

CHARTED CHOICES 2011-2015

Effects of nine election platforms
on the economy and the environment

Chapter 1: Background information and approach

Chapter 2: Summary overview

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PBL Netherlands Environmental Assessment Agency

1 Background information and approach

“There is no such thing as a free lunch”

1.1 A difficult point of departure

The point of departure with respect to government finances is an extremely unfavourable one for future governments. The credit crunch resulted in a 4% shrink in the Dutch economy in 2009, which is an historic all-time low. The aftermath of this shock has caused considerable problems for government finances. We anticipate that there will be a 4.9% budget deficit by 2011. At the same time, the ageing of the population will take a heavier toll on the government budget than was previously forecast. People are living increasingly longer, and in increasingly better health. Although this is good news, it does create financial problems for the government. Unless the government amends its policy, the combination of the credit crunch and the ageing population will result in a sustainability deficit of 4½ % of the gross domestic product (GDP), i.e. 29 billion euros, by 2015. Our society will have to come to an agreement sooner or later on measures for covering this deficit. This poses a tremendous challenge for political parties, comparable in magnitude to the budget cuts implemented after the 1983 Wassenaar Agreement. This analysis shows that *all* the parties involved have taken up this challenge.

Retrenchments of this order can only be achieved by implementing structural measures. Such measures have one feature in common: the results of the policy will only become visible after some time has elapsed. There are a number of reasons for this: first of all, citizens must be given time to prepare themselves for the new policy, and substantial changes can only be introduced at a gradual rate. In addition, a great deal of new policy affects the influx and outflow in a scheme in the first instance, not the number of persons who benefit from this scheme. For this reason, the effects on the number of people—and thereby on government finances—will only be discernible in the long term.

However, the reverse is actually true in the short term. Most retrenchment measures result in a decrease in demand during the first four years, and thereby in a lower GDP and higher unemployment. A political party which implements more cutbacks will initially suffer more from this type of negative effect. The economic situation will eventually enter a new upswing, and the structural effects will prevail. This also corresponds with experiences gained from retrenchments after the Wassenaar Agreement, whose magnitude was comparable to the present task confronting political parties during the next four years. The favourable results of these retrenchments did not actually become plainly discernible until 1990. Since retrenchments are inevitable in any event, the

negative effects on the economic situation, viewed from this perspective, are therefore primarily a question of the rate at which cutbacks are implemented. After all, these cutbacks will have to be made sooner or later.

However much the structural long-term effects may be surrounded by uncertainty, they are of far greater significance to a political assessment of the consequences of policy than the cyclical effects. Political parties' fundamental political choices are actually revealed in the long-term effects. Does a certain party attach more value to equality of income or to growth? Does a party give priority to education for the younger generations, or to the care of the elderly? Does a party consider it to be worthwhile (or not) to pay a high price for ensuring a clean environment and restricting emissions of greenhouse gases? It is these more structural choices which demonstrate how a party sets its political priorities, and the main purpose of this study is to portray these choices. For this reason, not only the consequences with respect to 2015 are of importance when assessing an election programme, but we must also examine the structural effects for the long term. This, the latest edition of *Keuzes in Kaart* (Charted Choices), consequently perpetuates the trend in which increasing attention is devoted to the structural long-term effects of party programmes.

1.2 Financing deficit, GDP and prosperity

It is self-evident that an assessment of election programmes does not focus solely upon their effects on government finances. The electorate is also interested in the effects of the proposed programmes on the GDP, and on prosperity in the Netherlands in a broader sense, not least because a higher GDP will eventually contribute to sound government finances. As is customary, we have used a broad concept of prosperity: we have taken into consideration all factors which the public considers important, including e.g. the environment, travelling time, noise pollution and leisure. However, we have been obliged to limit ourselves in this study to effects of considerable importance, and to effects on which there is sufficient information available to enable us to give a reliable assessment of them. If the latest scientific and technical knowledge does not provide a sufficient basis for a well-considered opinion, politicians and the electorate will have to make a choice on other grounds. Therefore, if science is unable to give a reliable assessment of the effects of prosperity, this does not mean that the relevant proposals made by a certain political party are unable to withstand criticism; it only means that the available information is insufficient to enable us to arrive at a balanced opinion.

There are also disadvantages to this reticent approach in practice. For parties that attach great weight to this kind of proposal, it is often difficult to accept such reticence. However, giving an opinion without substantial information is incompatible with the role

of planning offices. In between elections, planning offices do continue working on the further expansion of the relevant knowledge in order to ensure an improved response to the existing need for information in subsequent editions. Incidentally, the political parties themselves constitute a major driving force behind planning offices' increasingly far-reaching analysis of their election programmes, because they urge them to depict the prosperity effects in an increasing number of areas.

Another disadvantage to the planning offices' cautious approach is that political parties have a tendency to refrain from allocating resources to policy areas in which it is difficult to give a satisfactory assessment of the prosperity effects, because the parties feel that it is more difficult to account for this kind of expenditure to the electorate. These problems occur e.g. in the case of proposals for institutional reforms in the health care sector. They also occur with respect to proposals for promoting research and development. Although it is well-known that research and development have significant external effects, there are few in-depth studies that give an insight into how the government can effectively stimulate them. In all cases where we have refrained from giving a balanced opinion because there is insufficient scientific evidence available for such an opinion, we will explicitly state this.

Since the planning offices do not give any political opinions—which, after all, is strictly the prerogative of political parties—this analysis can solely be based on a factual analysis insofar as this relates to the budgetary effects, and solely on a widely-supported scientific opinion if it relates to the social impact on the GDP and prosperity. This kind of scientifically-substantiated assessment requires meticulous preparation, including verification by external experts. It is the duty of the planning offices to ensure permanent monitoring of those areas in which it is possible to give a scientific opinion of this kind.

Theoretically, as we have said, we have demonstrated the effects on prosperity. Although this is sometimes too ambitious, it is nevertheless possible to chart the effects on the GDP. For example, we are able to give a reasonable insight into the prosperity effects¹ with respect to the analysis of the housing market, whereas we are obliged to limit ourselves to the effects on the GDP with respect to investments in knowledge. Although prosperity and the GDP are related concepts, they are by no means identical.²

1.3 Sustainability of government finances

This study examines in detail the effects of election platforms on the sustainability of government finances in the long term. Roughly speaking, government finances are

¹ CPB Housing market study.

² See op.cit. for a comparison between these two concepts, and for an explanation of why it is often simpler to show the effects on the GDP than those on prosperity.

sustainable if the National Debt does not explode, in the event that the present institutions are maintained (“unchanged policy”). At the present moment, therefore, this is not the case, as we indicated in paragraph 1.1. There is a sustainability deficit of 29 billion euros a year, measured in 2015. There are many different ways of resolving this problem. For example, a party may propose an immediate retrenchment of 29 billion euros. However, a party may also decide to pursue a more gradual route by increasing the retrenchments by one billion euros every year. Furthermore, a party may resolve to postpone part of this choice, and only indicate ways in which the retrenchments can be achieved during subsequent governments’ terms in office. From an economic point of view, the rate at which retrenchments are implemented within stringent preconditions³ is primarily a political choice, although there are a great many arguments in favour of already specifying, at the present date, how and when the retrenchments will be implemented. Since uncertainty has a deleterious effect on the investment climate, this study has therefore adopted two ways of demonstrating the range of options for counterbalancing the sustainability deficit. Firstly, we indicate the part of the sustainability deficit for which a party has already put forward specific proposals. This means that the party is postponing making a choice for the remainder of the sustainability deficit. Secondly, we give an approximate indication for each party of how this party intends to distribute the tax burdens attached to the necessary adjustments among a number of generations, by showing the course of the government’s financing deficit over time. The greater the deficits during the first few years, the more tax burdens will be passed on to future generations.⁴

With respect to the sustainability analysis, we have taken into consideration the influence of changes in the population’s age structure on the effects of a proposed policy measure. For example: although reducing additional allowances for senior citizens has a favourable effect, even now, on the government’s financing deficit, this effect will be even greater in the future, because more senior citizens will be entitled to such allowances. In addition, some of the proposed measures will only be implemented at a gradual rate. One instance of this is that a number of parties advocate raising the retirement age in phases. Therefore, when making the sustainability analysis, we have taken account of the impact of the measures after the end of the next government’s term

³ The precondition is that the financial markets remain confident that the debts will be repaid one day. In this respect, the Netherlands is now closer to the critical limit, due to the considerable increase in the financing deficit in 2009 and 2010.

⁴ In order to ensure a consistent picture, we are assuming in this respect that the sustainability deficit will have been eliminated by 2040 anyway, irrespective of whether the parties specify how they intend to achieve this. The pattern of the financing deficit over time merely gives an initial indication of the distribution of the tax burdens among the generations. After all, it does make a difference whether the financing deficit is reduced by e.g. cuts in pensions (which will also affect the generations that have already retired), or by raising the retirement age (which will only affect the generations that have not yet retired). In connection with the present study, however, there was insufficient time to carry out this more detailed analysis.

in office. However, the only measures that CPB has included in its calculations are those that will actually affect individual citizens as early as the next government's term in office: either with respect to their incomes, or because their conduct during the coming years will determine the rights they are building up for the future. This study does not examine measures that will not have any actual impact until subsequent governments take office. In addition, we have maintained consistency with respect to the institutions, in all cases with effect from 2040. This means that measures that change institutions very gradually over a long period of time, such as not indexing tax brackets, will be abolished in 2040.

