

The New Embarrassment of Riches: Understanding the Dutch Elections of May 2002

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1. Introduction

The general elections held in the Netherlands on 15 May 2002 attracted an enormous amount of international media attention. The unusual degree of foreign interest is not difficult to explain: the elections were witness to a political murder and a dramatic shift to the right, involving a new non-party which, unprecedentedly, won 26 (out of 150) seats in parliament. This non-party has a history of only three months. It was created in March 2002 by a former professor of sociology (and of Marxian social thinking) who, in recent years, had become known as a controversial columnist in a conservative weekly magazine. This commentator-turned-politician, named Pim Fortuyn, was assassinated on 6 May. Deep-rooted feelings of anger, frustration and mourning were aroused in response, and the entire country went into a depression. All political parties stopped campaigning and many politicians, particularly those in the ruling coalition government, started receiving hate-mail and death threats, a manifestation of the collective sense of anger and outrage. The elections, therefore, took place in extremely tense circumstances, previously unknown to this country. And the election results were as bizarre as the nine days preceding 15 May, during which political debate was completely absent.

The question, of course, is how all this could happen in the Netherlands – a rich country with a long social-democratic tradition, a rapidly growing economy, a low rate of unemployment, apparently efficient corporate structures, a good social security system and public services that function well by international standards. For a short while after the assassination of Fortuyn politicians were shocked and desperate, but within hours, Prime Minister Wim Kok explicitly rejected the suggestion – which had been raised – that sitting politicians were responsible, at least in part, for what had happened, since the assassination reflected discontent with the self-satisfied and introverted attitude of the sitting politicians. Very quickly a consensus emerged which said that all is well with the Dutch ‘Polder model’ – characterized by high economic growth, virtually non-existent unemployment and increased average incomes – and that the dissatisfaction with current policy-making and politicians which had come out in the open after the assassination was not due to a problem of want but to the rising expectations of a population that is growing richer and richer – a classic example of ‘doing better and feeling worse’. We will argue that this new consensus consciously overlooks important economic and social changes that have taken place and are taking place in Dutch society.

We will first briefly outline the political-economic history of the Netherlands and discuss the run-up to the May 2002 elections. We will then present the new consensus on how recent important political changes are to be interpreted. Finally, we will critique this consensus view, arguing that the recent political turmoil is a reflection of growing feelings of insecurity, alienation, anxiety and powerlessness among a large section of the Dutch population, which are a result of the marketist economic policies pursued by the ruling government.

2. The political-economic background¹

In the mid-1980s, the Netherlands were regarded as “perhaps the most spectacular employment failure in the advanced capitalist world”.² In 1984, *standardized* unemployment had spread to a record number of 800,000 persons, or about 14 per cent of the labour force. An almost equal number of workers had been eased out of the labour market through disability pension schemes and early retirement. Hence, *broad* unemployment in the Netherlands, according to the OECD’s definition, was about 27 per cent. Foreign observers ridiculed the Dutch. *The Economist*, for instance, qualified the fact that “more than a million people [were] supported by the welfare state” as “cloudy and lacking of realism”.³ Fifteen years later, in 1999, Dutch policies once again attracted international attention, but time around it was appreciation. Dutch performance during the 1990s, in terms of GDP and employment growth, had been superior to that of the other EU countries. This had been achieved while bringing down the government budget deficit to less than zero, well within the norm of the European and Monetary Union (EMU). Total public debt as a percentage of GDP declined from 76 per cent in 1988 to about 54 per cent in 2001. Politicians and central bankers abroad praised the Dutch success in combining welfare reform and fiscal conservatism with job creation and maintenance of overall social security. Particular attention was drawn to the fact that the Netherlands had succeeded in reducing the (standardized) unemployment rate from almost 14 per cent in 1984 to 2.7 per cent in 2001, which was well below the average unemployment rate of 8.3 per cent in the Euro region. Even *The Economist* found words of praise for “the usual cosy Dutch consensus, epitomized by the country’s odd-sounding government combination of left, right and centre [...] which expedited a significant departure from the weakened continental model of slackening economic growth, rising unemployment and (financial) predicament of the welfare state.”⁴

The established, mainstream view is that the relative success of the Dutch economy is due to a policy of wage moderation. In 1982, in a central agreement between labour unions, employer federations and the government, (voluntary) wage restraint was accepted by labour in exchange for (a) a promise by capital to increase investments, exports and employment growth, and (b) a promise by government to lower taxes and social security contributions, while maintaining entitlements under the Dutch social security system at prevailing levels. The underlying principle, accepted by all the three parties, was that the higher GDP and employment growth induced by wage moderation would imply higher tax revenues and lower unemployment benefits, which would make it possible to sustain the social security system. The policy of wage moderation has been maintained ever since. But while the first promise (of higher employment growth) was kept (more on this later), the second promise (compensation of wage restraint by means of lower taxes and social security contributions, while leaving intact the social security system) was breached. After some time, and particularly during the 1990s, while taxes were

¹ This section draws heavily on the following sources: J. Visser and A. Hemerijck, *'A Dutch Miracle': Job growth, welfare reform and corporatism in the Netherlands*, Amsterdam: Amsterdam University Press, 1997; L. Delsen, *Exit poldermodel? Sociaal-economische ontwikkelingen in Nederland*, Assen: Van Gorcum, 2000; A. van Witteloostuijn, C.G. Koedijk, C.J.M. Kool and A.P. van Veen, 'Hoera, het gaat goed', *Economisch Statistische Berichten*, 17 April 1998, pp. 304-08; OECD, *Economic Surveys: Netherlands*, Paris: OECD, 2002; and 'A survey of the Netherlands', *The Economist*, London, 4 May 2002.

² G. Therborn, *Why Some People are More Unemployed Than Others*, London: Verso, 1986.

³ *The Economist*, 30 January 1982.

⁴ *The Economist*, 12 October 1996.

lowered indeed, the social security system was drastically scaled down – notwithstanding large-scale union protests.

2.1 *Welfare retrenchment*

Why was the social security system scaled down, despite promises to the contrary? To answer this question, it needs to be understood that the unemployed in the Netherlands, broadly defined, comprise two categories. First, there are those who are overtly unemployed and ‘actively’ looking for a job while availing of unemployment benefits. Second, there are persons drawing disability pensions. Among the latter, there are many who may be classified as the ‘hidden unemployed’. For, during the 1980s, the disability pension schemes were often used by labour unions and employers’ federations for industrial restructuring: many redundant and elderly workers were diverted to disability pension schemes rather than to unemployment and early retirement. Disability pensions, which would often continue until the age of retirement, were inflation-indexed and did not require the claimant to be available for work, were more attractive to redundant workers than temporary, conditional unemployment benefits. Employers could buy off worker resistance and circumvent ‘cumbersome’ dismissal procedures by using these disability pension schemes, the costs of which were borne collectively. Thus, while wage moderation did indeed lead to increased employment, it did not result in an equally large decline in broad unemployment, mainly because of a continued rise in the number of persons availing of disability pension schemes. To finance these schemes, taxes and social security contributions, which were set as a ‘mark-up’ over wage costs at uniform (nation-wide) rates, had to be increased. This made it difficult, if not impossible, for the government to keep its promise of reducing taxes without curtailing social security expenditures.

Matters came to a head in the early 1990s, for two reasons. First, it became a matter of great urgency to reduce fiscal deficits as well as tax rates in order to be allowed to participate in the monetarist experiment of further European integration; criteria to improve public finances while reducing tax rates were laid down only in 1992, in the Treaty of Maastricht. Accordingly, it became the prime policy concern of the Lubbers-Kok cabinet to reduce the number of social security beneficiaries in order to be able to reduce tax rates and social security contributions. Second, labour-capital relations were gradually, but firmly, changing as a result of globalization. Following the liberalization of international capital markets and the consequent increase in and ease of cross-border investments, the bargaining position of capital vis-à-vis labour became strong. Threats of industrial conflict by the unions could from now on be effectively countered by threats of relocation of production (and employment) by the employers. Because labour could be disciplined in this manner, capital lost its interest in appeasing labour by diverting redundant labour into disability pension schemes. As a result of this coincidence of interests of government and capital, the welfare system was substantially scaled down by a drastic tightening of eligibility conditions to disability insurance schemes and sickness leave, a significant reduction in the duration of benefits and the lowering of maximum entitlements of earnings-related benefits.⁵ Later on, fundamental changes were introduced in the incentive structure of the social security system, for instance, by making individual employers and employees bear part of the costs of sickness leave. These reforms were clearly directed against the unions, which, in 1991,

⁵ For example, disability pension benefits for people under the age of fifty were reduced from 70 per cent of last-earned wages to 70 per cent of the legal minimum wage.

staged what was the largest post-war demonstration against the government's plans, but to no avail.

