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Storm, Servaas

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Euroland: Will the Netherlands be the next domino to fall?

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By Servaas Storm
Feb 13, 2017

Austerity has nurtured resentments that will likely make the populist right PVV the biggest winner in the March 15 election — but without the majority or the allies needed to govern

The Dutch go the polls on March 15, a few weeks ahead of the French vote to choose the successor to *Président* François Hollande and well before *Bundeskanzlerin* Angela Merkel seeks a fourth term in September. The Dutch vote takes on a wider European significance, however, because Dutch voters — who rebelled against a EU ‘constitution’ in 2005 and last year rejected the association treaty between the EU and Ukraine in a referendum — have in the past proved to be a good gauge of European sentiment.

This time, there is a strong anti-‘politics-as-usual’ sentiment blowing across the Netherlands, which—through a voter swing to the right—may set the country on the anti-establishment path blazed by Brexit and Trump. The Dutch populist insurgency is led by the far-right anti-Islam Freedom Party (PVV) of MP Geert Wilders, who wants to scrap the euro, break up the Eurozone, and restore border checks in the EU. Wilders’ PVV is a single-member party, the only member being its leader who alone decides its program and positions, and selects the names on the party’s electoral list. The party program, written on one side of a single sheet of paper, centers mostly on stopping migration, fighting the ‘Islamization of Europe,’ and freeing the Dutch from the shackles of the Brussels bureaucracy and the Frankfurt-based ECB. Wilders has without doubt benefited from the same factors that have buoyed populists elsewhere in recent years: the incapacity to resolve the Eurozone crisis; growing concerns about ‘mass’ migration, ‘failing’ integration and the ‘refugee crisis’; terrorist attacks; and the failure of center-left parties to deliver the outcomes to which their traditional constituencies aspire, most prominently decent and stable employment. The PVV has been leading in the polls for months and will most likely emerge as the big winner of the 2017 elections—making Wilders the prime candidate to form a (coalition) government.

This populist insurgency and anti-establishment ‘revolt’ are remarkable in an economy which, going by all the usual macroeconomic indicators and notwithstanding the deep crisis in most of the Eurozone, appears from the outside to be in steady good health. Dutch economic growth has stabilized at around 2% in 2015 and 2016, which is also the predicted growth rate for 2017. Dutch living standards are high (on average); the official unemployment rate is down to 5.4% of the labor force; inflation is low; and the country continues to enjoy a huge net export surplus (of 9% of GDP). Recovery is so robust that *De Nederlandsche Bank* has probably been the only central bank in the world that has been calling for higher wages—in the domestic services sector sheltered from international competition, which employs 46% of Dutch workers.^[1] While private (household) debt is high, the Dutch hold large stocks of savings in their (capital-based) pension system, which is considered robust enough to cope with its ageing population. The government budget deficit is under control (at less than 1% of GDP), while the public debt-to-GDP ratio has come down to 63% and is manageable, also because the Dutch state can borrow at almost zero interest rates in bond markets. Hence, while the economy has stabilized, Dutch politics looks set to destabilize: Never before has the outcome of elections in the Netherlands been as difficult to predict as this March 15, when 12.6 million voters cast ballots to usher in a new 150-member Lower House. Might the Netherlands, an EU founding member, be the next domino to fall to populism and euro-skepticism, provoking a disintegration of the entire EU?

The Dutch plight

To understand Dutch political changes, one must first take note of a few structural features of the Dutch political system. The first is that the political spectrum is fragmented or divided into a large number of parties. The Parliament elected in 2012 had 11 parties, and some 28 parties will field candidates for the 2017 election. This political fragmentation has meant that Dutch governments are always coalition-governments, based on the parliamentary support of at least two and often three or more parties.

The present government is a coalition between the Conservatives (VVD) led by Prime Minister Mark Rutte, and the Dutch Labor Party (PVDA). This coalition became a politically viable option in 2012, after the implosion of the Christian Democratic Party (CDA), which had been the traditional center of the Dutch system. The coalition managed to steer the economy through the crisis-years and complete its full four-year term based on fiscal austerity, some labor market deregulation and trade liberalization (in the form of TTIP and CETA). Dutch economic growth was negative in 2012 and 2013 because of the austerity, but turned positive in more recent years when the negative impacts of austerity were more than offset by the growth impulses originating from neighboring Germany's steady recovery and from a euro that is considerably undervalued from the Dutch-German standpoint. Fiscal pressure on the state was tremendously relieved by the surge in demand for supposedly 'super-safe' Dutch sovereign bonds, issued at close-to-zero interest rates following the escalation of the Eurozone crisis. Hence, Dutch macroeconomic recovery has been mostly a 'free ride' on Germany's economic strength and Southern Europe's continuing *malaise*.