1.4 A threat to democracy?

As this is the seventh edition of *Keuzes in Kaart*, our analysis of party programmes has now become an institution. The fact that there is a pressing social need for *Keuzes in Kaart* has emerged from the steadily-increasing number of political parties that have their programmes analysed (nine in this edition), the increasingly comprehensive questions they ask the planning offices, and the tremendous social interest in the outcome of this analysis. Up till quite recently, the Netherlands was the only country in which this type of analysis was carried out. However, the Institute of Fiscal Studies took the initiative to conduct a similar analysis in connection with the recent elections in the United Kingdom, and this analysis attracted a great deal of attention there as well. In the meantime, therefore, it has become evident that this need is no longer unique to the Netherlands.

The fact that *Keuzes in Kaart* has meanwhile become an institution does not mean that the analysis is undisputed. This edition of *Keuzes in Kaart* was already the subject of public debate before publication, to an even greater extent than during previous elections. One frequently-recurring point of criticism is that *Keuzes in Kaart* restricts the political process: critics have claimed that the planning offices gave parties “report marks”, which replaced the essential political debate, and the ultimate political choices that ought to follow on from this debate. It is not in itself surprising that the political debate is more vehement this time around than it was during previous elections. The credit crunch and the magnitude of the sustainability deficit have ensured that budgetary policy will be a major issue during the forthcoming elections, and for this reason, it would be beneficial to focus more closely on the significance of *Keuzes in Kaart* with respect to the democratic process.

First and foremost, we have conducted this analysis at the sole request of the relevant parties themselves. The parties are entirely at liberty to participate in this analysis, and are likewise entirely at liberty to draw their own conclusions from it. The only parties that have participated are those that wish to do so. The analysis is *not* a “report mark” or a

seal of approval, and it is most emphatically *not* a recommendation on how to vote. All the programmes are satisfactory, although they do contain divergent *political choices*. If in this study we conclude that a certain political party does not do a great deal to limit CO₂ emissions, this is not a value assessment: it is a plain statement of fact. It is quite possible that this party does not consider climate change to be a serious problem, and therefore does not intend to spend money on limiting emissions. This is a legitimate political choice. It is up to the party in question to defend its choice, and it is up to the electorate to pronounce judgement on this choice.

What explanation can there be of this tremendous interest in *Keuzes in Kaart*? Are the parties themselves unable to defend their priorities vis-à-vis the electorate? Why is there a need for an independent and factual analysis of party programmes? Or, in other words, what contribution can an independent analysis make to the political process? This added value lies in the fact that political parties sometimes have a natural inclination to propagate their message more favourably than is justified by the facts. If they subject their programmes to an independent and factual analysis, they increase the credibility of their message. Perhaps it sounds somewhat harsh to say so, but it is not fundamentally any different to a salesman who incorporates an independent organisation's opinion into his sales talk. This is the salesman's personal choice, and it is up to the customers to decide which product they prefer, although they are able to consult an independent institution's opinion on the quality of the various alternatives when making their choice. In the same way, *Keuzes in Kaart* therefore does not constitute a restriction of the political process. An analysis based on scientific views does not serve to replace political campaigns. It enables the parties to highlight their message in their campaigns in a more credible manner, and it enables the electorate to make a more well-considered choice. The political debate does not mean that facts and scientific views are irrelevant. *Keuzes in Kaart* actually reinforces the political debate by incorporating such facts and scientific views into its analysis.

In addition to providing a service to the electorate, previous editions of *Keuzes in Kaart* have played a useful role in the formation of a new government after a general election. The analysis gives an overview of the consequences of implementing the various political parties' proposals; this overview provides a starting point for negotiations on a coalition agreement for the next government. In this way, CPB's and PBL's analyses facilitate a satisfactory exchange of information between the parties on the effects of their programmes with respect to all political differences of opinion which naturally exist among the parties. However, it is also true here that it is up to the parties, as well as to the politician who investigates on behalf of the Crown whether a proposed cabinet formation will succeed, and the politician charged with forming a new government, to determine how they wish to make use of this study.

1.5 Issues included in the analysis

First of all, this edition of *Keuzes in Kaart* gives an analysis of the effects of the various election programmes on government finances, during the next government's term in office as well as in the long term. In addition, the planning offices also chart the *average* income effects and employment effects in the long term, as well as analysing the effects in a number of specific fields, i.e. accessibility; climate and energy; agriculture, nature and countryside; education and innovation; the housing market; and the health care sector.

Due to lack of time, we were unable to calculate the macro-economic effects for the medium term, and for the same reason, it was not possible for us to calculate the purchasing power effects in detail. However, these effects actually occupy a relatively prominent place in the current programmes. Political parties' programmes (considerably) improve the EMU balance by implementing cutbacks in public-sector expenditure, and also, in most cases, by increasing the tax burdens. This often has a (negative) effect on disposable household incomes and/or corporate profits. Incidentally, CPB will be able to calculate the macro-economic effects during the next government's term in office, as well as an analysis of the purchasing power effects, for the benefit of the cabinet formation.

In order to be able to comment on the consequences for purchasing power (and profits), we have given an account of the policy-related effects on purchasing power and profits (BKW) of the various programmes. This account (the BKW) is new and gives an approximate insight into the effects on disposable income, and on profitability, of measures relating to expenditure as well as to revenues. With respect to purchasing power, the measures in question relate to subsidies and bonuses, tuition fees, student finance and child benefit, the benefit income rate, and tax burden measures for families. With respect to profits, the measures in question concern subsidies for companies (including subsidies for companies in the areas of Energy/Environment and Agriculture/Nature) and tax burden measures for companies.

This is the first time that the consequences of the programmes for accessibility and mobility have been analysed and presented as a separate issue. We have used the National Traffic and Transport Model System as a basis for this analysis.⁵

Since the previous elections, CPB has invested a great deal in an instrument for demonstrating the effects of knowledge policy on (material) prosperity in a qualitative as well as a quantitative sense. Unfortunately, the fall of the government has considerably

⁵ This is the 'standard' traffic and transport model at national scale level, and is used for calculating the effects of the Policy Document on Mobility (2004) and the Policy Document on Tackling Mobility (2008).

reduced the preparation time for this. We will nevertheless be able to calculate the effects of a large part of the measures for education at long-term GDP level this time. This means that we will be showing the revenues as well as the costs with respect to expenditure for education. The measures relating to science and innovation are assessed in a qualitative sense.

The analysis of the housing market effects is limited to measures which act directly on the housing market. However, household incomes have a major impact on the housing market as well. Higher incomes result in greater demand, higher house prices, and ultimately a greater number of homes available on the market. Therefore, measures that affect household incomes —and this applies to almost all measures — will also affect the housing market. However, this analysis does not take into consideration the effects via household incomes; this is partly due to the absence of a macro-economic calculation.

With respect to the housing market, it is also true that planning offices can make additional analyses for the cabinet formation, particularly in the field of capital gains taxes levied on corporations, the prosperity costs of transfer tax, and a differentiation of owner-occupied houses according to price level in the effects of measures relating to mortgage interest relief.

1.6 Practical procedure

The planning offices have given as accurate an estimate as possible of the costs and revenues of the measures, as well as the consequences of these measures. All programmes have been assessed in the same manner. The purpose of the analysis is to prevent a discussion on the facts from arising, so that the election debate can concentrate on what it is supposed to be about: political choices. The analysis ensures that it is not profitable to represent the advantages of parties' own proposals as being greater (and the costs as being lower) than is justifiable, on the basis of an unfounded optimism, since parties do not have access to unlimited funds. Moreover, the analysis increases the degree of comparability among the parties. If two parties propose exactly the same project, the same costs and revenues are calculated as well. This study takes the measures that the parties have submitted to the planning offices as a basis. We have not verified whether these measures correspond with the proposals put forward by the parties in their election platforms. In principle, readers can check these personally on the basis of the description of the proposed measures given in this study.

The analyses in this study have been considerably facilitated by the preparatory work carried out by the 20 official reviewing committees during the first half of this year. These committees have identified and analysed a large number of retrenchment

proposals, and political parties were only too pleased to make use of these analyses. The assessment agency was involved as an observer in the work carried out by most of these committees. CPB contributed to the analyses, and in cases where the analyses were conducted by others, CPB was able to form an opinion on their quality. For this reason, we have fully reproduced the views of these committees in *Keuzes in Kaart* in the majority of cases. CPB's opinions deviate from those of one of the committees with respect to a number of points. In such cases, CPB informed the political parties of this immediately after the reviewing committees published their reports.⁶ This also demonstrates that we endeavour to achieve the greatest possible degree of transparency regarding the way in which we assess policy proposals; this is partly at the request of the participating political parties.

To what extent is the outcome of this analysis susceptible to the *strategic behaviour of political parties*? Or, to put it more bluntly: could the parties misuse certain features of the planning offices' models? The quote at the beginning of this chapter is applicable here, as is another of CPB's mottoes: No pain, no gain. Politics is all about making choices, and such choices almost invariably result in winners as well as losers. This is an inherent part of politics. After all, if a measure only resulted in winners, this measure would obviously have been implemented long since. Therefore, there are probably disadvantages as well as advantages attached to each measure. Although a greater labour market participation will increase economic growth, prosperity is more than growth alone: for example, it takes its toll on people's free time. Other considerations to be weighed up include growth versus equality of income, or tax burdens for the present generations versus tax burdens for future generations. The parties themselves determine what choices they wish to make in this respect.

