are placed on an ordinal scale of increasing state influence. 'Zero' stands for no state-influence. '1' is state responsibility and ' $\frac{1}{4}$ ' and ' $\frac{1}{2}$ ' stands for partly state influence or responsibility of a semi-state organization.

Table II. Variations of corporatism by degree of state-influence.

Case	Passive registr.	Regulation	Implementation	Backing statut. powers	State infl.on gov.brd.	Initiative	Total score
1. Frisian Union	0	0	0	0	0	0	0
2. Cartels	1	0	0	0	0	0	1
3. Coll.Wage Agreement	1	0	0	0	0	1	2
4. Qual.control milk	1	1	0	0	0	0	2 $\frac{1}{4}$
5. Propaganda/Research	1	1	0	1	0	0	2 $\frac{1}{4}$
6. STA'autonomous dec.'	1	1	1	1	1	0	3 $\frac{1}{4}$
7. Qual.Control Prod.	1	1	0	1	0	0	3
8. Social Security	1	1	1	1	0	0	3 $\frac{1}{4}$
9. Works Councils	1	1	1	1	0	1	4 $\frac{1}{4}$
10. STA'Co-Government'	1	1	1	1	1	1	5
11. Pollution control	1	1	1	1	1	1	5 $\frac{1}{4}$
12. Food + Drugs regul.	1	1	1	1	1	1	5 $\frac{1}{4}$

By reducing complexity even further, four basic types of regulation can be distinguished. To this end, only the dimensions 'regulation', 'implementation' and 'statutory powers' are used. The resulting types are:

- 1- Pure private self-regulation. Case 1 - 3
- 2- State assisted private regulation. Rules made autonomously by private organizations or private representatives on semi-public bodies, with the (indirect) backing of statutory powers. Case 4 - 6
- 3- Private assisted state regulation. State rules, laid down in law are to a large extent implemented by semi-public bodies, i.e. representatives of private association endowed with statutory powers. Case 7 - 11
- 4- State regulation. Case 12

4. One would expect, that , as state influence on the involved specialized organizations increases, the autonomy of these organizations vis a vis their members/subjects also increases. The organizations become namely less dependent on their members/subjects for voluntarily supplied resources and acquiescence as the organization is vested with resources and autonomy, supplied by the state. Such seems to be indeed the case, judging on a preliminary, as yet rather subjective, estimate of the autonomy of the different organizations with respect to the firms. That is, except for the important case of the Frisian dairy union, which has, notwithstanding its formal dependence on member-supplied resources, acquired quite a large autonomy in relation to its members, as has been indicated in par.6.1.

Also one would expect that the organizations in the middle range on the above ordinal scale, should have the maximum of autonomy vis a vis both environments, the state and the industry, as they are in a position to exchange resources, acquired from one environment, for those acquired in the other environment and in this process of balancing influences from different sides develop into an indispensable intermediary. Such a pure input-output model however does insufficient justice to reality. Again based on a still subjective appreciation, it seems that size of resources is an important intermediary variable. The most autonomous organizations seem to be those with the largest staffs, such as the Frisian Union (200), the statutory trade association (241), the specialized institutions for propaganda and research and the social security sector association. These professionalized organizations develop on the basis of their expertise and relations a large autonomy towards both environments. Also the familiar mechanism of internal vested bureaucratic interests, promoting self-maintenance and growth, contributes to a relatively large autonomy.

5. One wonders whether there is a systematic relation between the degree of state influence and policy area. At first sight this does not seem to be the case. The different policy areas, distinguished in par.4., are spread out over the whole range. Social matters are regulated in case 3, with low state involvement, and in case 8 and 9, with high state involvement. Similarly, the product market is the subject of regulation in case 2 and in case 10. However, if one looks at the policy areas from a different perspective, a certain regularity becomes apparent. All cases of heavy state involvement, i.e. basic regulation by the state (from no. 7 on) are cases where other organized interests are involved and/or where the state could be pressured by third parties for state intervention. Case 8 and 9 (social security and works councils) are matters where trade unions and certain political parties have an interest in; quality control, food and drug regulation and pollution control are a concern of consumer groups, environmentalists and the health-lobby and are furthermore areas where the general public interest is at stake; case 10 finally is a case of external influence on the national government by the EC-authorities. The need for regulation at the EC-market level meant an end to the relative high degree of self-regulation of the dairy market, which existed prior to 1964. The heavy state involvement in these policy-areas could hence, paradoxically, be explained from the pluralist perspective: the presence of other competing interests does not allow for self-regulation by the industry, but presses for more neutral state intervention.

All cases of predominantly self-regulation furthermore concern in some way or another reduction of competition. For cartels, this is obvious; the most important autonomous rules of the STA concern a minimum retail price for milk and payment of raw materials according to quality, bringing order on the raw materials market; the same is done through the binding regulations of the Frisian dairy union (eliminating competition for farmers) and through the 'objective' separately organized determination of milk quality; collective propaganda is an alternative for individual product promotion (at the possible expense of the market share of the competitor); enlargement of the total sales in addition creates room for growth of all firms and hence thus reduces competition in this way too; finally, collective sector-wide wage agreements bring order on the labour market. Hence all these forms of predominantly private regulation are a response to the need for reduced competition, larger market- and profit-shares, i.e. material advantage of the industry and their farmers.