However, to understand the populist resentment among part of the Dutch electorate, one must recognize that the official 'macro' indicators that all point to recovery hide a more complex and less sunny reality on the ground. For one, fiscal austerity, while effective in bringing down the government budget deficit, has meant a continued underfunding and understaffing in healthcare, old-age care and education; a trimming of support schemes for the disabled; cuts in public spending on R&D; and insufficient investment in public transportation, renewable energy systems and affordable (social) housing. These outcomes are in direct conflict with traditional social-democratic values, as the austerity-induced scarcities and rationing in healthcare, education, transportation and housing make daily life more difficult, costly and insecure for the majority of the population—even when these scarcities are not immediately 'visible' in the macro indicators. An even bigger unmentioned factor is unemployment. The official Dutch unemployment rate is 5.4% of the labor force (December 2016), but this number does not include the underemployed workers who work part-time, are often self-employed and want to work more hours, nor the so-called 'discouraged workers' who have given up looking for a job as there are none.

Recent estimates by the Dutch central bank^[2] show that if the underemployed and discouraged workers are included in the counting, the 'broader' and more appropriate unemployment rate would be 16% of the labor force—three times as high as the 'official' unemployment rate. The fact that about one in six potential workers is without a job or not working the desired hours is just another important example of the austerity-induced weakness of the Dutch economy, not visible in official political discourse. What is left unmentioned as well is that job insecurity in the Netherlands has increased significantly in recent times: the percentage of employees with a 'secure job' declined drastically from 56.8% in 2008 to 30.5% in 2014.^[3] More than one in five workers is in a temporary job, and about 17% of Dutch employees are self-employed and have to fend for themselves.

The heightened job insecurity is correlated with a higher incidence of mental depression and sharp increases in the usage of anti-depressants and medication.^[4] No wonder that Dutch voters, including those from the middle classes, are most anxious about their financial position, their job and economic prospects.^[5] These anxieties, when combined with the austerity-induced scarcities, create a fertile feeding ground for anti-elitist right-wing scapegoating, putting the blame on some 'Other' (in this case: second-generation migrants from Morocco and recent refugees), while at the same time conjuring up some notion of a shared national purpose and ditto identity (mostly voiced in terms of reclaiming 'sovereignty' in opposition to the Brussels' EU hegemony). The Dutch Labor party (PVDA), which can be seen as the Dutch equivalent of Germany's *SPD* and British Labor before Corbyn, is obviously implicated, as it is part of Rutte's coalition government, sharing the responsibility for the debilitating consequences of its austerity economics.

What do the opinion polls predict?

In Table 1, the Dutch political landscape has been divided into Right (Conservatives), Centrists, and Left. This will make it easier to interpret the predicted changes. The Table identifies 11 political parties—but I must note that some 28 parties, many of which are new, will field candidates for the 2017 election (the non-listed parties are represented in the Table in the category 'unclassified'). Let us consider the status quo—as given by the 2012 election result. The

current coalition started off in 2012 with 82 out of 150 seats in Dutch parliament: 44 seats for Rutte’s VVD (27.3% of the votes) and 38 seats (25.3% of votes) for the Labor party PVDA. Wilders’ PVV started with 15 seats (based on 10% of the 2012 votes). Table 1 compares the 2012 outcome to the election predictions of five recent major opinion polls. The five polling organizations all use forms of internet-based polling, but as their sampling and weighting methods differ their predictions tend to vary considerably. The differences are structural, as some pollsters consistently predict higher voter shares for some parties than do their competitors. I have simply averaged these five polls—although they are not equally reliable and the standard deviations are not small.

To illustrate, the predicted voter share of the PVV, which is 20.3% on average, varies across the polls between a low of 17.3% and a high of 23.3%, with a large standard deviation of 2.3 percentage points. Historically, the PVV, which was established by Wilders in 2005, peaked at 16% of the votes in the 2010 parliamentary elections and then dropped down to 10% of the voters in the 2012 elections. In the opinion polls in the run-up to the 2017 elections, the PVV peaked at 22.5% of the votes (or 34 seats) in early 2016, when the tensions over the ‘refugee crisis’ were at their peak. Thereafter PVV-support declined to 17% of votes, only to somewhat recover in November-December 2016 after Wilders was found guilty for inciting hatred. That the PVV might actually have peaked too early is suggested by a new opinion poll by CentERdata of Tilburg University, which predicts that the vote share of the PVV in the March 15 elections will only be 16%—the equivalent of 23 seats.^[6] However, this poll of January 25 is an outlier compared to the polls included in Table 1, to which I will now return.