The planning offices always depict the advantages and disadvantages in all good faith. If the analysis of a measure only shows its advantages in the first instance, this should be viewed with suspicion. After all, if a free lunch is available, why has it not been consumed by someone else long before now? And is such a measure feasible? Two typical examples are 'ensuring that civil servants work more efficiently' and 'cutting civil servants' salaries'. All political parties are in favour of a government that works as efficiently as possible. If it were possible to make the government more efficient, why has this not been done before now? This kind of retrenchment will only be credible if extremely specific details are given on which activities will no longer be performed by the government in the future. In that case, the proposed measure would not be a "free

⁶ See e.g. CPB, Memorandum on supplementary information on health care, 31 March 2010.

lunch”, and the electorate can decide whether they feel that the costs (in terms of fewer government services) compensate for the benefits of fewer demands on the Treasury. And if the government were able to find the right people to work for them even if lower salaries were offered, why have they paid their staff too much during the past years? This is why we should regard this kind of measure with scepticism. Since there was already a great deal of debate on these two points prior to the publication of this study, we have devoted considerable attention in Chapter 2 to the possibilities and impossibilities concerning civil servants’ salaries and government efficiency. A similar attitude can be applied to the Netherlands’ contributions to the EU. A reduction in these contributions is a typical example of a “free lunch”, since who could possibly be opposed to it? Planning offices are sceptical by nature with respect to all these points. Political parties are naturally at liberty to advocate such measures, and these arguments may even contribute to less expenditure with respect to the government and the EU, because they force these organisations to implement more efficient management, but they could also result in fewer government services, or in erosion of the EU budget due to a “race to the bottom” among the EU member states. There is no objective basis for the planning offices to assign revenues to this.

This study only includes measures that are essentially legally feasible. However, this does not mean that we have conducted an extensive legal feasibility study on each measure. That does not lie within our purview, and moreover, the legal framework is set by politicians. Consequently, legal feasibility is also a question of political priorities to a certain extent, although the legislation procedure and existing legal statuses do set limits to what is actually possible; we have not included measures in cases where they exceed these limits.

The above makes it clear that, besides a multiplicity of models for specific markets, *common sense* is an essential input for this analysis: each measure is assessed according to its feasibility. Therefore, the aggregate of analytical instruments at the planning offices’ disposal, as well as their experience, enable them to examine which analytical instrument is the most suitable for analysing a certain specific policy measure in each separate case.

1.7 Time restrictions resulting from the fall of the government

In previous editions of *Keuzes in Kaart*, CPB did chart the cyclical effects of election programmes. Unfortunately, the fall of the government, and the ensuing early elections, meant that we did not have sufficient preparation time with respect to this edition. This

kind of analysis takes a longer time to prepare, because we first have to chart the immediate effects before analysing the cyclical effects.

In this edition, moreover, CPB has not included any ‘purchasing power pictures’ containing the effects on various income groups’ purchasing power. A calculation of the cyclical effects is required for this kind of analysis, but unfortunately we did not have sufficient time for this. Moreover, compiling ‘purchasing power pictures’ takes a great deal of time as well. In previous years, the draft report of purchasing power effects was often an incentive for political parties to adjust their programmes in order to counteract undesirable purchasing power effects. Although this is in itself an understandable aim, we simply did not have the time for this kind of iteration.

2 Summary overview

2.1 Introduction and general overview

The purpose of this analysis of election platforms is to identify the choices made by political parties: if a party concentrates a great deal of policy on one category, this must have consequences (relatively less favourable ones) for another field. Table 2.1 summarises the goals being pursued by parties and the outcomes in respect of various elements. The table shows the differences compared with the baseline. It is obviously not possible to sum up the ideas and measures of parties in respect of a certain field under a single indicator. The analysis covers numerous indicators for each subject and even then the analysis remains of a general nature. Parties can also achieve a similar result through completely different interventions. Two examples: accessibility can be improved by investing in roads, but also by introducing road pricing. Prosperity gains are attainable in the housing market by limiting tax relief on mortgage interest, but also by liberalising the rented homes market. Parties make completely different choices in this respect. The sections that follow therefore look in more depth at all elements. The indicators are also explained in the sections.

Table 2.1 Summary overview (changes relative to basis, unless otherwise mentioned)									
	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Improvement EMU-balance 2015 (euro bn)	18	11	10	20	15¾	10¼	16	14¾	18
Sustainability of public finances (euro bn)	33	31	16	39	17	35	35	37	32
Purchasing power of households (euro bn)	- 3½	+ ¼	+ 1¼	- 1½	- 2	0	- 2¾	- 3	- 8
Profits of companies (including housing corporations) (euro bn)	+1	- 1	- 4¼	- 1¼	- 2¾	- 4¼	- 4¾	- 1¾	- 1¼
Structural employment (% point)	4	2½	- 1	5¾	¼	4½	1¼	3¾	2½
Accessibility (welfare gain, bn euro)	¾	¾	- ¼	¼	¼	- ½	½	¾	½
Car usage (2020, in %)	- 10 à	-10 à-					- 10 à	- 10 à-	
	- 15	- 15	0	0	0	- 20	-15	- 15	- 15
Public transport usage (2020, in %)	+5 à	+5 à					+5 à		+5 à
	10	10	+ 5	0	0	+ 15	10	+ 10	10
Reduction of greenhouse gases (Mton Co2)	36	44	21	2	2	63	38	31	28
Quality of nature (2020)	0	+	+	--	-	++	0/+	0/+	0
Quantity of nature (2020)	0	+	0/-	--	-	+	0	0/+	-
GDP effect education (structural, %)	2¼	4¾	¼	4	¼	4¼	1¾	3¼	3¼
Science/innovation (budget, mld euro)	- 0,07	- 0,2	- 0,06	- 0,1	- 1,2	+ 0,4	- 0,33	+ 0,2	+ 0,22
Housing market (welfare gains % bpb)	0,1	0,5	0,4	0,3	- 0,1	0,8	0,5	0,9	0,7
Change in house prices (2015, %)	- 1	- 7	- 6	- 2	0	- 6	- 5	- 10	- 6
Change in net rent (2015, %)	5	1	- 3	10	0	6	6	10	8
Health care, employment, 2015, thsnd)	- 10	- 15	+15	- 50	+10	+15	- 30	- 40	- 35
Own risk health insurance (2015, level, euro)	230	200-	0	300	210	150-	200-	210-	150-
		600				300	600	400	500
More (+) or less (-) market forces cure	+	0/+	--	++	0	0/+	+	++	+

From section 2.2 there is for each category a more detailed examination of the outcomes and of the similarities and differences between parties. Chapters 3 to 11 provide a more detailed analysis of the proposed measures and their outcomes.

Economic effects of spending curbs and increased taxes and premiums^a

Due to the early general election the CPB is unable this time to present an analysis of the macro-economic effects of the different election manifestos. This sidebar looks at the macro-economic consequences of spending curbs and of raising taxes and premiums in general, i.e. unrelated to an election manifesto.

The reference marker for the effect of spending curbs is a structural austerity policy amounting to 15 billion euros, or 2½% of GDP, from 2011 to 2015. The package of measures has been broken down into six parts and the weighting of each part is equal to the weighting in public finances in 2011. The table below shows the relative significance of the six parts. The medium-term macro-economic consequences of the spending curbs were set against the Economic Forecast for 2011-2015 and are presented in the table on the next page.^b

Composition of package of spending curbs, as % of total

Public sector employment	19
Volume of material government consumption	25
Price of income transfers (including unemployment benefits)	26
Development aid	1
Volume of healthcare expenditure (particularly under the Exceptional Medical Expenses Act)	25
Price of subsidies/grants	4

Most spending curbs in public sector expenditure will reduce domestic demand in the first instance. Lower domestic demand leads to less production and rising unemployment, which in turn lead to a lower rate of inflation and lower contractual wages in the private sector (see table on next page). The short-term effects on public finances are twofold. Firstly, the EMU balance will improve because of the actual spending curbs, and because public sector wages and social security benefits will rise less because of lower inflation and a lower increase in contractual wages in the private sector. Additionally, the lower wages and prices improve price competitiveness, so exports and production will increase with favourable effects on public finances. Secondly, the increase in the number of unemployment benefits and lower tax revenues from payroll tax and income-tax and VAT mean that the EMU balance will deteriorate. Most measures will cause a negative knock-on effect in the medium term, after approximately 5 years, in the sense that the improvement in the EMU balance will be less than the amount of the initial spending curb. The negative knock-on effect of the entire package will be more than 40%: the spending curbs of 15 billion euros improve the EMU balance by an estimated 8.6 billion euros.

The scale of the negative knock-on effect differs from measure to measure. Reducing public sector employment has a relatively large negative knock-on effect in the medium term. This measure immediately causes less employment and increases the number of unemployment benefits. In contrast, a lower level of, say, material government consumption or of transfers to families, such as child benefit have a smaller negative knock-on effect, because they are measures that have a relatively small effect on unemployment. With the relatively small item of development aid there is no negative knock-on effect, but a positive knock-on effect. This is because the declining demand falls entirely in other countries and thus has no domestic economic knock-on effect, while the interest charges on the national debt decrease, which means that the EMU balance improves by more than the amount of the actual spending curb.