2.2 *A move to the right*

Welfare retrenchment led to strong popular discontent and the Lubbers-Kok government, a coalition of Christian Democrats and Labour, was effectively voted out of power in the 1994 elections (see Table 1). Labour lost one-quarter of the votes it had won in 1989, but because the Christian Democrats lost even more, Labour surprisingly emerged as the largest party in parliament. Subsequently, Wim Kok, the Labour Party leader, forged a new coalition government with the Conservatives and the Liberals, condemning the Christian Democrats to an opposition role for the first time since 1918. While, on the face of it, this coalition between the left and the right looked awkward, the participating parties, in fact, had much in common.

- (i) Their views on so-called non-material issues such as the legalization of euthanasia and of marriage between homosexuals, and the individualization of tax and social security provisions, were very much in agreement and very unlike those of the Christian Democrats.
- (ii) Unlike the Christian Democrats who were ardent defenders of bipartite (between labour unions and employers' federations) sovereignty in the administration and implementation of social policy, all the parties in the new coalition wanted independent supervision of the social security system.
- (iii) The Dutch Labour Party, well before Labour in Britain and in Germany, had shed its earlier ideology and replaced it with a fundamentally more market-friendly one. The essence of this New Labour's view was that the welfare state had to be reformed because it had become too big and too expensive; and that the socially optimal way to do so was by means of rapid employment growth, since this would reduce social security claims and at the same time raise tax revenues and social security contributions. But, unlike in earlier times, the Labour Party was now ready to accept that this creation of jobs had to take place within the constraints set by the private sector; that is, Labour argued that it could only be achieved by reducing corporate taxes and by keeping contractual wage growth low, so as to stimulate private investment and private sector growth.

Thus, Labour was happy to be part of a coalition whose economic policy mainly consisted of reducing the tax burden on firms, of increasing competition within the system by the (partial) liberalization of labour markets, public transport, the postal system and energy distribution, and of proposed privatization of the railway corporation, the national airport, etc. – clearly a thoroughly conservative agenda. In addition, on the insistence of the Labour Party, more activating labour-market policies were introduced after 1994, particularly targeted at the younger long-term unemployed. A series of special programmes, geared toward the reintegration of unskilled and low-paid workers into the labour market by means of employment subsidies, was started, while (unlike earlier) use was made of the lowest pay scales in collective agreements in the expectation that this would help retain or create jobs for unskilled workers.

2.3 *The success of New Labour*

New Labour's gamble – reducing (corporate) taxes in exchange for future employment – appears to have been successful. The aggregate figures certainly look excellent:

- During the 1990s, Dutch GDP grew by 2.9 per cent per annum on average, much faster than the EU average. Judged by GDP per head, the Netherlands' position has improved from being the tenth among the EU-15 in 1991 to being the fifth today.
- Standardized unemployment fell sharply, to 2.7 per cent, in 2001, the lowest among the OECD countries. Since 1990, more than 1.4 million new jobs have been created, and the labour force participation rate increased from 59 per cent in 1990 to 67 per cent in 2000.
- The government's fiscal position is enviable: in 2000, for the first time since the 1970s, the government realized a (structural) fiscal surplus of 0.3 per cent of GDP, as the result of a sustained tightening in fiscal policy.⁶ In 2001, the structural surplus increased to 0.9 per cent of GDP. This fiscal surplus was achieved despite (a) a gradual decline, over time, of tax receipts as a percentage of GDP (from 41.1 per cent of GDP on average during 1991-94 to 39.2 per cent in 2001); and (b) stagnant public investment (which amounted to 2.6 per cent of GDP during 1991-94 and 2.5 per cent during 1999-2001). Thus, the fiscal surplus was achieved by cutting down government current expenditure. The Dutch public debt was down to 54 per cent of GDP in 2001, compared to 80 per cent in 1994.

The only blemish in this otherwise sparkling record concerns the gradual deterioration, over time, in the quality of important public services such as health care, education and public transport. In the health sector, tight cost control by the finance ministry, combined with a limited supply of doctors and other medical staff, has – unprecedentedly – contributed to both waiting lists and unsatisfied demand; spending on health care as a share of the GDP has fallen slightly in recent years and is generally considered to be too low. The same applies to education: the student-teacher ratio is higher in the Netherlands than in most other EU countries, while teachers' pay is below the EU average. It is generally felt that the average quality of the Dutch educational system is declining. Similarly, sustained underinvestment in railway infrastructure and in trains, which occurred in the attempt to improve the short-term performance of the independent railway company waiting to be privatized, led to a large drop in performance and mounting travellers' dissatisfaction as a result of numerous and frequent delays, reductions in frequency and overfull trains.

3. **Outcome of the elections of 15 May 2002**

While the high GDP and employment growth – claimed as the big successes of the Kok-government⁷ – were appropriated by Labour as of their making, it was generally expected that not much would change in the Dutch political landscape following the elections of 15 May 2002.

⁶ OECD, *op. cit.*

⁷ Rijksvoorlichtingsdienst, *Enkele Feiten en Cijfers over het Kabinetsbeleid*, Den Haag: Ministerie van Algemene Zaken, 2002.

Most observers expected, until last year, that the ruling coalition government of Labour, Conservatives and Liberals would retain its parliamentary majority, particularly because the largest opposition party, the Christian Democrats – for want of ideological differences – had great difficulty in formulating alternatives to the prevailing economic policies. The situation changed last year, first slowly and later rapidly, when Pim Fortuyn entered the political arena. In November 2001, Fortuyn was made leader of a small but growing populist party with a strong political base in local municipalities, called *Leefbaar Nederland* (*leefbaar* means liveable). He was soon (in February 2002), however, thrown out of this party, mainly because of his attacks on Islam (he denounced Islam as “an extremely backward culture”) and his strong anti-immigration stance (he proclaimed that “the Netherlands is full”). He then started his own party, *Lijst Pim Fortuyn* (LPF), in March. The LPF was completely centred around this charismatic and unorthodox personality, his messiah-like belief that he would lead the country (as the next prime minister) and his (populist) thoughts. Four, probably familiar, themes were central to Fortuyn’s populism:⁸

- *Anti-Islam*: Fortuyn’s view of history was both unilinear and very Eurocentric. He consistently argued that the norms and values of western societies represent, what he termed, ‘modernity’, and are – as such – superior to those held in non-western societies, Islamic ones in particular, which are backward in civilization and culture. The implications of this for the integration of migrants into the Netherlands was that all the adjustment should come from them. This view strongly deviated from the generally prevailing, politically correct silence on problems related to the integration of migrants. Its appeal among voters strongly increased following the events of 11 September 2001 in the US and the consequent attack on Afghanistan. It also made Fortuyn popular in the Hindustani movement in the Netherlands – consisting of migrants from Surinam – who advised its members to vote for him.
- *Anti-immigration*: Fortuyn held that the Netherlands should unilaterally withdraw from the EU’s Schengen treaty and that Dutch border controls should be re-installed and made very tough. Unlike Le Pen in France and Haider in Austria, however, Fortuyn did not advocate throwing out immigrants who were already in the country; but he argued that “they must accept the country’s norms and values”. Though his arguments were not explicitly racist – the top echelon of the LPF in fact includes a number of (second-generation) immigrants – his anti-immigration stance did attract extremely right-wing, if not racist, voters, who formed a significant proportion of his electorate.
- *Anti-bureaucracy*: According to Fortuyn, the trouble with public services (health care, education, the police, public transport) was excessive bureaucracy; in his view, a quarter of civil servants could be fired while at the same time improving the quality and efficiency of public services provision. Fortuyn argued that government could deliver more if it was run like a private business, and this would not require any additional (tax) funding; simultaneously, the government needed to be made more accountable. To achieve these ends, he wanted to include “successful captains of industry” as ministers in his government.
- *Anti-political establishment*: Being an outsider, Fortuyn lambasted the established political parties for their apparent lack of ideological debate, their backroom dealings, and their incapacity to solve problems of health care and education and to reduce criminality.

⁸ See also J. Marijnissen, *Schrale rijkdom: de erfenis van acht jaar paars*, Ketch-up Press, 2002.

The new entrant made most (but not all) established parties feel very uncomfortable. One reason was that, although Fortuyn was very outspoken on issues like immigration, crime and the bureaucracy, he did not have a full programme of clearly defined and mutually consistent policies; a book he published in March is notably vague, except for its anti-immigration insistence. Another reason was that Fortuyn, being an outsider, was in a position to challenge the consensus that had governed Dutch politics for so long, and to claim that he was giving voice to what many people really think. A third reason – undoubtedly – was his charm, charisma and gift for one-liners, particularly compared to most other, colourless party leaders. As a result, the political establishment (and the Labour Party in particular) appeared paralysed: Fortuyn made most other politicians look like fools who were annoyed by him but, at the same time, unable to respond to him. Fortuyn became the spokesperson for many dissatisfied sections (migrant as well as non-migrant): his identification of problems and tension areas was not incorrect and his exposure of the technocratic inward-looking political class was revealing. But, it is important to note, his (populist) solutions were not qualitatively different from the policies of the Kok government; they were merely more market-oriented in nature. At first, Fortuyn was demonized by the media, but later the tone became milder. His political career came to an end on 6 May, when he was assassinated (as far as we know, in a one-person action) in the run-up to the elections of 15 May. Table 1 presents the election results.