Table 1 shows firstly, and perhaps surprisingly, that the combined ‘Conservative’ vote is staying roughly constant, declining from 39.3% of the voters in 2012 to a predicted 38% of voters in March 2017. Pollsters do not predict a ‘turn to the Right’, in other words. However, this stability obscures the fact that the expected support for Prime Minister Rutte’s VVD declines, while support for Wilders’ PVV doubles. Wilders’ Freedom Party (PVV) is expected to go from 10% of votes (15 seats) to 20.3% of votes (30 seats), while the VVD loses, as its support base drops from 29% of voters in 2012 to a predicted 18% now. These shifts point to a reshuffling *within* the Right—and they also explain why Rutte is ‘toughening’ his stance on immigration, stating that immigrants in the Netherlands should ‘act normal, or leave.’ But Wilders’ influence is even bigger: also PVDA-leader Lodewijk Asscher has been calling for stricter integration, a defense of Dutch ‘identity’ and ‘progressive patriotism.’ I must stress that voters abandoning the VVD are not necessarily moving to Wilders. A substantial part of those abandoning the VVD are now likely to vote Christian-Democrat (CDA) or liberal (D66), but an equally significant fraction is likely to cross over to the PVV.

A second trend is the structural decline of the (combined) Left, from 39.3% of votes in 2012 to only 29.3% of votes expected now. The main driver of this decline is the historically unprecedented implosion of Labor’s PVDA: from 25.3% of votes in 2012 to less than 8% of voters in March. The void left by Labor’s tryst with irrelevance is not filled by a stronger Socialist Party (the more radical, anti-austerity and EU-critical left party which can be seen as the equivalent of *Die Linke* in Germany): the SP is expected to lose voter share as well, from 10% in 2012 to 9% now. The big winner within the Left is the Green Party (called GroenLinks) which is predicted to attract 10% of the votes in March (up from 4% in 2012). If all this does happen, the Dutch Left will be smaller, more fragmented, and not in a position to challenge, let alone end, the austerity economics.

Table 1: Predicted Shifts in Dutch Parliament

	<i>Seats in parliament:</i>		<i>Percentage share in votes:</i>		
	2012 actual	2017 predicted	2012 actual	2017 predicted	%-difference
RIGHT:	59	57	39.3	38.0	-1.3
VVD (Rutte)	41	24	27.3	15.7	-11.6
SGP	3	3	2.0	2.0	0.0

PVV (Wilders)	15	30	10.0	20.3	10.3
CENTRE:	32	47	21.3	31.3	10.0
CDA	13	16	8.7	10.9	2.3
CU	5	6	3.3	3.9	0.5
D66	12	15	8.0	10.3	2.3
50+	2	9	1.3	6.3	4.9
LEFT:	59	44	39.3	29.3	-10.0
PVDA	38	11	25.3	7.5	-17.9
SP	15	13	10.0	8.8	-1.2
GroenLinks	4	16	2.7	10.4	7.7
PvD	2	4	1.3	2.7	1.3
UNCLASSIFIED:	0	2	0.0	1.3	1.3
	150 seats	150 seats	100%	100%	-

Third, the center gains, increasing its vote share from 21.3% in 2012 to 31% now. The recovery of the erstwhile much larger Christian Democrats (CDA) is still fledgling, and the liberal party D66 will likely experience a blip in support. CDA and D66 are both supportive of the EU and the euro project. The other winner is the more Euro-skeptic party 50Plus: a special interest party campaigning for the retired and 50+ voters. However, combined with the increased support for the Greens (GL), this centripetal shift reflects a strengthening of pro-EU sentiments among the Dutch electorate, which is about as large as the increase in EU-resentment reflected in the growth of Wilders' PVV. On balance, therefore, it does not look like the Dutch are turning strongly against the EU—when the predictions are correctly read.

What to make of the predicted shifts?

The predicted election outcome points towards even *more fragmentation*. It is likely that Wilders' PVV will become the biggest political party in the Netherlands, but with 'just' about 21-23% of the votes. The PVV is unlikely to get a higher voter share. One reason is that Wilders' popular appeal has led to infighting on the right by a number of new right-wing populist initiatives, which cater to the same voters as Wilders and would therefore grow only at the expense of the PVV. The other factor is that 20-24% of the vote appears to represent the size of voters' support for right-wing populism in Europe: Wilders' predecessor, Pim Fortuyn, obtained 17% of the votes in 2002, while in France National Front's Marine Le Pen is currently having the support of 25% of voters in the run-up to the French presidential election. The maximum voter share in parliamentary elections of the Austrian FPÖ was 26.9% (in 1999), but more recent support is around 21% of voters. It is not likely that Wilders will break through this ceiling of 22-24% of voter share. Wilders' one-member party cannot form a government on its own, and since all others have ruled out working with him, it will be impossible for him to form a government. However, Wilders coming in first, even if he cannot form a coalition, does take on significance in the larger European context, as it will be used in France to further bolster Le Pen's presidential campaign and in Germany as another vote of no-confidence in the immigration policies of German chancellor Merkel. This is the real risk.