In the long term, the spending effects on GDP are small. The structural effects of spending curbs on the supply of labour and on labour productivity will then predominate.

Macro-economic effects of package of spending curbs, 2011-2015			
	Economic Forecast 2011-2015	Effect of spending curbs	Including spending curbs
Growth per year in %			
Volume GDP	1¾	- 0.4	1½
Contractual wages	2½	- 1.3	1
Consumption price	1¾	- 0.4	1¼
Year-end level			
Unemployment (% point)	5¼	1.0	6¼
EMU balance (% GDP)	- 2.9	1.2	- 1.7
EMU balance (bn)	- 20	8.6	- 11¼

Another way of improving the EMU balance is by increasing the tax and premium burden. By definition an increase in taxes and premiums hits consumers or businesses and thus influences economic development. Higher taxes and premiums generally reduce purchasing power, increase costs and decrease profits for companies and/or increase prices. The resulting reduction of family consumption, exports and employment implies declining government revenues from VAT, payroll tax, income tax and corporation tax, while there is more expenditure on benefits. This usually negates part (sometimes a considerable part) of the initial improvement of public finances and thus produces negative knock-on effects.

This occurs, for example, when there is an increase in payroll tax and income tax. It is a measure that results in loss of purchasing power for families, which causes a decrease in family consumption and, by consequence, VAT revenues. To compensate for the higher taxes and premiums the contractual wages in the private sector will increase slightly. The higher labour costs lead to a reduction of employment. Although the supply of labour will also decrease now that on balance working is less worthwhile, this cannot stop unemployment from rising. The higher expenditure on unemployment benefits negates part of the EMU balance improvement.

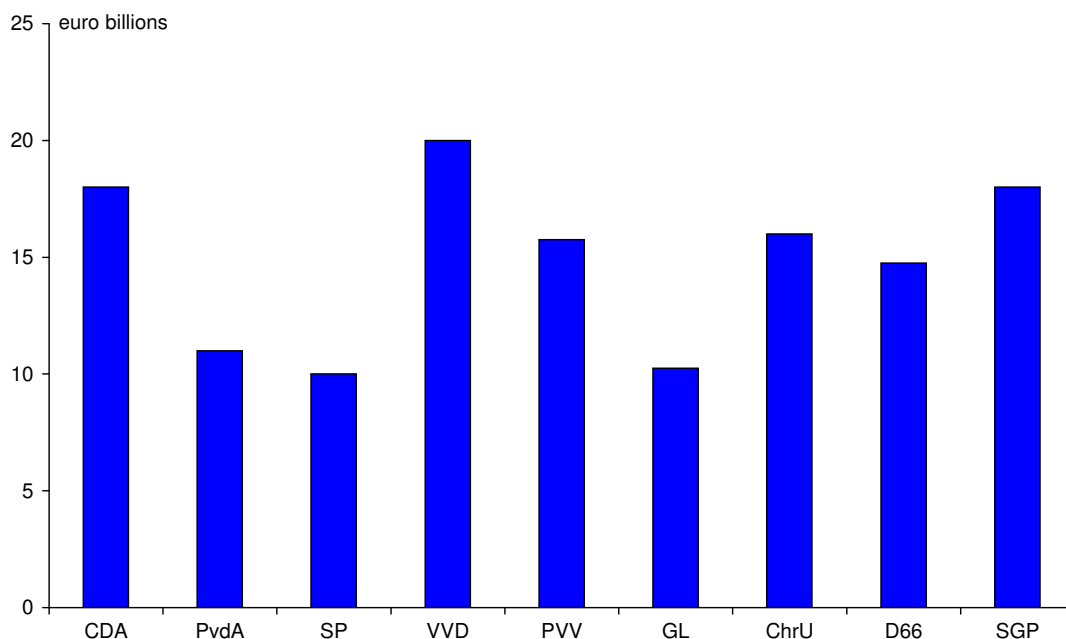
The effects stated in this *Keuzes in Kaart* on the EMU balance are of an 'ex-ante' nature, i.e. no allowance was made for macro-economic knock-on effects. As explained above, however, the negative knock-on effects of spending curbs and increased taxes and premiums may be substantial. Moreover, the negative knock-on effects differ according to the type of spending curb and the type of tax or premium increase. The 'ex-post' effects on the EMU balance, i.e. including the economic knock-on, therefore differ according to the package of measures involved. This must be taken into account when interpreting the 'ex-ante' effects on the EMU balance.

^a CPB Document 123 identifies the macro-economic effects of a few standard measures by means of 'timetables'. The analysis of the negative knock-on effects of lower government expenditure was published earlier in "*Nadere informatie t.b.v. doorrekening verkiezingsprogramma's*", CPB memorandum, 1 April 2010.

^b See CPB Document 203.B

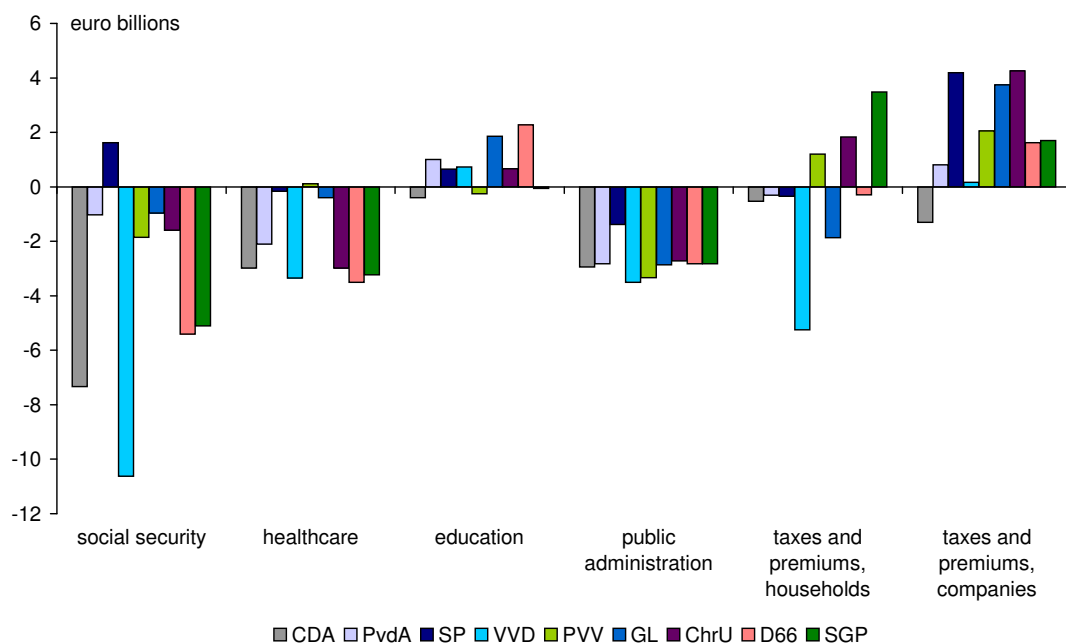
2.2 Budgetary effects

Figure 2.1 Ex-ante improvement of EMU-balance



On balance all parties will make spending curbs and/or increase taxes and premiums, which will lead to an ex-ante improvement of the EMU balance. Ex-ante means that the effects of the measures on the economy and their knock-on effects on the balance have not been factored in (see sidebar). In this ex-ante approach, spending curbs and increased taxes and premiums improve the EMU balance one-to-one. The budgetary measures proposed by all parties contribute on balance to an ex-ante improvement of the EMU balance in 2015. VVD (*People's Party for Freedom and Democracy*) improves the EMU balance the most, namely by 20 billion euros. In a historical perspective, the effect of the measures of the parties that are pursuing the smallest balance improvement in 2015 (Green Left and SP [*Socialist Party*], by approximately 10 billion euros), is already very large. Some proposed measures will not yet be completely effective in 2015 (for such reasons as an introductory path or legal obligations, or because the measure is related to the ageing of the population). If post-2015 measures yield or cost more (or less), however, it will be included in the calculation of the long-term sustainability of public finances. See section 2.5 for a further description of these sustainability measures and the improvement of the sustained public deficit. The ex-ante improvement of the EMU balance in 2015 will be explained further in this section.

Figure 2.2 Budgetary choices: outlines (net expenditure and changes to taxes and premiums in euro bn)



How will the improvement of the budgetary balance in 2015 be achieved? Figure 2.1 shows the largest items. The first four are net spending categories. A negative result means that on balance the party will reduce spending in the field concerned. For the final two items, a positive result means that on balance the party will increase taxes and premiums (for households or companies)¹. Seven parties have opted on balance to increase taxes and premiums by more than the baseline (in which taxes and premiums already rose by 10 billion euros). Only VVD and CDA (*Christian Democratic Appeal*) reduce taxes and premiums compared with the baseline. All parties improve the budgetary balance through spending cuts: VVD will on balance make the most spending cuts, SP the least.