Table 1
Results of General Elections: The Netherlands, 1994-2002

	1994		1998		2002	
	Seats	% of votes	Seats	% of votes	Seats	% of votes
Christian Democrats (CDA)	34	22.2	29	18.4	43	28.7
Liist Pim Fortuyn (LPF)	–	–	–	0.0	26	17.3
Conservatives (VVD)	31	20.0	38	24.7	24	16.0
Social Democrats (PvdA)	37	24.0	45	29.0	23	15.3
Green Party (GroenLinks)	5	3.5	11	7.3	10	6.7
Socialist Party (SP)	2	1.3	5	3.5	9	6.0
Liberal Party (D66)	24	15.5	14	9.0	7	4.7
Leefbaar Nederland (LN)	–	–	–	–	2	1.3
Small Christian parties	7	4.8	8	5.0	6	4.0
Others	10	8.7	–	–	–	–
Total	150	100.0	150	100.0	150	100.0

Source: <http://www.overheidlinks.nl/>

Table 2

Composition of Coalition Governments: The Netherlands, 1982-2002

	<i>Prime Minister</i>	<i>Participating parties</i>
1982-1986	Lubbers (CDA) I	Christian Democrats (CDA) and Conservatives (VVD)
1986-1989	Lubbers (CDA) II	Christian Democrats (CDA) and Conservatives (VVD)
1989-1994	Lubbers (CDA) III	Christian Democrats (CDA) and Labour (PvdA)
1994-1998	Kok (PvdA) I	Labour (PvdA), Conservatives (VVD) and Liberals (D66)
1998-2002	Kok (PvdA) II	Labour (PvdA), Conservatives (VVD) and Liberals (D66)
2002-	Balkenende (CDA)	Christian Democrats (CDA), Conservatives (VVD) and LPF

Source: <http://www.overheidlinks.nl/>

The changes brought about by the elections are unprecedented in the Netherlands.⁹ First, all three ruling coalition parties lost dramatically. The Labour Party lost half of its 46 parliamentary seats, sliding down the scale to being the fourth largest (rather than the largest) party. The Conservatives lost more than one-third of their seats (or about 9 per cent of the votes). The Liberal Party was halved. Second, two newcomers took 28 seats or 18.6 per cent of the votes. One of these, the LPF, won 26 seats and became the country's second largest political party. Exit polls¹⁰ show that LPF voters come from all income classes and regions. However, among young voters (aged 18-24), the LPF emerged the biggest party, while it won hardly votes among the retired (65 years and above). It is further noteworthy that one-fourth of the people who voted Conservative in 1998 voted for Fortuyn in 2002 (that is, about 10 seats), while 12 per cent of earlier Labour voters did so (about 5 or 6 seats). Third, also quite unexpectedly, the Christian Democrats gained 14 seats (about 9 per cent of the votes), to become the biggest party. About 16 per cent of the people who had voted Conservative in 1998 now voted for the Christian Democrats; and 10 per cent of earlier Labour voters did the same. Fourth, on the left, there was a clear gain for the Socialist Party, from 5 to 9 seats, while the Green Party, predicted to win 5 or 6 seats, in fact lost a seat.

Taken together, the election results constitute a clear shift to the right: together, the Christian Democrats, the LPF, the Conservatives, and the small Christian parties occupy two-thirds of the seats in the newly elected parliament. The resulting political situation is complex. To enjoy a parliamentary majority, any new coalition government must involve at least three parties. In view of their dramatic losses, both the Labour Party (PvdA) and the Liberal Party (D66) preferred to remain opposition parties. Hence, the only viable three-party alternative consists of the Christian Democrats, the Conservatives and the LPF – forming a truly right-wing coalition. Negotiations between these three parties have already led to an agreement on all important policy issues. In the new cabinet, under the leadership of the Christian Democrat Jan

⁹ The voter turnout was about 79 per cent, which is about 4 percentage points higher than in 1998. The Dutch voter turnout has been declining and was predicted to decline to about 70 per cent before Fortuyn arrived on the scene. Accordingly, the 'Fortuyn effect' (in terms of voter turnout) probably amounts to about 10 percentage points.

¹⁰ Data are from: De Volkskrant, 'Winnaars halen hun stemmen uit alle hoeken en gaten', 17 May 2002.

Peter Balkenende, the LPF – a party without a history, a consistent ideology or, above all, a leader – is clearly a potentially unstable factor. Meanwhile, the Pandora's box that was opened by Fortuyn and which unleashed deep-rooted feelings of distrust, even hatred, between various sections of the population, is unlikely to be shut so soon. This means that a scenario of further escalation, in which the country becomes even more rightwing, is not unrealistic.

4. The 'doing better, feeling worse' factor

Neither the degree of dissatisfaction felt by a large part of the Dutch electorate towards the ruling coalition government, after a decade of seemingly solid economic progress, nor the consequent electoral upheaval had been foreseen prior to 15 May. It is therefore strange, if not disquieting, that so soon after the elections and without much serious investigation, a broad agreement was reached as to the origins of the broadly felt dissatisfaction and as to why so many voters turned to the LPF. The consensual interpretation of the recent events is as follows:¹¹

- The disillusionment of the voters is a classic example of the 'doing better, feeling worse' factor. Following the economic boom of the 1990s and the decline in (official) unemployment, voters are now prosperous enough to concentrate not on jobs, but on:
 - (a) the quality of public services (such as education and health care). With the immediate pressure of searching for a job or trying to keep one's job taken off their backs, voters are now in a position to voice their frustrations over the deteriorating quality of public services; the inclination to do so has increased further in response to the substantially improved fiscal position of the government, which culminated in a budget surplus of 1.1 per cent of GDP in 2001.
 - (b) fear of crime. Along with the general rise in economic welfare during the last decade there has been a rise in the fear of losing newly attained affluence – particularly due to criminal activities. This fear of crime has been magnified by stories, more false than true, of the growth of international criminal networks following the Balkan and Afghan wars, and of links between international crime and migration.Viewed as such, the disillusionment is a byproduct of the economic success of the recent government; it is the prosperity of the voters (luxury) that has created the problem.
- The incapacity of the Kok government to solve problems of health care and education, and to stop the rise in fear of crime has led to a general dissatisfaction with the existing political establishment. Fortuyn, being an outsider, lent voice to this dissatisfaction as the representative of a rebellion against a self-satisfied and introverted establishment, as much as an anti-immigrant platform. The LPF, hence, is a classic protest party.

This consensus interpretation has important implications. First, that the voters' resentment is due not to misgivings about the market-oriented economic policies, but to the very success of these policies, which, therefore, should be continued. Second, that the voters will be satisfied once the problems of health care and education are dealt with and that this should therefore be an urgent task for the coalition government. Here, too, 'the market' and 'consumer choice' should play an

¹¹ For expositions of the consensus view, see: 'A survey of the Netherlands', *The Economist*, 4 May 2002; G. Engbersen, 'Fortuyn danst op het fundament van Paars', *NRC Handelsblad*, 2 April 2002; J.M. Bik, 'Wachten met wedden', *NRC Handelsblad*, 2 July 2002; and *Intermediair*, 28 May 2002.

increasingly important role. Third, that a sense of safety can be instilled in the voters by intensifying policing, stricter law enforcement and stricter border controls. Fourth, that the LPF should be incorporated into the system, preferably by including it in the coalition government, because, once it has lost its outsider status (having already lost its leader), its appeal among voters will automatically decrease. It is on the basis of these four presumptions that the coalition government between the Christian Democrats, the LPF and the Conservatives is being formed.

5. What is wrong with the consensus interpretation?

To regard the widespread disillusionment with the political establishment as a byproduct of the economic *success* of the market-oriented government policies of the Kok government is to seriously misinterpret the true reasons for the popular discontent and the consequent political dynamics. To understand the structural origins of this popular discontent and the consequent shift to the political right, we have to delve deeper, into the Dutch economic performance of the 1990s. Going well beyond the standard success story, we show – below – that the consistent and comprehensive liberalization and deregulation policies of the two successive Kok governments (1994-2002) have fundamentally changed the nature of the Dutch economic order.¹² The primacy of the market was unequivocally reinstated and the domain over which the principle of competition reigned was significantly expanded. We will concentrate our discussion here on the following three areas (although it is possible to identify more important areas where competition was made the organizing principle): work, household wealth, public services (notably health care and education). While our analysis of recent changes in these three areas does take the shine off the achievements claimed by the Kok governments, this is not our main purpose. The main implication of our analysis is that the replacement of consensus-oriented corporatist structures of economic organization by anonymous, global, conflict-oriented, market-based structures had the effect of making the average Dutch citizen feel more insecure, alienated, isolated and powerless. We will substantiate this point, arguing in detail that the (economic) insecurity, alienation, isolation and powerlessness is likely to have increased with the flexibilization and marginalization of labour, the increased segmentation of labour markets, increased work pressure, the policy of welfare retrenchment, the globalization of Dutch firms, the introduction of 'macho' management practices from the US, the primacy of short-term shareholder value, the increased sensitivity of household wealth to stockmarket sentiments, the growing indebtedness of households, the deteriorating quality of health care and education, and the growing inequality in access to public services. If our analysis that feelings of individual (economic) insecurity and insignificance have increased is, indeed, correct, a number of fundamental questions arise. In particular, why have not the negative effects of the policies of liberalization and deregulation featured prominently (in fact, hardly at all) in the political debate? Why are voters seemingly obsessed with problems related to health care, education, migration and crime, while avoiding any serious discussion of the market-based economic policies by which these were caused? Why did Dutch voters massively turn conservative, thereby providing the parliamentary basis for the continuation of economic policies, the effects of which, according to our analysis, are so

¹² For detailed expositions, see J. Visser and A. Hemerijck, *op. cit.*; and A. van Witteloostuijn, 'Après nous le déluge. De economie van egocentrische hebzucht', in H. Schenk (ed.), *Herpositionering van Ondernemingen, Preadviezen 2001*, Koninklijke Vereniging voor de Staatshuishoudkunde., Utrecht: Uitgeverij Lemma, 2001.

detrimental to their well-being? These important questions will be taken up in section 6 of this paper, after we have first established that the liberalization and deregulation policies are likely to have made individuals feel more insecure, anxious and powerless.