The Left is in deep crisis and, for want of credible alternative ideas, basically irrelevant. The one element within the Left that could claim some momentum are the Greens (GL), who otherwise tend to be quite like ‘New Labor’ in terms of their economic policies. There is a risk that the disillusionment with the Left will push voters who traditionally vote PVDA or Socialist Party (SP), toward the PVV, as their traditional vote would be a certain loser. After all, Wilders is offering simple, straightforward solutions, such as ‘taking back control from Brussels’, ‘sovereignty’ and ‘protecting traditional values and identities’, to what in essence are defensible and reasonable economic and social fears—as I argued above. Or disappointed voters may decide not to cast their vote. This would help the PVV, assuming that its ‘angry’ voter base does come to the ballot box.

The outcome is a stalemate: Wilders will cry victory and claim the right to start forming a government (as would be normal parliamentary custom). But then he will fail, as no one will join him in this attempt. It is true that 75% of Dutch voters believe^[7] that Mark Rutte will backslide on his promise to rule out the VVD joining a coalition with Wilders—‘zero percent chance’—but it does not appear to be in his interest to be the ‘junior’ partner in a government led by PM Wilders. What is more, PVV and VVD are unlikely to enjoy a parliamentary majority and will need a third or fourth coalition partner, which seems even less likely to happen. Hence, what happens next will be unclear. The PVDA will probably abstain, as it is in existential crisis and in no position to act. Rutte’s Conservative party (VVD) will lose, but remain the biggest party after the PVV. Most likely, the VVD will try to form a new coalition, probably with ‘winners’ CDA and D66 and the Greens (GL), but this coalition of four parties still has no majority and will need a fifth party (the party 50+ or the small Christian Union, CU, or the PVDA). If the final election results are anything close to the prediction of Table 1, it will take long to form this center-right government and it may not be stable and not last long. Predictably, Wilders will cry foul, claiming that this coalition without him does not represent the ‘will of the people’. Two things are bound to remain unchanged, however: Dutch macroeconomic policy will remain in austerity mode, prolonging and deepening the artificial scarcities of jobs and inequalities in access to health care, education and housing. This will in turn further fertilize the feeding ground for anti-elitist, anti-euro right-wing scapegoating in the mode of Wilders. *Final disclaimer.* This note gives the views of the author based on the predictions in Table 1, which may turn out to be wrong. Remember Brexit and the American presidential election.

Footnotes

[1] DNB. 2016. “Arbeidsinkomensruimte vooral in op het binnenland georiënteerde bedrijfstakken.” *DNBulletin* November 21. <http://www.dnb.nl/nieuws/nieuwsoverzicht-en-archieef/dnbulletin-2016/dnb348373.jsp>

[2] DNB. 2016. “Arbeidsmarkt ruimer dan werkloosheid doet vermoeden.” *DNBulletin* February 25. <http://www.dnb.nl/nieuws/nieuwsoverzicht-en-archieef/dnbulletin-2016/dnb338186.jsp#>

[3] Van der Meer, P., Th. Van Huizen and J. Plantenga. 2016. “De invloed van baanonzekerheid op mentale gezondheid.” *Economisch-Statistische Berichten* 101 (4725), pp. 26-29.

[4] Van der Meer, P., Th. van Huizen and J. Plantenga. 2016, *ibidem.*; and Buffel, V., R. Dereuddre and P. Bracke. 2015. “Medicalization of the uncertainty? An empirical study of the relationships between unemployment or job insecurity, professional care seeking, and the consumption of antidepressants.” *European Sociological Review* 31 (4): 446-459.

[5] See: <https://www.cbs.nl/en-gb/news/2015/12/economy-most-urgent-problem-according-to-dutch-voters>

[6] See: <https://www.tilburguniversity.edu/nl/actueel/nieuws/persbericht-centerdata-verkiezingen-peiling-prognose/>

[7] Smolka, Klaus Max. 2017. “Kann Wilders noch gestoppt werden?”, *Frankfurter Allgemeine Zeitung*, February 4. <http://www.faz.net/aktuell/wirtschaft/niederlande-vor-der-wahl-das-duell-zwischen-premier-rutte-und-eu-feind-wilders-14835218.html>