Almost all parties will reform (retrench) elements of **social security**, often in line with options contained in reports of the review committees. SP is the only party that on balance will spend more money on social security, in particular through higher benefits. VVD makes the most cuts in social security - on balance more than 12 billion euros. Section 2.3 discusses the effects that social security and other measures have on household income, section 2.4 deals with the effects that the social security and other measures will have on employment. In these sections

On balance most parties will make spending cuts on **healthcare**. Only PVV and SP will on balance keep care expenditure roughly unchanged, while public spending on care will decrease most under VVD, D66 and SGP. These parties will achieve this reduction in several ways

¹ This concerns expenditure and taxes and premiums corrected for shifts in financing.

including a reduction of the package of insured care services. Behind the figures for public spending on care there are some significant differences: some parties will change little, while others will radically reform the system. See section 2.11 for a more extensive description of the plans of parties for the care sector.

Most parties will spend extra money on measures in **education**, with only PVV and CDA on balance making spending cuts in this category. It should be noted, however, that both parties make spending cuts on income measures such as free school books, the annual public transport pass for students, or higher education tuition fees - other parties also make cuts on these items. D66 will spend the most extra money. PvdA, VVD and Green Left will make cuts in spending on education by introducing (a form of) a student loan system. Section 2.9 examines in more detail the different measures for education and innovation.

Figure 2.3 Net expenditure – other categories

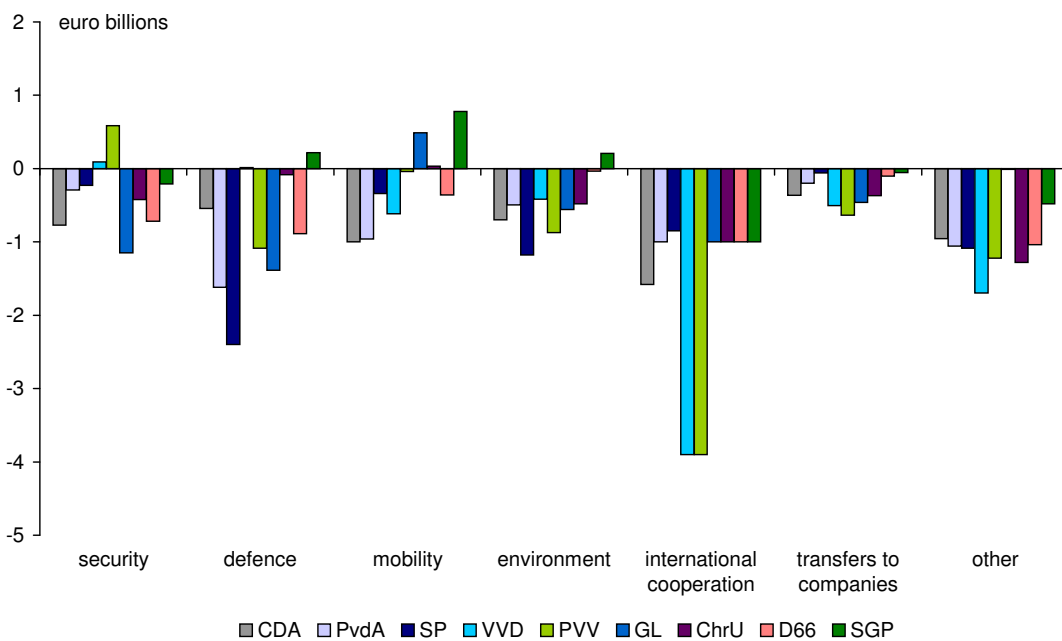


Figure 2.2 shows net intensifications (in most cases spending cuts) that parties propose to make in the other fields. Almost all amounts are negative, which means that, on balance, the parties will make mainly spending cuts.

All parties will make cuts in spending on **public administration**. In the base scenario, this expenditure will decrease as a percentage of GDP, as a result of targets introduced earlier and assumed spending cuts at central government, municipalities and provinces. This means that in the baseline the number of civil servants is already set to decrease in the coming period, by

about 10,000 at central government and almost 30,000 at municipalities and provinces. See table 2.3. All parties further want to make spending cuts on central government and municipal civil servants. However, it is questionable how feasible these intentions are. Past experience shows that substantial efficiency gains in the government apparatus are difficult to achieve in a single term of office of a cabinet. The same applies to for a drastic reduction in jobs. Therefore, for the purpose of the analysis, CPB has applied maximums for what is deemed feasible in the way of savings in the term of office of the next cabinet. For central government and autonomous administrative authorities the savings come to 2 billion euros in 2015 (excluding a 'savings loss' of 15 percent, as a result of the costs incurred for a reorganisation). This maximum is a total for the various functions, including public administration. For local administration the maximum spending cut is also 2 billion euros in 2015 (excluding the savings loss). These maximums are in line with the proposals of the review committees, but ambitious and achievable only through far-reaching measures. Past experience shows that spending cuts on public administration are seldom achieved, not even when they are set down in a coalition agreement. SP is the only part that makes fewer spending cuts than the maximum applied by CPB. The reduction on local administration proposed by parties represents, together with the reduction in the baseline, a very significant challenge for municipal and provincial governments.

For the purpose of this analysis CPB has disregarded proposals whereby civil service salaries lag behind the development of pay in the private sector. However, it is possible to make cuts on the wage bill. This leads to a reduction in jobs and a reduction in service provision, as described earlier. The structural, unilateral lowering of civil service salaries (compared with the private sector) is not realistic, however. CPB assumes that conditions of employment are determined in a free market economy by supply and demand. Past experience shows that it is not possible to reduce civil service salaries structurally compared with the private sector. In 1983, when contractual wages in the public sector were reduced by 4.2%, the incidental pay rise in the public sector came to 3.2% compared with 0.8% in the private sector. Although conditions of employment in the public sector did deteriorate, a substantial part of the reduction was counterbalanced by extra incidental pay increases (extra incremental rises). In 1994-1996 and in 2004-2005, the increase in contractual wages in the public sector lagged behind the increase in the private sector after a policy-driven reduction on the budget for conditions of employment. In 2001-2002 and in 2006-2007, however, there was a catch-up and the arrears were wiped away again. In the baseline, the scope for a pay increase in the public sector during the term of office of the next cabinet will cumulatively remain 2% behind the private sector on account of the low budget for incidental pay rises. It is unrealistic to assume that conditions of employment in the public sector will lag behind those in the private sector by more than this.

In a balanced or tight labour market, more austere conditions of employment in the public sector compared with those in the private sector will discourage particularly young people to go and work in the public sector, or will provide them with an incentive to switch from the public sector to the private sector. Older people have lower job-to-job mobility, so older people in the public sector will be less inclined to switch. The reduction of the proportion of young people will exert an upward influence on average pay in the public sector (higher incidental development of pay). Various parties (CDA, ChrU, SGP) nevertheless want to moderate the pay of civil servants, but in this analysis this does not lead to a further reduction in spending on public administration.

Table 2.2 Movements in public sector employment on top of the baseline movement (ex-ante, x1000 man-years)

	Positi on 2010	Movement 2011- 2015 baseline										
		CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP		
Public administration, of which	577	-37	-32	-32	-13	-37	-33	-6	-25	-29	-33	
central government, general												
administration	74	-6	-7	-9	-7	-11	-11	-6	-6	-7	-7	
Local administration	176	-27	-20	-19	-6	-20	-20	-20	-20	-19	-19	
Other general administration	327	-5	-5	-5	0	-7	-3	+21	+1	-3	-7	
Security	89	-2	-8	-3	-3	1	8	-8	-3	-6	-2	
Defence	61	-2	-4	-9	-20	0	-5	-7	-1	-7	2	
Education	344	+2	-4	+15	+3	+5	0	+20	+11	+19	0	
Healthcare	926	+150	-10	-15	+13	-50	+10	+15	-30	-39	-33	
Total public sector	1997	+110	-58	-44	-20	-82	-20	+14	-48	-63	-66	
PM total employment NL	6577	110										

On balance all parties make cuts on spending on **security**, particularly as a result of a general personnel target set for central government. Only PVV spends on balance (slightly) more on security, while VVD keeps spending constant in relation to the baseline. However, most parties do opt to a lesser or greater degree for more uniformed police officers on the streets. PVV does the most in this respect, with 10,000 extra police officers. Green Left has not opted for extra police officers, but does earmark extra money for city wardens. Under the proposals of D66, the number of police officers remains the same in relation to the baseline. PvdA, SP, D66 and Green Left save money on security spending by legalising soft drugs.

Except for VVD and SGP, all parties make cuts in spending on **defence**. For a number of parties, these cuts stem from the general target set for the government, while some parties additionally make extra cuts on defence, for example by discontinuing the JSF project (PvdA, PVV, Green Left), or by shedding battalions (CDA, D66, PvdA, SP, D66). SP makes the most defence cuts, i.e. 2½ billion euros.

On balance Green Left and SGP earmark extra money for **accessibility**, although there is a great difference in the way they do this: whereas Green Left makes cuts on road-building, SGP intends to spend extra money on building roads. In the case of PVV ChrU the spending cuts and the intensifications keep each other in equilibrium, while on balance the remaining parties make spending cuts on accessibility – and here again some parties (PvdA, D66, ChrU, SP, D66) make spending cuts on the infrastructure, whereas others make cuts on public transport (CDA, VVD) - among other things by public calls for tenders (CDA, VVD, ChrU). See section 2.6 for a further description of the proposals in this field and their consequences for such matters as travelling times.