5.1 *Changing labour relations*

Most of the 1.4 million jobs that were newly created during 1990-2000 are characterized by low productivity,¹³ low skills and hence low pay; in fact, most of the new jobs are *marginal* jobs, i.e. they are the first that are likely to be cut during a business cycle downturn.¹⁴ Moreover, 50 per cent of the new jobs created during 1994-2000 were part-time – often very small – jobs, while 37 to 40 per cent were flexible. The share of flexible jobs in the total number of jobs increased from 5.8 per cent in 1983 to 7.6 per cent in 1990, and to more than 12 per cent in 1998.¹⁵ Most of these marginal jobs were occupied by newcomers to the labour market (young entrants and women re-entering the labour force), while the majority of the unemployed, broadly defined, was excluded. In fact, in 2000, broad unemployment, which includes 'discouraged workers' as well as the 'disguised unemployed', absorbed by disability pension or early retirement schemes, was (a staggering) 23.7 per cent, rather than the 2.7 per cent it should have been according to the standardized unemployment rate.¹⁶ There was therefore, in the 1990s, only a small increase in full-time permanent jobs. As a result, the degree of competition for these jobs – along Thurowian lines¹⁷ – increased significantly: 75 per cent of the vacancies were filled by candidates with excess educational qualifications (compared to the job description), less skilled candidates were pushed into taking lower-skilled jobs, and the low skilled ones were pushed into unemployment.¹⁸ Increased competition for (permanent) jobs also underlies the structural rise in the hours of overwork, the rise in work pressure as perceived by employees (which is significantly higher in the Netherlands than in other EU countries), and the prolonged decline in perceived job security.¹⁹

¹³ Note that the employment intensity of Dutch GDP growth, which was negative during the 1970s, increased to about 0.6 during the 1980s and 1990s. This means that, while in the 1970s Dutch GDP increased while the number of hours worked declined (!), a 1 percentage point increase in Dutch GDP growth now requires a 0.6 percentage point rise in hours worked. Hence, the other side of high employment growth has been a gradual but significant decline in Dutch labour productivity growth – to well below the EU average for the 1990s. On this, see C.W.M. Naastepad and A. Kleinknecht, 'The Dutch labour productivity slowdown: the culprit at last?', mimeo, Delft University of Technology, 2002.

¹⁴ L. Delsen and E. de Jong, 'Het wankele mirakel', *Economisch Statistische Berichten*, 23 April 1997, pp. 324-27. L. Delsen, *op. cit.*

¹⁵ Flexible jobs consist of temporary jobs (with a contract period of less than one year), jobs via manpower agencies, and jobs-on-call. On this, see W. Salverda, 'Is there more to the Dutch miracle than just a lot of part-time jobs?', mimeo, University of Groningen, 1999; L. Delsen, *op. cit.*, and P.T. de Beer, *Over werken in de postindustriële samenleving*, Den Haag: Sociaal en Cultureel Planbureau (SCP), 2001.

¹⁶ Sociaal en Cultureel Planbureau, *De sociale staat van Nederland 2001*, Den Haag: SCP, 2001, p. 61.

¹⁷ L. Thurow, *Generating Inequality*, New York: Basic Books, 1975.

¹⁸ L. Delsen, *op. cit.*, p. 50.

¹⁹ See *ibid.*, pp. 52-61. Note further that the work pressure increase and the job security decline is also due to the privatization of public enterprises, such as KPN (telecommunications) and the postal services, and the liberalization of sectors including telecommunications, electricity, gas and public transport, as a result of which large numbers of employees lost their status as civil servants and became private-sector workers. See OECD, *op. cit.*, pp. 95-100.

Let us discuss the significant rise in work-related stress²⁰ in more detail. Two major causes of work-related stress are high work pressure and a high pace of work. Data show that the proportion of Dutch employees experiencing high work pressure increased from 30 per cent in 1996 to 33 per cent in 1999. The percentage of employees experiencing a high pace of work rose from 38 in 1994 to 42 in 1999; moreover, a comparison with other European countries shows that, during 1995-2000, the proportion of employees experiencing a high pace of work was the highest in the Netherlands, exceeding the EU average by more than 10 percentage points. It is noteworthy that work-related stress rises with the skill intensity of the job: 58 per cent of high-skilled workers experience a high work pace and 53 per cent experience high work pressure; the corresponding percentages for low-skilled workers are 31 and 32, respectively. A rise in work-related stress has had consequences for employees' health: for example, 13 per cent of employees working under high pressure suffer from serious sleeping disorders, compared to 8 per cent working under low work pressure. Work-related fatigue is on the rise:²¹ of all Dutch employees, 22 per cent were classified as (mentally) exhausted in 1998, 23 per cent in 1999 and 25 per cent in 2001.

As a corollary of the large increase in marginal jobs, labour market segmentation has significantly increased by various criteria: permanent versus flexible workers, full-time versus part-time workers, and employed versus unemployed workers. As a consequence, inequality has also increased.²² First, unemployment is unequally distributed across groups of workers: the share of ethnic minorities and low-skilled workers in Dutch unemployment is well above the OECD average.²³ Second, the differential between low and high wages, which had already substantially increased during the 1980s, increased further: while the gross hourly wage of the tenth percentile worker increased by 3 per cent during 1990-98, wages of the median and ninetieth percentile workers increased by 8 per cent.²⁴ As a result of the strong growth of low-productivity, low-wage, often subsidized employment, we are now witnessing a phenomenon that is entirely new to the country: a category of 'working poor', that is, people with jobs but with low incomes (incomes below the 1979 subsistence income level).²⁵ But even these low wage income-earners have been better off than persons dependent on the social security system: as a consequence of welfare retrenchment, the value of *minimum* social security benefits and of (average) disability pensions has *declined* in real terms throughout the 1990s. Not surprisingly, the proportion (in total number of households) of households living on a subsistence income was stagnant – at more than 10 per cent – despite the period of prolonged GDP growth.²⁶ In contrast, the base incomes of top managers increased on average by about 14 per cent every year during

²⁰ Data from F. Otten and I. Houtman, 'Werkdruk stabiliseert', *CBS Index*, No. 9, Den Haag: Centraal Bureau voor de Statistiek, November 2001.

²¹ Data are from a longitudinal cohort study of work-related fatigue by researchers of the University of Maastricht. See Universiteit van Maastricht, Persbericht "Bijna een op de vier werknemers is psychisch vermoeid", Maastricht, 1 February 2001. Another recent report, based on the Netherlands Mental Health Survey and Incidence Study, reports that more than one-fifth of Dutch employees suffers from psychological distress, including depression (9 per cent of female workers), phobia (15 per cent of female workers) and alcohol addiction (12 per cent of male workers). See S. Laitinen-Krispijn and R. Bijl, *Werk, psyche en ziekteverzuim*, Utrecht: Trimbos Instituut, 2002.

²² A. van Witteloostuijn, C.G. Koedijk, C.J.M. Kool and A.P. van Veen, *op. cit.*

²³ W. Salverda, article in *Trouw*, 19 January 2002.

²⁴ B. ter Weel, 'The structure of wages in the Netherlands 1986-1998', *mimeo*, University of Maastricht, 1999.

²⁵ See Sociaal en Cultureel Planbureau, *Poverty Monitor 2000*, Den Haag: SCP, 2000.

²⁶ Sociaal en Cultureel Planbureau, *De sociale staat van Nederland*, Den Haag: SCP, 2001.