6. Another distinction between the state dominated and the industry dominated types of regulation is that the former concern regulations, not specific for the dairy industry. Regulations on pollution, works councils and social security concern the whole industry; the food and drug act, quality control of final

products and the EC-agricultural policy are rules for the whole food processing industry. Most of the private regulations on the other hand, such as on the relation between factories and farmers (case 1), on the quality of raw materials and on propaganda are specific to the dairy industry. General industry regulations could not only in the case of the dairy industry be more delegated to the industry, sector-specific regulations however could.

Whenever possible to discriminate, the state has done so. More than in other sectors have regulations here been delegated to the industry, or has the state allowed the industry to regulate itself. This may not only be apparent from the fact that before 1964, national agricultural policy in the dairy sector was delegated to a semi-state agency, but also from the fact that the dairy quality regulations have for a long time been under a separate regime, dis-quality regulation in other sectors, where state involvement was greater.

The industry, on its part, has always preferred self-regulation above state intervention, and has been prepared to regulate, control and even police itself. This may be apparent from the fact that the industry has never requested elevation to public status of cartels or collective wage agreements (by declaring them generally binding). Furthermore, in the discussion over the organization of quality control of raw materials (in 1956) and of final products (1982-83) the industry has kept on emphasizing its preference for private regulation.

7. What's more, all regulations except for some concerning the whole economy (works councils, pollution, food and drugs act) were originally private initiatives. They all originate but of the felt need, just mentioned, for reduction of competition and larger market and profit shares. Whereas in other sectors, firms pursue these interests individually, 'the capitalist way', in a competitive struggle, the dairy industry agreed already at an early stage of its development to pursue these interests collectively, thus reducing competition through regulation, rather than through forcing competitors out of the market. Competition however cannot only be a motive for regulation, but also a barrier. It creates often prisoners' dilemma problems, undermining collective regulation. Such has been the fate of many a cartel. In the dairy industry this problem has been overcome, due to the particular structure of the industry.

First of all, the sector has known a high degree of social cohesion. Several industrial characteristics contributed to this: the cooperative ownership structure, the resulting ties with the world of agriculture and its organizations, and the extreme territorial dispersion, owing to the need to locate the factories near the raw material supply, as milk was difficult to transport, without loss of quality. This territorial dispersion led to the creation of regional associations of factories, embodying regional sentiments, which

further enhanced social cohesion.

A second important factor was the early development of well resourced and relative autonomous regional associations of factories. This development was possible, due to; the very small firm size and again their territorial dispersion, which created a need for central staff resources in the region; to the lack of knowledge and expertise in business affairs of the owner-farmers of the cooperatives; and to the contradiction, which developed between the farmer-owners and the directors of their factories.

A third factor was the presence of 'enemies', such as the private dairy industry and the established dairy merchants, also enhancing associability.

The bulk character of the product lead finally to a high degree of homogeneity of interests.

Sector properties of the past, such as the small firms size, the territorial dispersion and the presence of cooperatives, created so high social cohesion and strong associations, which together made it possible to overcome problems, created by competition, and to establish different forms of self-regulation.

Originally, these self-regulatory measures were taken by the voluntary interest associations. Some of them were later on delegated to special organizations, differentiated out of these general voluntary interest associations. The latter could so remain relatively small and flexible, whereas these functionally specialized organizations got a more 'neutral' image.

Self-regulation emerged so out of a need for reduction of competition and promotion of sales, and was made possible by the particular sector structure. In addition, these self-regulatory measures were made possible by the absence of state intervention and also by the absence of state opposition to self-regulation. On the contrary, there was state-support for such private regulations. This lenient, if not positive attitude was due to the fact that the state had an interest in the industry and has it even more so now. The dairy industry is important for public health, but even more so for economic objectives of the state: a prosperous agricultural sector, regional industrial policy and foreign currency earnings (given the high export ratio). These interests could be articulated and defended within the state by a special powerful ministry of agriculture, with strong ties to the agricultural and food processing community. Thus the state has allowed, if not supported measures taken in the interest of the industry, even if they were contrary to other interests, such as those of domestic consumers. Given these strong ties between the ministry and the associations, the state easily consented in leaving regulations a long time a private affair. Self-regulation was stimulated by the state anyway, because of the explicit corporatist ideology, influential in government in the period 1920-1960.

Factors in the structure of the industry as well as in the structure and policy of the state have thus been favorable to the emergence of self-regulation. They explain why the dairy industry has shown one of the highest amounts of self-regulation of any economic sector.