SGP is the only party that earmarks more money to be spent on the **environment**. In the case of VVD the spending cuts and the extra expenditure keep each other in equilibrium. The other parties on balance make cuts on environmental expenditure. It should be noted that most parties conduct their policy in this field mainly through tax and premium measures, so the difference in expenditure does not say everything about the total effort being made in terms of the environmental. For more details see sections 2.7 and 2.8.

VVD and PVV make noticeably more cuts than the other parties on **international cooperation**, particularly by cutting spending on development cooperation. Up to and including 2015 there are pre-existing obligations, so the maximum achievable cut in the case of PVV will increase still further after the term of office of the next cabinet. CDA also reduces expenditure on development cooperation, while SP is the only party that increases this expenditure. It was not assumed in the baseline that the present cut of 1 billion euros per year on remittances to the EU will also be negotiated in the next budgetary period in Brussels. All parties want the Netherlands to strive for continuation and this has been factored into the analysis, although only the negotiation effort (and not the result) will be determined by the new cabinet. CPB does not consider a further reduction of EU remittances to be feasible in the term of office of the next cabinet.

The **other** category includes numerous items. Seven parties make spending cuts on public broadcasting. PvdA and SP are the only ones that do not. On balance SP and Green Left will earmark extra money for culture, while D66 keeps expenditure on culture constant and all the other parties make cuts on cultural policy and/or grants. CDA, SP, VVD, PVV, ChrU and D66 all make spending cuts on integration, either by modifying policy or by letting integrators contribute more personally to the costs. None of the parties earmarks funding for the Economic Structure Strengthening Fund (FES), from which additional investments in infrastructure and the knowledge economy are financed.

The significant spending cuts on balance cause a reduction of employment in the public sector compared with the baseline. In the baseline, employment increases in the public sector, but this is due entirely to a planned increase in employment in healthcare. At central government and municipal and provincial governments there will already be a relatively substantial decrease in the number of civil servants in the term of office of the next cabinet, i.e. exclusive of the spending cuts proposed by the parties. In the case of municipal and provincial governments, the number of civil servants already decreases in the baseline by 15%. Under the plans of all parties, there will be an additional 10% on top of this figure so on balance the number of municipal civil servants will decrease by one quarter. This constitutes a substantial reduction in the services provided by municipalities and/or the quality of those services. For

	Basis	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Total movement in micro taxes and premiums	10	- 2	½	¾	- 5	¾	2	6	1¼	5¼
Distribution across companies and families										
Households	5¼	- ¾	- ¼	-¼	- 5¼	1¼	- 1¼	1¾	- ¼	3½
Companies, of which housing corporations	4¼	- 1¼	¾	4¼	¼	2	¾	4¼	1½	1¾
					1½	½		1	1	
Distribution across tax bases										
Environment	¼	2¼	4	3	- ¼	¾	13	3	2¾	1
Income and labour	7¾	- 3½	- 4¾	- 2	- 3¾	½	- 15¼	¾	- 2¼	2
Capital and profit	2	- 1¼	- ¾	2¾	½	2	2	2¼	1	1¼
Other	0	¼	2	0	- 1¾	0	2¼	¼	- ¼	1

Table 2.4 shows to what degree the parties raise or lower taxes and premiums for companies and families. In the baseline there was already a tax-and-premium increase of 10 billion euros, largely as a result of higher healthcare payments (premiums and personal payments). The proposals of VVD and CDA will on balance ease taxes and premiums, but even these parties compensate only in part for the increase in the baseline. All other parties increase taxes and premiums compared with the baseline - ChrU and SGP the most. PVV, ChrU and SGP increase taxes and premiums for households, while under the proposals of the other parties they will decrease, especially in the case of VVD. SP, ChrU and Green Left increase taxes and premiums for companies the most, while CDA is the only party that lowers taxes and premiums for companies (with housing corporations being placed into the 'companies' category – excluding housing corporations, VVD also eases taxes and premiums for companies).

Except for VVD, all parties increase **environmental** taxes and premiums, Green Left by far the most. This concerns numerous taxes and duties, for example road pricing for commercial vehicles (CDA, PvdA, Green Left, ChrU, D66, SGP). PvdA and Green Left

increase packaging taxes (and CDA increases taxes and premiums by converting the packaging tax into CO2 tax). In contrast, VVD will abolish the packaging tax. Green Left, ChrU and D66 will increase the VAT rate for meat (D66 does so only for non-biological meat). See also sections 2.6, 2.7 and 2.8.

PVV, ChrU and SGP increase **taxes and premiums on income and labour**. In the case of the other parties these taxes and premiums will decrease compared with the baseline. Green Left is the only party that achieves on balance a reduction of taxes and premiums on income and labour in the term of office of the next cabinet by means of a large reduction. See the next section for a few large measures.

Taxes and premiums on capital and profit will decrease compared with the baseline in the case of CDA and PvdA. They will increase under the plans of the other parties. VVD, PvdA and CDA reduce corporation tax for companies, either by lowering the rate or by introducing capital relief. In contrast, SP increases the general rate of corporation tax, but raises the first tax bracket where a lower rate applies. Higher taxes and premiums also stem from measures like a levy on banks (PvdA, SP, VVD, GL, SGP and ChrU) and/or a levy on housing corporations (PVV, PvdA, D66). VVD and ChrU will transfer rent allowances to housing corporations, which also means an increase in taxes and premiums. Taxes and premiums will be eased for companies, among other things by enlarging the Research and Development (Promotion) Act (CDA, VVD, Green Left, ChrU, D66, SGP). The various tax and premium measures in the field of healthcare turn out to be neutral in most cases, i.e. they are mainly shifts in financing.

Other taxes and premiums include capital duty that VVD, Green Left and D66 will abolish in due course, SP will lower and ChrU will abolish for starters. Parties that legalise soft drugs obtain revenue from the duties charged on them.

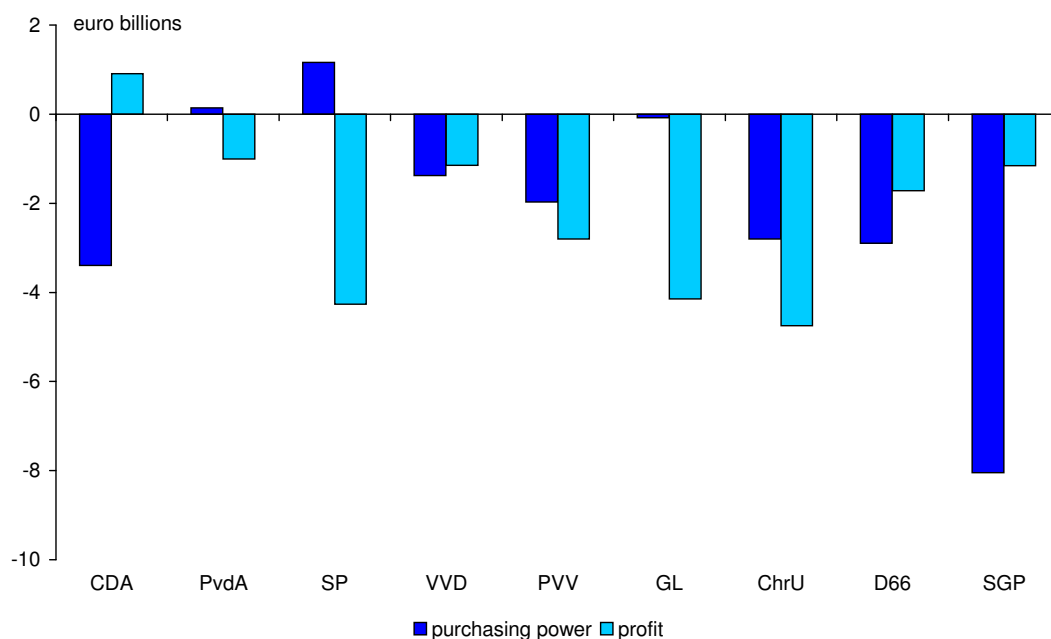
2.3 Effects of policy on purchasing power and profit

The parties clearly make different choices regarding the effects of policy on purchasing power and profit; see table 2.5. The effects of policy on purchasing power and profit concern the effects of measures collectively on the spending side and the taxation side. The figures in the tables are stated in billions of euros. A minus sign (-) indicates a deterioration of purchasing power/profit. SP and to a lesser extent PvdA improve purchasing power slightly, while under the measures of Green Left it will decrease slightly. In the case of all other parties, the purchasing power of households will decrease more strongly, the most under the plans of SGP. CDA is the only party that with its proposals will increase the profits of companies – the profits will be pushed down most under the proposals of Green Left, SP and ChrU.

As CPB is not making any detailed purchasing power calculations this time, it is not possible to say anything quantitatively in this analysis about the consequences for the distribution of income. However, there are some comments that can be made qualitatively. Some measures hit high incomes harder than low and middle incomes. This applies to the introduction of an extra top rate in box 1 of the tax returns form, proposed by two parties (PvdA, GreenLeft, SP). Similarly, limiting the fiscal exemption of pension contributions (PvdA, SP, Green Left, ChrU and SGP) will hit mainly higher incomes. Both high and middle incomes will incur a loss of purchasing power due to the various measures concerning tax relief on mortgages (PvdA, SP, Green Left, ChrU, and D66) and introduction of an income-linked insurance excess in healthcare (PvdA, ChrU, D66, SGP). Low and middle incomes will be hit by the different types of limitation of the care allowance (CDA, VVD, D66, SGP). SP, Green Left and ChrU will completely abolish the care allowance, but this will be compensated by a reduction of the flat rate care contributions, so there will be no purchasing power effects. CDA and VVD link benefits to inflation, which compared with the baseline will result in a reduction (and thus a loss of purchasing power for the lowest incomes). Benefits will also lag behind in the case of SGP (including old age pension). In contrast, SP will increase the minimum wage and by consequence also benefits. On balance, VVD and CDA spare particularly the higher incomes, whereas PvdA and SP tax lower incomes the least.