1990-2000, while the number of millionaires more than tripled.²⁷ The most recent (2001-02) tax reform, which reduced the highest marginal income tax rate and reduced corporate tax rates, is expected to further raise income inequality. Finally, it is to be noted that, for comparable jobs, the wage differential between public sector and private sector wages, which in 1990 was already more than 25 per cent, has increased further.²⁸

Liberalization and flexibilization of labour markets has thus led to a segmentation of the Dutch labour force into three distinct classes:

- higher income workers, often on permanent contracts, whose incomes have substantially increased (in real terms);
- lower income workers, often on temporary/flexible contracts, whose earnings have not increased and have sometimes decreased (in real terms); and
- persons dependent on the social security system, whose incomes have declined (in real terms).

While labour market liberalization has affected each of the above classes in different ways, one outstanding feature of the policy changes we have described has affected everyone: the earlier (corporatist) labour market arrangements have been destroyed and with it the stability and relative security they offered the individual. In the 1990s, the growing importance given to the market and to competition changed the personal situation of members of all classes into one of economic insecurity, isolation and anxiety. This is most obvious among persons dependent on social security: for them, the welfare retrenchment was obviously a change for the worse. Likewise, for low-income flexible workers, the reforms meant increased economic and personal pressure and growing insecurity, as they are directly dependent on the laws of the market, on prosperity and depression, and on the effects of technological change (in the hands of their employers). But even for higher-income workers, who have been more fortunate in terms of employment security and income growth, the policy changes brought greater personal insecurity and anxiety, as heightened competition forced them to do more work, to take jobs below their qualifications, to experience increased work pressure and burn-out, and destroyed all stable career prospects, requiring them instead to compete (often forcefully) to get promotions. Apart from its impact of insecurity and powerlessness, increased competition due to labour market liberalization has two important social effects: it stimulates mutual human indifference²⁹ and it leads to a loss of self-confidence, letting 'the feeling of self' be determined by her/his success in the market.³⁰

5.2 Globalization

²⁷ Socialistische Partij, *Sociaal plan voor de 21ste eeuw*, Den Haag: Tweede Kamerfractie SP, 2001.

²⁸ W. Salverda, article in *Trouw*, 19 January 2002.

²⁹ According to Fromm (*The Fear of Freedom*, London: Routledge, 2002, p. 102; first published in 1942) "the relationship between competitors has to be based on mutual human indifference. Otherwise any one of them would be paralysed in the fulfilment of his economic task – to fight each other and not to refrain from the actual economic destruction of each other if necessary."

³⁰ See *ibid.*, pp. 103-13.

Feelings of insecurity, anxiety and powerlessness among large parts of the population have increased further as a consequence of the growing integration of the Dutch economy with world markets. This integration has been market-led, that is, decisions regarding the nature, extent and pace of the integration of domestic activities with global markets are made in accordance with priorities formulated by the private sector – in particular large, internationally operating firms. The particular form globalization has taken – the deregulation and liberalization of cross-border transactions – is beyond all democratic control (however weak), notwithstanding the rhetoric of corporate accountability. Hence, as the private sector increases its scale of operations, the individual loses a great deal of her/his earlier security and independence as she/he feels threatened by the vastness and superior power of global enterprise.

To illustrate this point, consider, first, the situation of Dutch *employees*. Due to globalization, their bargaining power vis-à-vis their employers has declined. This decline in the bargaining power of employees (and labour unions) is marked by two trends.

- During the 1990s, many Dutch firms invested abroad, mostly buying up foreign firms, to such an extent that now a major proportion of their sales and profits is generated abroad. Examples include food retailer Ahold, computer company Getronics, insurance company Aegon, food supplements producer Numico, publishing companies Reed Elsevier, Wolters Kluwer and VNU, chip-wafer manufacturer ASML, Anglo-Dutch multinational Unilever, office products supplier Buhrmann, and banks ABN-Amro and ING, all of which have very substantial interests in the US.³¹ The shares of many important Dutch firms, including Philips, Shell, ABN-Amro, Unilever and Ahold, are traded on the New York Stock Exchange. This growing internationalization of Dutch firms, which is also reflected by the fact that, in 2001, more than 50 per cent of the members of executive boards of the 25 firms listed on the Amsterdam Stock Exchange were of foreign nationality, has had two crucial effects. *First*, foreign (mainly US) management and corporate governance methods have made significant inroads into Dutch business practice and culture, in the process changing traditional (relatively harmonious) labour-capital as well as management-shareholder relations.³² Specifically, the maximization of 'shareholder value' is increasingly regarded as management's prime goal, the realization of which requires – in a situation of globalized capital markets – a permanent drive to raise productivity and reduce costs to please global stock markets. The result is a constant restructuring of firms, even of successful ones, led by 'macho'-management (*à la* GE's Jack Welch), which replaces existing consensus-oriented business practices with conflict-oriented ones. The consequences of this change in business culture are enormous: the introduction of more mechanisms of control and supervision, a rise in work pressure, a decline in job security, a loss of social capital (within firms), and a loss in the commitment and involvement of workers.³³ *Second*, due to their increased internationalization,

³¹ To illustrate the importance of the US market for Dutch firms, consider the following figures provided by Het Financieele Dagblad (27 June 2002): the share of US sales in total annual sales is about 65 per cent for Ahold, 60 per cent for Elsevier and Numico, and more than 50 per cent for Wolters Kluwer, VNU, Aegon and Buhrmann.

³² On these changes, see A. van Witteloostuijn, 'Après nous le déluge. De economie van egocentrische hebzucht', in H. Schenk (ed.), *Herpositionering van Ondernemingen, Preadviezen 2001*, Koninklijke Vereniging voor de Staatshuishoudkunde., Utrecht: Uitgeverij Lemma, 2001.

³³ Consider, for example, the following figures for thirty major Dutch firms (all listed on the Amsterdam Stock Exchange). During 1985-90, four of these thirty companies underwent a major restructuring operation; this number increased to thirteen (out of thirty) during 1990-95 and to twenty-three (out of thirty) during 1995-2000. These

Dutch firms no longer solely depend on what happens within the borders of the Dutch economy, but rely on economic conditions abroad as well as exchange rate movements. On the one hand, this may mean that losses incurred abroad induce a firm to reorganize its (otherwise profitable) domestic activities. On the other hand, prospects of higher profits (or lower costs) abroad may induce firms to shift activities from the Netherlands to foreign countries; a recent example is the decision of Philips to shift its lighting division from Eindhoven to either Poland or China, by which most of its 50,000 Dutch employees will lose their jobs.³⁴ The implication is that employees' demands – for higher wages or better working conditions – lose credibility as these can be effectively blocked by referring to anonymous external pressures (financial distress incurred abroad) or by threats to relocate production and employment.³⁵

- Conversely, many Dutch firms were taken over by foreign companies whose prime interests do not lie in the Dutch market. Recent illustrative examples include packaging company Van Leer (which was taken over by a Finnish firm), container terminal operator ECT (taken over by a Hong Kong firm), paper manufacturer KPN (now owned by a South African firm), liquor company Bols (bought by a French company), steel manufacturer Hoogovens (taken over by British Steel), and mobile phone operator Telfort (taken over by British Telecom). DSM, a major chemical and pharmaceutical firm, sold its bulk-chemical divisions to a firm from Saudi Arabia, and VNU sold part of its publication activities to a Finnish media firm. For most of these foreign owners, their Dutch interests are not strategic; therefore, the specific demands of their Dutch employees carry relatively little weight and have to conform to business-wide norms and rules.

Globalization, particularly in the financial sphere, is also increasing the insecurity and powerlessness of *households*. One reason for this is that – in the 1990s – the wealth of Dutch households had become significantly more sensitive to global financial developments via two, inter-related, routes: their growing involvement in stock markets and their house ownership.

Consider, first, the increased sensitivity of the wealth of households to stock market performance.³⁶ Data show that the proportion of households owning stock market shares *directly* increased from 11 per cent in 1995 to 27 per cent in 2002. On average, in February 2002, Dutch households held about 18 per cent of their net wealth in shares. Share ownership has spread across income groups: while lower-income households hold about 13.5 per cent of their net wealth in shares, middle- and higher-income households hold about 18.4 per cent. In addition, households *indirectly* own shares via their (obligatory) participation in pension funds and life insurance schemes. These (accumulated) pension funds savings make up about 40 per cent of the

restructuring operations led to a (cumulative) loss of employment (in these thirty firms) of 44,000 jobs during 1990-95 and of 160,000 jobs during 1995-2000 (while during 1985-90 employment increased by about 26,000 jobs). At the same time, the firms' profits during 1995-2000 were higher than those realized during 1990-95, which in turn exceeded the profits made during 1985-90. See A. van Witteloostuijn, *op. cit.*, 2001, pp. 9-11.

³⁴ See Het Financieele Dagblad, 'Lichtgroep Philips zint op uitbesteding', 18 June 2002.

³⁵ For an analysis, see J. Crotty, G. Epstein and P. Kelly, 'Multinational corporations in the neo-liberal regime', in D. Baker, G. Epstein and R. Pollin (eds.), *Globalization and Progressive Economic Policy*, Cambridge: Cambridge University Press, 1998.

