

**Economic Adjustment and Political Transformation in Small States**

By Erik Jones

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From its title – in the absence of a sub-title to provide clarification – it is unapparent that *Economic adjustment and political transformation in small states* deals with just two countries, namely, Belgium and the Netherlands. In six chapters (including an introduction and conclusion) of very uneven length, the author elaborates a gloomy statement that claims validity for other small states. Jones argues that the Low Countries are becoming less successful in their adjustment to the world market, and that this is mainly the outcome of a long-term process of political transformation. While the Belgian and Dutch societies might in the past have been described as consociational democracies, political behaviour has shifted to a more pluralist style that has undermined the traditional approach to economic policy-making and adjustment along consensual lines, fostering more majoritarian strategies. This political transformation, it is argued, is in itself the result of the self-destructiveness of consensual adjustment because ‘over time, the citizens of small states begin to chafe under the discipline that such consensual politics implies’ (p. 10).

After a lengthy introduction detailing this argument, the interesting first chapter builds up a framework – inspired by Katzenstein’s seminal *Small States in World Markets* – for interpreting the politics of economic adjustment in Belgium and the Netherlands. In a well rehearsed analysis, Jones discusses what it means for a

country, in economic terms, to be small, and explains the economic policy preferences of small states and the two specific instruments used for facilitating economic adjustment. These are regional integration used abroad, for pro-actively avoiding the need for adjustment and corporatism, used reactively at home to ensure rapid adjustment with a minimum of social conflict. The author is right to emphasise that neither the framework for economic policy-making nor the regional integration and corporatist intermediation are structurally determined and that it is essential that both these instruments enjoy popular support or legitimacy. By means of a historical account of Belgium and the Netherlands, based on secondary literature, the bulk of the book endeavours to supply empirical evidence for this interplay between the electorate's acceptance of regional integration and corporatist policy-making and the (perceived) effectiveness of these instruments in achieving adjustment.

The manner in which the comparison between the two countries is conducted is to some extent inconsistent. While the second chapter provides separate historical narratives for Belgium and the Netherlands, in the following two chapters and the conclusion the accounts of developments in the two countries are interwoven. Moreover, although Jones acknowledges growing dissimilarities between the two countries, the focus on common strategies does not allow this growing divergence to appear with sufficient clarity. Chapter 2 covers the period from 1945 until the end of the 1960s and demonstrates effectively how both consociational democracies, influenced by their relative size and position in the world economy, adhere to the policy preference for free trade, fixed exchange rates, hard currencies and accommodating macroeconomic policies; how the institutions used for regional integration and corporatism have been built up (though the experiments of the 1930s are underestimated); and how and to what degree these institutions facilitate economic adjustment. The next two chapters are mainly devoted to the decades of the 1970s and 1980s respectively when the 'virtuous circle of cooperation, effectiveness and legitimization' (p. 78) was weakened by economic crisis and by the 'depillarization' of the national political culture, depriving the Belgian and Dutch societies of their self-discipline and encouraging competition among elites.

Jones sees in the economic adjustment strategies, pursued by the Belgian and Dutch (narrow) centre-right coalitions in the 1980s and supported, according to him, by the electorate, evidence for the fact that corporatism works better in hard economic times. This judgement is somewhat surprising, insofar as is debatable whether the Belgian government had a popular mandate for its economic recovery programme and whether corporatist intermediation at the macro level was re-emerging, given that the government was ruling by special decree and the employers' organisations and a significant part of the labour movement were not involved in the secret negotiations for achieving a consensus on the programme. At this point, the rather ahistorical analysis could have benefited from a sounder understanding of government involvement in wage-setting and from reference to recent debates in the literature on the shift from demand- to supply-side corporatism and the emergence of social pacts in countries without a corporatist tradition. Furthermore, while reference to the fashionable Varieties of Capitalism debate is made in one footnote, little weight is given to the changing position and discourse of the employers and their organisations in explaining corporatist decision-making in its present form. In spite of these shortcomings and omissions, Jones' analysis, with its focus on the rise and fall of demand-side corporatism in the Low Countries, is quite remarkable and intellectually stimulating in a number of respects so that his book is indubitably a worthwhile read for any scholar or layperson wishing to understand the adjustment strategies of small countries.

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