8. Nevertheless, the influence of the state in private self-regulation has increased and is still increasing. Only a few of the many earlier pure forms of self-regulation have remained, such as the internal rules of the Frisian dairy union, regulating competition for raw materials. Others have sooner or later been publicly sanctioned (quality control of milk, collective propaganda) or have been replaced by state regulations (quality control of final products, social security, EC-dairy policy). Not only the rules have become more public. So have the involved organizations. A first phase was the differentiation from functionally specialized organizations out of the general interest associations. After that, these originally voluntary organizations, often without a monopoly in their domain, have evolved into de facto compulsory organizations or have even been vested with a statutory monopoly, statutory compulsory membership or affiliation and sometimes statutory tax authority. Many of the former voluntary associations received these statutory powers in the early fifties, when the explicit corporatist ideology was very influential in government. In those years, the Statutory trade associations, the milk hygiene organs, the collective propaganda organization, the social security associations and the sector committees on works councils were created, all, except for the last one, out of pre-existing voluntary or already compulsory organizations. It was the time when the Dutch government had a special minister for statutory trade association-affairs. In this sense the opposition between the ideological corporatism and the neo- or incremental corporatism is less great as is often maintained. The introduction of ideological corporatism was in the Netherlands basically a formalization and continuation of the incremental corporatism, evolved in the period 1900 - 1950.

There were several factors contributing to this development. First of all, it turned out that many regulations were only effective under conditions of compulsion and monopoly. Social security was not very well cared for as long as there was competition for members between different associations. Quality control became only finally effective, when quality control was made a precondition for export licenses. There was hence a need for tighter regulations and this was made possible in part because there was enough consensus in the dairy industry over this necessity. Again, close cohesion and strong voluntary associations were important conditions for this. Thirdly, there was the initiative of the state to increase regulation. The popularity of the corporatist ideology has already been mentioned. In addition, the crisis management policy, the

state developed during the thirties became in general based on 'compulsory market ordering'. So the acts on general binding declaration of cartels and of collective wage agreements were created in these years, as well as the compulsory agricultural crisis policy. These policies were both the result of economic experiences - self-destructive competition in sectors as printing and construction - and of the economic theories then popular, on 'ordering of markets'. These theories were influenced by the actual experience, but also by corporatist catholic thinking and social democratic ideas on economic planning.

9. Corporatist self-regulation in the dairy industry has generally been successful. Quality control, market regulation, collective propaganda, reduction of competition for raw materials and labour have improved the economic position of the dairy industry. The EC-policy has of course been very important, as it takes overproduction out of the market, at the expense of the European tax payer to be sure. Thus, the state has made it 'easy' for the industry to be successful. But this holds for the dairy industry in all EC-countries. Within this market, the Dutch dairy industry has improved its position continuously, possibly due to its efficiency, high quality, tight organization and effective private market agreements. It could very well be the industry, which submits the least to EC-intervention bureaus. It usually succeeds in selling its products at higher prices. But it is of course difficult to determine, whether self-regulation has been more effective than state regulation would have been.

Corporatist self-regulation has also been successful in the sense that it has legitimacy, at least vis a vis the industry. Finally, it has unburdened the state. Without the private and semi-public agencies, the state bureaucracy for the dairy industry would have been much larger. In fact, in neighboring countries it is larger.

In stead of a state bureaucracy, however, a rather complicated mixed private and public controlled bureaucracy has evolved around the state. Over 1200 functionaries are employed in this bureaucracy, serving an industry which employs only 22.000 workers. The number and status of the different organizations, their inter-organizational relations as well as those with the industry and the state have become so complicated, that this bureaucracy is much less accessible and clear than a state-bureaucracy would probably be.

10. This has lead to pressure for change, one reason for the relative instability of corporatist self-regulation in the dairy industry. Pressure for simplification of the organization structure by the state has recently lead to a reorganization of the quality control arrangement and to an increase in state influence. Similar reorganizations could follow in the industry-wide corporatist arrangements in social security and in supervision of works councils,

as has been indicated in the respective paragraphs. Separate organization for the dairy industry in these policy areas will then cease to exist. Changes in the organization of social security are in addition motivated by budget problems of the state. A similar development in EC-dairy policy could also lead to still greater state influence in market ordering and in the statutory trade association implementing it. Opaqueness of the organization structure and rising costs of government programs such as in social security and dairy policy, could hence lead to a continuation of the trend towards more and more state influence in the corporatist arrangements.

Finally, there is another factor, this time in the sector structure, which threatens the stability of the arrangements. That is the concentration of property, which has become very high. Four firms now dominate the industry. As a result of this, horizontal interorganizational regulations, such as those of the regional dairy unions, have been transformed into hierarchic intra-organizational ones. In the external regulatory system that remains, there are almost as many regulatory organizations and associations as there are firms within the industry. Already now there are quality control stations, which work basically for only one large firm. When this trend continues - and there is no reason why it should not - the present interorganizational system will become untenable. It either could develop altogether into a central staff bureau of the future "Dutch Dairy Inc." - but then its neutrality vis a vis the subject to be regulated will disappear - or the different organizations could completely be reorganized, simplified and integrated within the state-apparatus. That would be the end of corporatist self-regulation in the dutch dairy industry.



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