³⁶ The data presented in this section are from: De Nederlandsche Bank, 'Vermogensbeheer Nederlandse gezinnen onder de loep', *Kwartaalbericht*, June 2002; and J.M. Slagter, 'Overvloed en onbehagen: Nederlandse gezinnen rijker dan ooit, maar lopen ook meer risico', *Het Financieele Dagblad*, 20 June 2002.

net wealth of households. Because more than 50 per cent of these funds are invested in stock markets, households hold another 20 per cent of their wealth in shares. Accordingly, the average (direct plus indirect) proportion of the net wealth of Dutch households held in shares is about 38 per cent. This degree of stockmarket involvement among Dutch households, which is substantially higher than that of households in other European countries,³⁷ implies that their wealth is quite sensitive to fluctuations in the national and international stockmarkets. This increased sensitivity shows itself in the fact that the growth in the wealth of households is increasingly due to increases in stockmarket prices and house prices (rather than to increased savings out of income). For instance, for the period 1985-2000, the Dutch central bank data show that 53 per cent of the increase in wealth was due to increases in share and house prices; and in the period 1990-95, about 63 per cent of the increase in (average) household wealth was caused by increases in prices of shares and houses. This proportion increased to 78 per cent during 1995-2000. Clearly, the (average) wealth of Dutch households has become much more dependent on (global) stockmarkets, following the prolonged stockmarket boom during the latter half of the 1990s, which was mainly driven by exaggerated expectations of a 'New Economy', if not by mere speculation.

Before proceeding, it is important to note that the stockmarket boom was – to a large extent – policy-induced. First, due to the fiscal austerity, the fiscal deficit declined and, as a result, it was no longer necessary to issue government bonds; accordingly, the supply of government bonds declined. At the same time, globally determined (real) interest rates were relatively low. In response, households reallocated their portfolios in favour of stockmarket shares. Second, the increased inequality in income distribution (mainly due to labour market flexibilization and income tax reforms) stimulated stockmarket participation, as the propensity of the middle- and higher-income households to invest in the stockmarket is higher than that of lower-income households. Third, the privatization of state-owned enterprises, such as telecom firm KPN and software firm PinkRocade, which was heavily publicized, was deliberately targeted at non-institutional investors (that is, households).

The same policy factors also explain much of the prolonged real estate boom. During the 1990s, real estate prices increased, on average, by more than 10 per cent a year; as a result, the wealth of households owning real estate (mainly as owner-occupiers) increased considerably. The prolonged house-price rise, in conjunction with a policy of financial sector deregulation and low interest rates, has stimulated speculative behaviour on the part of households. This has taken two forms. First, during the last six years, one-third of the owner-occupiers have taken bank loans against an additional mortgage on their higher-priced house. Second, in the expectation that the real estate price-hike will continue, many households, when buying a house, have taken a so-called top-loan, that is, a bank loan in excess of the market value of the house. The proportion of top-loans in total bank loans increased from about 15 per cent during 1986-90 to 36 per cent during 1991-95, and to almost 50 per cent during 1996-2000. The result of all this is a dramatic increase in households' indebtedness: the ratio of households' debts to households' disposable income increased from 85 per cent in 1985 to 188 per cent in 2000. By incurring more debt (backed up by higher real estate prices), households increased their financial liquidity, which they mostly used to invest in (renovating) their houses. But the additional financial liquidity was

³⁷ Within the OECD, only US households have a higher (direct and indirect) stock market involvement. See De Nederlandsche Bank, *op. cit.*, 2002, p. 31.

also used to buy shares, to purchase consumer durables or to pay for holiday expenses. It is notable that lower-income households often used part of the liquidity to pay off other debts.

The increase in the wealth of Dutch households has had a tremendous impact on (durable) consumption expenditure. Estimates by the Dutch central bank indicate that the spending from real estate-related wealth gains raised Dutch GDP growth (in real terms) by 0.6 percentage points in 1998, 1 percentage point in 1999 and 0.7 percentage points in 2000.³⁸ To this, if we add the spending effect of the wealth gain made in the stockmarkets, the spending effect on GDP growth owing to total wealth gain is likely to be of the order of 1–1.5 percentage points. This means that about one-third of the actual real GDP and employment growth during 1998-2000 was due to debt-based household spending.³⁹ The macroeconomic fragility and unsustainability of this situation are obvious. In fact, the growth in the wealth of households came to an abrupt end in 2001 owing to a stockmarket decline in late 2000, which was augmented by the events of 11 September 2001, and the Enron, Andersen and Worldcom business scandals. The index of the Amsterdam Stock Exchange, which rose above 700 points in 2000, has declined to about 420 points – its lowest level since 1998.

5.3 Public sector delivery

The consistent policy of the Kok governments to create a more competitive and market-based economy was also extended to public utilities and the health care and educational systems. In the health care sector, this meant the introduction of (managed) competition, allowing public health insurance corporations to compete with private insurers (in the expectation that this would reduce insurance costs), and providing financial incentives to health care insurers to contain costs by ensuring more efficient drug use and more efficient prescribing behaviour among general practitioners. The main aim of this policy change was to cut down on costs. The policy did succeed in reducing the proportion of health care expenditure to GDP, but has been a distinct failure in other respects:

- The work pressure of medical personnel has increased and is now significantly higher than that experienced by workers in other sectors.⁴⁰ Combined with relatively low incomes (compared to the private sector), this has acted to demotivate health care employees and explains why many health care institutions are currently understaffed.⁴¹
- The demand for health care has increased, as reflected in the unprecedented and persistently growing waiting lists for public health care institutions.⁴² Waiting lists can be circumvented

³⁸ See *ibid.*, p. 36.

³⁹ The term 'debt-based' is not misplaced: the ratio of non-contractory (discretionary) savings to household disposable income declined from 5.6 per cent in 1995 to –1.3 per cent in 2000. See *ibid.*, p. 31.

⁴⁰ See F. Otten and I. Houtman, *op. cit.*

⁴¹ To reduce the shortage of medical workers, a policy allowing selective migration of qualified nurses and doctors from countries including South Africa and Poland was introduced.

⁴² Data for 2001 from the Sociaal en Cultureel Planbureau (*op. cit.*, pp. 115-18), show that the waiting time for a consultation with a medical specialist ranges between four to eleven weeks; the waiting time for hospital treatment (often surgery) is between four to twenty weeks, depending on the type of treatment required. The Health Council of the Netherlands lamented the fact that, in thirteen out of twenty-one specialized hospitals, patients with cancer had to wait three to seven weeks for radiotherapy; there is a shortage of intensive-care facilities, due to which patients had to be transported from one hospital to another. Inevitably, these problems have led to premature deaths,

only by going to private health care institutions, which have only recently been allowed. It goes without explanation that higher-income groups can more easily avail of private health care facilities (not covered by public insurance) than low-income groups.⁴³ In addition, many private clinics treat only work-related health problems and are paid directly by firms. And public waiting lists are being circumvented by private insurance companies which offer their clients an insurance scheme that covers immediate treatment *abroad* – obviously at much higher costs than those of standard insurance schemes.

- Despite the high rate of GDP growth, inequality in health care *outcomes* did not decline during the 1990s. The mortality rate and incidence of health problems remain significantly higher among low-income earners as compared to high-income earners, who enjoy on average twelve more years of good health than the former; they also live (on average) three-and-a-half years longer.⁴⁴

Thus, the overall consequences of introducing competition in the health care sector have been: to undermine the morale of health care workers, to raise the inequality in health care *access*, and to destroy the (financial) solidarity between low-income (high-risk) and high-income (low-risk) groups – consequences about which the Scientific Council for Government Policy had issued a warning as early as in 1997.⁴⁵ Both low-income and high-income groups are increasingly feeling more and more insecure: the former because of the uncertainty inherent in waiting lists; the latter because, although they have more immediate access to health care facilities, the access is costly and dependent on their holding jobs, and hence is affordable and available only as long as their high incomes and jobs are secure.

The educational system tells a similar story. Because of the government's budget cuts,⁴⁶ many schools (almost all of which are state-financed) increasingly suffered budgetary pressures which were met by reducing teachers' salaries and raising their work pressure. Over time, teachers' salaries have fallen greatly in comparison with market-based remunerations. In further efforts to cut down on costs, schools were merged, teacher-pupil ratios were raised⁴⁷ and, as primary and secondary schools became bigger and the school management staff increased, the individual teacher became more anonymous and insignificant. The decline in teachers' salaries and the rising importance of school management as opposed to teaching has significantly reduced teachers' social status. In response to the budgetary pressures schools have started competing for private funds, seeking 'voluntary' financial contributions from parents or private sector sponsorship. But some schools are more successful than others in this garnering of additional resources. As a result, there is growing segregation of schools into so-called 'black'

the exact number of which is not known. Waiting lists abound not only in curative-somatic care: there exist long waiting lists for old-age homes (thirty-five weeks), psychogeriatric hospitals (eighteen weeks), and home care (eight weeks); note that about 39 per cent of the persons on these lists were not receiving any professional assistance.