There are also a number of measures that will hit specific groups, such as households with children. A number of parties will, for example, change something in the child allowance: SP and Green Left will make it income-linked, whereas D66 will reduce the budget, PVV, D66 and VVD will limit the scheme to two children and, in contrast, SGP and ChrU will increase the budget for schemes such as the child allowance. VVD will abolish the child-linked budget.

Figure 2.4 Effects of policy on purchasing power and profits

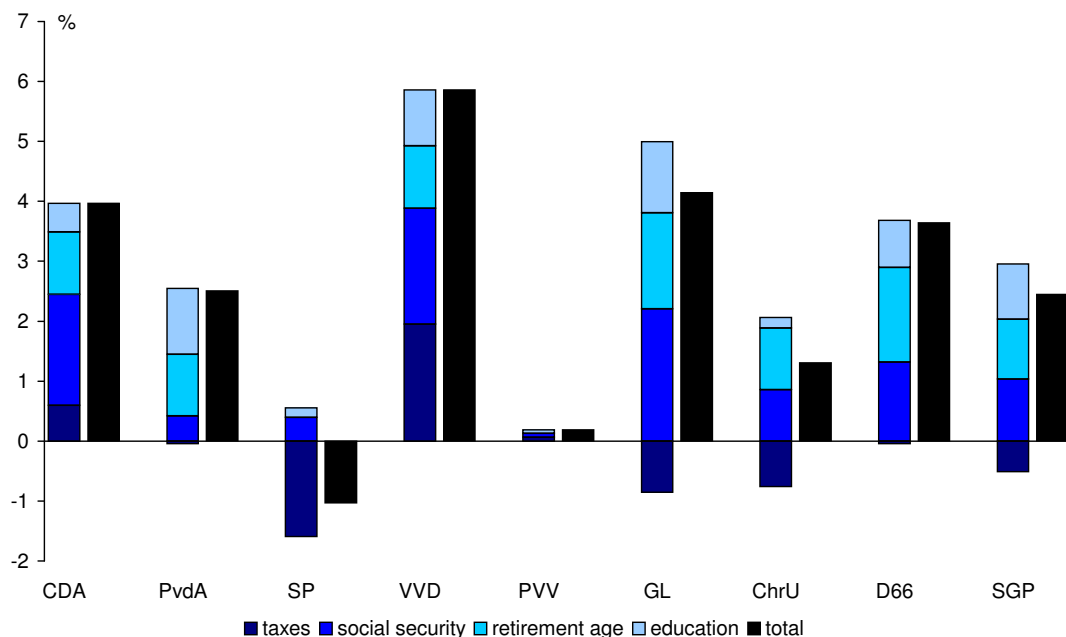


There are also major differences between parties as regards the effects on company profits. The previous section described the differences concerning corporation tax. Different types of environmental/energy levies and taxes will depress the profits of companies. This applies to CDA, PvdA, Green Left and D66. In contrast, VVD will abolish the packaging tax, which is favourable for the profits of companies. The levies on banks and housing corporations (see section 2.2) will push down the profits of 'companies', as will the shift of the rent allowance to housing corporations (VVD, ChrU).

	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Effects of policy on purchasing power and profits	-2.67	-1.28	-3.11	-2.53	-4.78	-4.23	-7.55	-4.63	-9.21
of which: households tax and premium measures	0.52	-0.11	0.35	5.24	-1.20	1.86	-1.83	0.26	-3.48
expenditure measures	-4.10	-0.17	0.81	-6.62	-0.77	-1.94	-0.97	-3.26	-4.57
of which: companies Tax and premium measures	0.91	-1.00	-4.27	-1.15	-2.80	-4.15	-4.75	-1.63	-1.16
Expenditure measures	-0.40	-0.20	-0.08	-0.98	-0.75	-0.41	-0.48	-0.10	0.55

2.4 Structural employment effects

Figure 2.5 Structural employment effects



The labour market will confront policymakers with a considerable challenge in the coming decades. On the one hand, unemployment has risen because of the crisis. On the other hand, there is an increase in demand for healthcare and other services due to the ageing of the population, whereby the labour force itself is also ageing. This section presents the structural employment effects (i.e. the effects calculated in 2040) of the measures of parties. The employment effects have been calculated partially, i.e. there was an examination of how each individual measure will influence long-term employment (and unemployment). Subsequently, these effects were added up. The increase in employment is, however, a policy field where there are typical declining additional revenues: a first percent of higher employment is easier to achieve than the next percent of increase. A consequence of the partial analysis (instead of an integral economic computation) is that the employment effect of a party that proposes a large number of measures simultaneously is somewhat overestimated.

The parties opt for different solutions. On balance, the measures of SP lead to a reduction of employment, while all other parties see employment increasing. The outlier is VVD, with an increase in employment of 5.8%. However, this does not mean that with unchanged

unemployment the labour force participation rate will also increase by 5¾%, because the measures also make the available labour force increase (denominator effect). As described in section 1.4, the employment effects have been factored into the calculation of the effects on the long-term sustainability of public finances.

CDA, D66, Green Left, SGP and VVD limit the maximum duration of unemployment benefits. The limitation means that the unemployed will try to find a job more quickly and will be more inclined to accept a less attractive offer of employment. Furthermore, the limitation will press down wages because the negotiating position of workers will deteriorate. The measure will reduce unemployment and increase employment.

D66, Green Left and VVD reduce protection against dismissal. The effect on employment and unemployment is minor. Companies will dismiss personnel more easily, but against this they will also be less reticent about taking on personnel. However, the limitation will create greater mobility and advancement in the labour market. This will offer older people more opportunities in the labour market and lead to less long-term unemployment. There will also be savings on costs for proceedings brought before the Centre for Work and Income and the cantonal courts.

CDA and ChrU extend the period of continued payment of wages by employers. The effect on the job search behaviour of workers will be minor because the duration of income insurance will not be reduced. Employers will make greater efforts to ensure that dismissed employees quickly find a new job. But the scale of this effect is limited. When determining the effect it was assumed that a period of continued payment of wages does not count as unemployment. Green Left and PvdA propose a differentiation in contributions for unemployment benefits, which means that the costs of the first months of unemployment benefits (in the case of dismissed employees) will be recovered from the employer. Employers will make greater efforts to ensure that dismissed employees quickly find a new job, but the scale of the effect is minor. As employees will be confronted immediately with the costs, they will, just as in the case of continued payment of wages, make greater allowance for the social costs that they cause through dismissal.

Except for PVV and SP, all parties propose changes to the state pension scheme. Raising the statutory retirement age will lead to an increase in the supply of labour and employment. Green Left will not immediately increase the statutory retirement age, but will make the entitlement to a state pension dependent upon labour force participation, and this will promote employment still more. The various state pension measures have a minor effect on unemployment. Older people who lose their job find a new job with difficulty, but because they often withdraw entirely from the labour market the unemployment rate among older people is not exceptionally high.

PVV and SP are the only parties that will not amend the Invalidity Insurance (Young Disabled Persons) Act. CDA, VVD, Green Left, ChrU, D66 and SGP will restrict the new

influx of persons into the regime of this Act to the long-term unemployed and people completely unfit for work. It is estimated that 40% of the people covered by this Act are not lastingly unfit for work. The proportion of this group that does not seek recourse to social welfare benefits will have a strong incentive to look for a job. PvdA wants to introduce a partner income test for people covered by this Act who are less than 60% unfit for work. This too will increase employment.

PvdA, CDA, Green Left and D66 will replace the present system of sheltered workshops by a system of wage dispensation. People will no longer receive a sheltered workshop wage, but a top-up on the wage that they earn from a regular job. VVD will abolish sheltered workshops. In both cases, some of the people with limited earning capacity will have an incentive to look for a (regular) job).

CDA and VVD will scrap the double general tax relief in the social minimum, which will make working more attractive than social welfare benefits. CDA, VVD and SGP will additionally link benefits to prices (SGP will do this in part) instead of wages, which will also increase the relative attractiveness of work compared with a benefit.

Green Left and SP will introduce for companies quotas for the number of disabled people that they must employ. Companies that fail to meet the quotas will be fined. This measure will stimulate employment for the disabled.