⁴³ Firms are willing to pay these costs for their employees, because they have to pay for sick leave (insurance). By circumventing the public waiting lists (via these private health care institutions), the time (and costs) associated with sick leave are reduced.

⁴⁴ Sociaal en Cultureel Planbureau, *op. cit.*, p. 107.

⁴⁵ Scientific Council for Government Policy, *Volksgesondheidszorg*, Den Haag: WRR, 1997.

⁴⁶ In the Netherlands, public expenditure per pupil/student as a ratio of per capita GDP declined from 26 per cent in 1970 to 22 per cent in 2000. See Ministry of Education, *Education at a Glance*, Den Haag, 2001.

⁴⁷ The Dutch teacher-student ratio is the highest in the OECD. See Ministry of Education, *op. cit.*

and 'white' schools⁴⁸ and there are growing complaints about the average quality of education. The high-income groups are able to send their children to the preferred schools because they can afford to pay the 'voluntary' contribution; but – again – only as long as their high incomes are secure. The low-income groups feel powerless and insignificant when they cannot afford to send their children to the preferred schools, because they are too costly. Competitive pressures have increased also in university education and research. Scholarships for university students have been drastically scaled down; as a result, private educational expenses borne by university students as a proportion of GDP are higher in the Netherlands than in Denmark, Germany and the UK. Not surprisingly, in 1999, 60 per cent of the 20-24-year-old students in the Netherlands had to combine work and studies, well above the OECD average of 31 per cent.⁴⁹ Public funds for university research have declined, as a result of which university departments are forced to compete for private funding; the result is commercialization of research (and teaching) and a decline in independent, fundamental research.

6. The socio-psychological consequences of increased competition

If our analysis that feelings of (economic) insecurity, powerlessness and insignificance have increased as a result of liberalization and deregulation is correct, why did these negative effects of the market-oriented policies not feature prominently in political discussions – and why did such an overwhelmingly large section of the electorate vote for 'more market', not less? Why do voters point to problems related to health care, education, migration and crime, while glossing over the problems caused by liberalization and globalization? Why did Dutch voters shift to the right, thereby providing the parliamentary majority for the continuation of the economic policies, the effects of which – according to our analysis – are so detrimental to their well-being? These are difficult questions that can only be answered partially. But the present political developments and the dangers they imply for the immediate future require explanation, however tentative and incomplete.

6.1 *Social avenues of escape*

One explanation for the contradiction between the increase in economic insecurity (caused by market-based policies) and the change in voters' preferences (to the right) is offered by social psychology. As argued by Fromm,⁵⁰ growing (capitalist) competition and globalization, which both increase economic insecurity and stimulate indifference, have the profound psychological effect of making the individual feel insignificant, alienated, directionless, powerless and threatened.⁵¹ But because they are so frightening, these feelings are suppressed – most often by submitting and compulsively conforming entirely to the norms and values of a larger social

⁴⁸ See Trouw, *Zwarte scholen* in 2002, <http://www.trouw.nl/>.

⁴⁹ See Ministry of Education, *op. cit.* The percentage of 15-19-year-old students combining a job with studies is also much higher in the Netherlands (48 per cent) than in the OECD at large (18 per cent).

⁵⁰ In particular, see E. Fromm, *op. cit.*

⁵¹ Other factors have added to the growing powerlessness of the individual: growing secularization, the loosening of family ties, the growing importance of the EU and the consequent decline in national policy autonomy (epitomized by the loss of the guilder and the arrival of the euro), the Balkan war (so close to home), and the global terrorist threat (after 9/11/2001).

group. This has the effect that the individual becomes exactly like all the others in the group and as they expect her/him to be. The discrepancy between 'I' and the external world disappears⁵² and with it the conscious fear of loneliness and powerlessness. But for this relief from anxiety, the individual pays a high price: her/his true self is weakened, if not lost. This loss of identity, in turn, makes it still more imperative to conform to avoid disapproval and increased isolation. Hence, to escape from insecurity and isolation, the individual is driven to dependency on and submission to external norms and values which are shared by other members of the social group and which give the individual members of the group pseudo-security and temporary relief from doubt. Major examples of such socially significant avenues of escape include:

- *Competitive consumerism*: It is well-known that consumer spending is the vehicle through which people establish their social position.⁵³ But unlike in the earlier days, when consumption was mainly aimed at maintaining one's social position (at 'keeping up with the Joneses'), during the 1990s, consumption became significantly more competitive, aimed at positioning oneself in a higher socio-economic stratum.⁵⁴ This intensification of competitive consumerism is a principal social avenue of escape from the increased insecurity, isolation and powerlessness that result from market-oriented reforms: the more insecure and powerless the individual feels, the more these feelings need to be compensated by social prestige, and this depends on one's consumption spending.⁵⁵ The results are a continuous upward shift in consumer aspirations, increased consumer spending, deteriorating family finances and increased household indebtedness.⁵⁶
- *Chauvinism*: Close identification of one's self with a local, regional or national culture is an important source of prestige, backing up the insecure individual self. In fact, the more insecure an individual feels and the less she/he feels that she/he is somebody, the more important the association with the larger culture becomes. The operation of this mechanism is obvious in sports, notably in the case of football supporters: even if they are nobodies personally, they feel proud when their team performs well. Likewise, many people derive a sense of importance from national(-istic) pride, which manifests itself in feelings of superiority about one's own culture, language, *cuisine*, sports team, or currency. In the extreme case, it may result in an aggressive and intolerant assertion of the superiority of one's own culture vis-à-vis other cultures and – ultimately – in racism.
- *The glorification of competitive success*: As a consequence of the internalization of the rules of market competition, people will try hard to back up the weakened self with prestige and

⁵² Note that the norms and values of the group are generally internalized to such an extent that these are experienced as being one's own.

⁵³ See T. Veblen, *The Theory of the Leisure Class*, New York: Penguin, 1967; and J. Schor, *The Overspent American. Upscaling, Downshifting and the New Consumer*, New York: Basic Books, 1998.

⁵⁴ As Schor insightfully observes, "consumers are often not conscious of being motivated by social status and are far more likely to attribute such motives to others than to themselves. We live with high levels of psychological denial about the connection between our buying habits and the social statements they make." See J. Schor, *ibid.*, p. 19.

⁵⁵ It is sometimes argued that consumption patterns have become more individualized, but Schor shows that rather than becoming truly individualized, consumption patterns reflect a localized conformity: lots of people wanting the same 'individual identity-creating' products. See J. Schor, *ibid.*

⁵⁶ See footnote 39. We already noted that the ratio of household debt to household disposable income increased from 85 per cent in 1985 to 188 per cent in 2000. See De Nederlandsche Bank, *op. cit.*, p. 31.

power based on economic success. The more economically successful the individual becomes, the more she/he can cover up her/his feelings of insecurity and anxiety and feel consciously secure, helped by the admiration of others and the power over them. That is why so many workers 'voluntarily' engage in fierce competition over promotions, spend more hours on overtime work and step up their pace of work, while passively accepting the directives issued by their 'macho' management.⁵⁷ Those who have little economic success, on the one hand, submit to the market system (which they experience as being overwhelmingly strong), accepting the flexibilization of work contracts and the inherent inequalities, and on the other hand, look for alternative sources of prestige – such as competitive consumerism and chauvinism. Many who feel insignificant in their jobs try to attain economic success in other areas, for instance, by engaging in stockmarket speculation, participating in lotteries, or by gambling.

It must be emphasized that these mechanisms by which the weakened self tries to escape from feelings of insecurity and insignificance help only temporarily to assuage these feelings; they do not uproot them.⁵⁸ It should also be noted that the (unconscious) choice of this escape route will be more drastic the more inevitable the choice appears. Feelings of inevitable 'submission to the market' in the Netherlands were strengthened by two developments that took place simultaneously with the move to the right. The first was globalization. Faced with a political and economic environment spanning not one country but many, even the whole world, it is very difficult to have an overview of the consequences of actions. Vice versa, vis-à-vis this enlarged environment, individuals and individual firms seem even more insignificant and subject to forces that are beyond one's control. Irrespective of how anonymous and uncontrollable these forces are, Dutch governments actually have, since the middle of the 1980s, tried all means to strengthen such feelings of powerlessness. Nationwide debates on globalization, broadcast on television, served to convey only one message, namely that globalization and liberalization are inevitable. The second was the commercialization of TV at the beginning of the 1990s which, by raising the share of entertainment and advertising and lowering the share of information and critical assessments in overall broadcasting, greatly contributed to the feeling that there is no alternative. Thus, the idea of the inevitability of market-oriented policies was actively and consistently promoted via the media, which had been rendered passive and uncritical by commercialization, which may explain the sharp increase in the popular support for these policies.

6.2 The desire for order, meaning and protection

Such an understanding of the socio-psychological mechanisms of escape enables us to solve the puzzle in the apparent contradiction between increased economic insecurity and increased conservatism among voters. In order to overcome the mental stress, and sometimes panic, resulting from increased insecurity, the individual is ready to submit to new political authorities who offer her/him security and relief from doubt. It was this readiness to accept any ideology and any leader, if only she/he promised excitement and offered a political structure which allegedly gives meaning and order to an individual's life, that drove large sections of the Dutch electorate into Fortuyn's arms. Fortuyn consistently projected the image that he would make

⁵⁷ See A. Van Witteloostuijn, *op. cit.*

⁵⁸ See E. Fromm, *op. cit.*, p. 105.

things work (by curtailing the bureaucracy, by making the government more accountable) and protect the electorate – directly by reducing criminality, and indirectly, by reinstating traditional norms and protecting 'Dutch' culture from external (migrant) influences. This appealed to an electorate that was overcome by profound feelings of insecurity and powerlessness. It is telling that Fortuyn nowhere clearly explained how he thought to achieve all this, but, instead, simply asked voters to take his word for it. Also, by claiming the superiority of western culture, he instilled in many voters a (pseudo) sense of confidence and pride, which helped them to cover up their anxieties. Finally, the fact that Fortuyn himself was an outsider, alone and powerless, and that he was treated with contempt by the (relatively closed) political establishment, made it easy for many voters to personally identify themselves with him – it touched something very close to their own emotional lives.

It was the same desire for order, meaning and protection that made people vote for the Christian Democrats and the Socialist Party. It must be remembered, however, that although Fortuyn, the Christian Democrats and the Socialist Party all understood the electorate's desire, the promises they made and the solutions they offered differ fundamentally. The Socialist Party offers protection to the individual by means of a strong, redistributive welfare state as well as more democratic governance of the private sector; in essence, this implies that the competitive order is replaced by an alternative, more collectivist and democratic order.⁵⁹ The Christian Democratic Party offers protection, not by means of a strong state, but by bi- or tripartite corporatist decision-making structures (involving labour unions, employers' federations and government), and by re-establishing the traditional family (rather than the individual) as the cornerstone of society.⁶⁰ Unlike the Socialist Party, the Christian Democrats do not want to reduce competition and replace it with state action; rather, they want to regulate competition by means of consensus-oriented corporatist institutions. They do not offer protection to the individual but to individuals organized in family structures. Fortuyn, as we saw above, promises protection for the individual by fighting criminality, reinstating traditional norms and protecting the 'superior' Dutch culture – if voters give him the parliamentary mandate to do so; he definitively does not want to reduce or regulate market competition.

6.3 The internalization of norms and the suppression of fear

It remains paradoxical that voters, overcome by feelings of insecurity and powerlessness, provide a parliamentary majority to a rightwing government that will continue the same market-oriented policies that instilled the insecurity in the first place. How do we explain this paradox? Why is it that more people did not vote for the Socialist Party – the only party that wants to reduce the extent of market competition in favour of more democratic governance and better public services?

To answer these questions, we begin by noting that, in general, the need to conform to the norms and values of a social group increases when individual feelings of insecurity and powerlessness increase – as they did in the 1990s as a result of increased competitive pressures. These norms and values are generally internalized to such an extent that the individual believes they are of her/his own making. In a capitalist economic system, the ruling norms and values are

⁵⁹ See J. Marijnissen, *op. cit.*

⁶⁰ It is well known that for many (and particularly for those with little economic and social prestige), the family is a major source of individual prestige. See E. Fromm, *op. cit.*, p. 104.

market-based: a high price indicates a high value, a high income is a sign of high productivity, and large wealth reflects past economic success. Accordingly, in an economy in which relationships are becoming more competitive, norms and values are becoming more market-based. And these norms and values are becoming internalized as a result of the compulsive conforming of increasingly insecure individuals. Competitive consumerism and the glorification of competitive success, which help suppress feelings of insecurity and insignificance, at the same time aid the process of internalization of market norms and values. Hence, the more competitive societal relationships become, the more market-based norms and rules will be accepted. The political consequence is that most voters accept that society is founded on competitive principles and consequently see no need for a change of policies. This is the first reason why the majority of voters, though anxiously waiting for political parties to provide them with order, meaning and protection, are reluctant to give their support to parties that explicitly strive to replace the existing competitive order with a less competitive, more collectivist and democratic order.

There is, however, a second and related reason why many voters do not reject the market-oriented policies – they feel completely overwhelmed, insignificant and powerless by the all-pervasive forces of competition and of anonymous global markets. Because these feelings are so frightening, people immediately and forcefully suppress them – escaping into consumerism or chauvinism, or covering them up by daily routine, by success in business, by finding assurance and approval in their family lives, by any number of distractions, by 'having fun' and 'going places'. But people will still try to rationalize their unconscious feelings of insecurity and anxiety – for instance, by concentrating their dissatisfaction and frustration, not on the fundamental causes (market competition and globalization), but on the smaller issue of the deteriorating quality of public services. Voters feel frustrated, insecure and anxious, but rather than attack the major 'threat' (the market), which is perceived as being too powerful and overwhelming, they turn their aggression towards the 'weaker' threat (the public sector) – note that the focus of voters' discontent with the public sector is also fully congruent with their internalization of market norms and values. The discontent with the public sector, however, is definitely not the reaction of prosperous and spoilt voters, as is the established view; in contrast, it represents an attempt to rationalize the deep-rooted feelings of insecurity, powerlessness and anxiety which have increased as a result of the market-oriented policies of the previous decade.

7. Conclusion

The outcome of the Dutch elections of May 2002 was a paradox: the majority of voters voiced its dissatisfaction with the ruling 'purple' (Labour plus Conservative) government, but at the same time provided the parliamentary basis (a rightwing majority) for continuation of the same market-oriented policies as pursued by that government. The mainstream interpretation of this paradox is that voters were disillusioned with the inward-looking political establishment and dissatisfied with government performance in health care, education and criminality; both the disillusionment and the dissatisfaction are regarded as the by-products of the economic success of the Kok government, as voters have become prosperous enough to concentrate not on immediate needs (jobs and incomes) but on secondary needs (health care, education and the protection of their property). We have argued that this is a serious misinterpretation of the true reasons behind the popular discontent and the consequent political dynamics.

We show that the liberalization and deregulation policies of the two successive ‘purple’ governments have replaced the consensus-oriented corporatist order with anonymous, competitive, global, conflict-oriented, market-based structures. This structural transformation has led to the flexibilization and marginalization of labour, the increased segmentation of labour markets, increased work pressure, welfare retrenchment, globalization of Dutch firms, the introduction of ‘macho’ management practices from the US, the primacy of short-term shareholder value, increased sensitivity of household wealth to stockmarket sentiments, growing indebtedness of households, deteriorating quality of health care and education, and growing inequality in access to public services. As a result, the average Dutch individual feels more insecure, alienated, isolated and powerless. These feelings are so frightening that the individual suppresses them – by escaping into consumerism or chauvinism, or by looking for a cover. Hence, looked at superficially, people appear to function well enough in economic and social life; but behind that comforting veneer, there exists deepseated unhappiness and frustration.

Politically, increased insecurity raises the voter’s readiness to accept any ideology and any leader, if only she/he offers a political structure that allegedly lends meaning and order to the voter's life. Fortuyn provided such a structure, which explains why large sections of the Dutch electorate supported him. But other parties that also promised order, meaning and protection, such as the Christian Democrats and the Socialist Party, also gained in the elections. Labour, which did not recognize the true desire of its voters, arrogantly claiming that all was well, lost correspondingly. We also noted that the more insecure individuals become, the more they tend to conform to and internalize the prevailing societal norms and values. In the Dutch case, this has meant the internalization of *market* norms and values, a process which was greatly helped by competitive consumerism and the glorification of competitive success – two social avenues of escape from feelings of insecurity and insignificance. The political consequence is that most voters are reluctant to give their support to parties proposing a less competitive, more collectivist and democratic order. Voters rationalized their unconscious feelings of insecurity and anxiety by concentrating their dissatisfaction and frustration, not on their fundamental causes (market competition and globalization), but on the smaller issue of the deteriorating quality of public services.

We have dealt with the Dutch elections at length because we believe that similar tendencies are at work in other EU countries, such as France, Germany and Belgium. As a result of the policies of (labour-market) liberalization and deregulation, people increasingly feel insecure, unprotected and threatened by globalization. And the insecure individual is ready to follow any party that provides protection, order and meaning. This provides populist parties, promising to offer such protection, with a large potential electorate. But it is important to point out that such populist parties, the Dutch LPF, for example, offer a social avenue of escape from the feelings of insecurity and powerlessness, rather than a way to root out the real cause of these feelings. In other words, they support the insecure individual by providing her/him with a sense of (cultural) superiority, protection from crime, external norms and values, and pride. A potentially dangerous vicious circle may thus develop, in which increased market competition makes people more insecure and frustrated, inducing them to increasingly turn to populist parties. As a result, even as the cause of the growing insecurity and anxiety remains in place, the political process is likely to become more unstable and bigoted. Of course, this is still far from the current political situation in the Netherlands, which remains – by international standards – a relatively tolerant society. But it is a society in which the room for positive human freedom,

based on (economic) security, tolerance and equality, is declining. This is, indeed, the new embarrassment of riches.