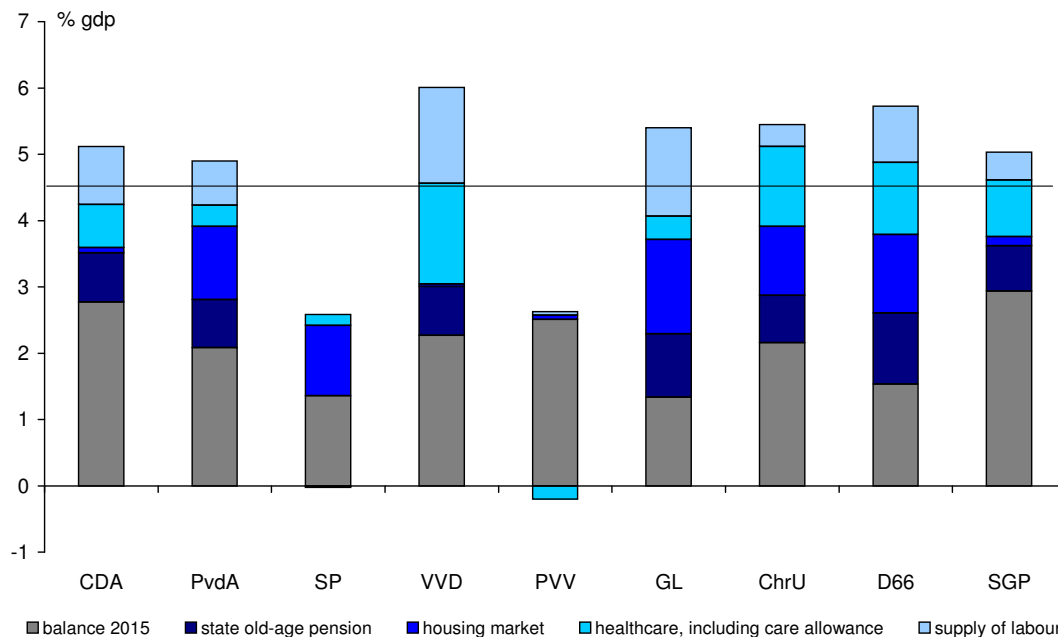
All parties will take measures concerning taxes and income-linked schemes (including the care allowance and child schemes) and change the marginal pressure on labour and thus produce an effect on employment. ChrU and SGP will abolish the income-linked combination relief, whereby ChrU proposes a tax-free sum per household. Such measures increase taxation for the second earner of a household. This will decrease the supply of labour and employment. VVD will lower the rates for income tax and increase the employed person's tax credit, whereas CDA and PVV will lower the tax rate for the second bracket. This will stimulate the supply of labour and employment. It should be noted that ChrU, D66, Green Left, PvdA, and SP also lower the tax rates, but this reduction is accompanied by limitation of tax relief on mortgages, so the marginal taxation does not decrease.

ChrU, Green Left, PvdA, PVV, SGP and SP propose a levy on banks. This will increase taxes for companies and exert a downward effect on employment. PvdA will let this be accompanied by an easing of taxes and premiums for companies in the form of capital relief, while CDA also proposes measures that will ease taxes and premiums for companies. These parties will generate an upward effect on employment.

Except for PVV, all parties achieve employment gains through education measures (see section 2.9). The biggest gains in this field will be achieved by PvdA, VVD, Green Left and D66, while the employment gains as a result of education measures proposed by ChrU and SP will be limited.

2.5 Long-term sustainability of public finances

Figure 2.6 Improvement of sustained deficit



In its Economic Forecast for 2011-2015, CPB concludes that the structural position of public finances will be untenable without changes to policy. One way of achieving sustainable public finances at the end of the term of office of the next cabinet is to carry out measures that will improve the EMU balance in 2015 by 4½ % of GDP (29 billion euros). These measures are described in section 2.2. Another way is to take measures that (also) after the term of office of the next cabinet will structurally improve the EMU balance. This will be the case if measures are introduced (or abolished) gradually or if measures are related directly to the ageing of the population and, by consequence, have an increasingly greater effect on income or expenditure. These measures are discussed in this section of the document. If the improvement of sustainability yields less than 4½ % of GDP along both paths, it will be necessary, according to CPB's current insights, to take additional measures after the term of office of the next cabinet in order to establish sustainable public finances.

Various measures contribute to the improved sustainability of public finances via effects that will occur (or increase) after 2015. In its calculation of the improvement of the sustainability of public finances, CPB factored in only the measures that will have commenced in 2015 at the latest. This applies to all of the measures stated below. The analysis further assumes that policy will be constant from 2040 onwards, i.e. that from that year schemes will not undergo any further changes. Linking the statutory retirement age to life expectancy will in our estimation

cause an increase in the statutory retirement age in the period up to 2040, after which it will be frozen. The measures to improve sustainability were divided into five categories for the purpose of the analysis.

Firstly, there are the measures concerning the **state pension**. Due to the ageing of the population, there will be a growing number of pensioners, and for that reason the effects of measures in this field will increase over time. Moreover, most of the measures will be introduced gradually, so the budgetary effect in 2015 will not yet be the complete effect. Seven parties will take measures that lead to an increase in the statutory retirement age or a tightening up of the conditions, or both. Only SP and PVV leave the state pension scheme unchanged (although PVV will tighten up the conditions for persons who did not reside in the Netherlands for part of the period between their 15th and 65th birthdays). CDA, PvdA, VVD, ChrU and D66 will increase the statutory retirement age in two or more steps, with the first step being taken not later than in 2015. D66 will increase the statutory retirement age and also link it to the increase in life expectancy, so that the statutory retirement age will be above 68 in 2040. Under the proposals of Green Left, the entitlement to a state pension will be made completely dependent upon labour force participation, which means that some people may receive a state pension before reaching their 65th birthday while others will not receive it at all. Under all of the proposals, the increase/tightening up of the old age pension provisions will be accompanied by austerity in supplementary pensions. On top of this some parties (GL, ChrU, PvdA en SGP) reduce tax relief on supplementary pensions even more; this applies also to SP, which leaves the state pension scheme untouched. The effects of measures concerning supplementary pensions are shown in figure 2.4 under the 'other' category.

Measures in the **housing market** may also contribute significantly to an improvement in the sustainability of public finances. CDA, PVV and SGP propose in the housing market hardly any measures that will improve sustainability. PvdA, SP, Green Left, ChrU and D66 will adjust tax relief on mortgages in one way or another, which yields a relatively large sustainability gain. In the case of VVD, the sustainability gain achieved through liberalisation of the rental market will be negated by the costs of gradual abolition of capital duty. See section 2.10 for a further description of measures in the housing market.

If parties are able to force back the (future) rise of **healthcare** costs, this will also contribute to an improvement of the sustainability of public finances. This applies most to measures in curative care (Exceptional Medical Expenses Act), because that is the healthcare expenditure most closely related to the ageing of the population. Extra public expenditure on healthcare actually deteriorates sustainability. In the healthcare field, VVD, D66 and ChrU achieve most gains. SP and PVV will on balance change little in terms of healthcare expenditure and in this respect will achieve hardly any sustainable gains.

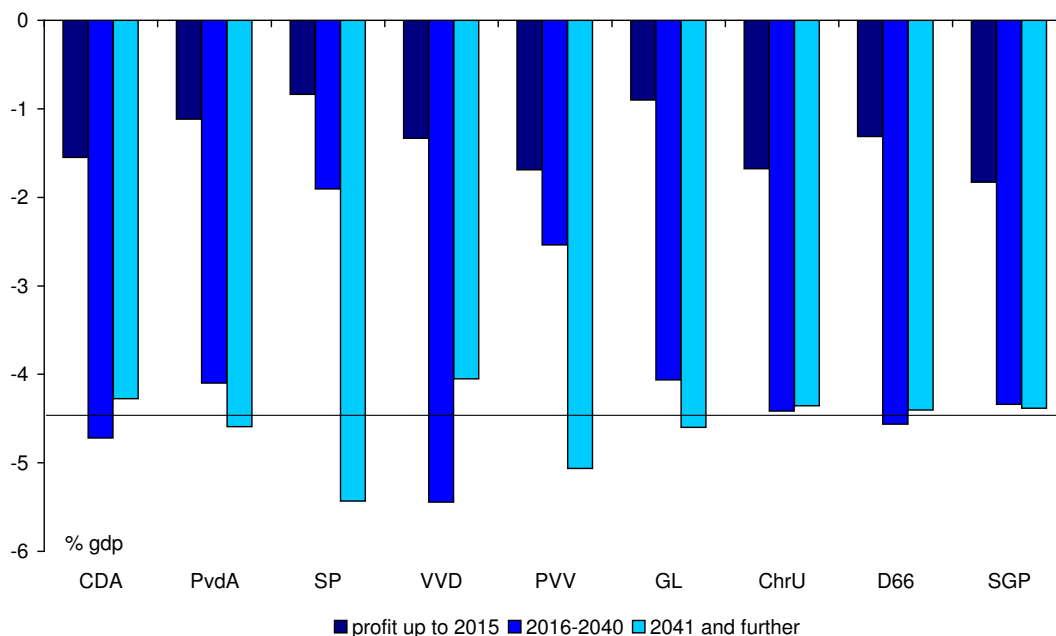
There are also measures with an extra **rise after 2015**. This applies, for example, to savings on the civil service apparatus. In the short term there will be savings losses, but in the long term the intended spending cuts are achievable in their entirety. This situation occurs with all parties. The spending cuts of PVV on development cooperation will increase after 2015, because in the term of office of the next cabinet there will be pre-existing commitments that will, however, cease to exist after 2015.

The improvement of (structural) **employment** will also contribute to making public finances sustainable (and vice versa). With an increase in employment, the revenues from taxes and premiums will increase more than the expenditure, so that a 1% increase in employment will reduce the sustained deficit by 0.3% GDP. The previous section examined the employment effects of the different party manifestos. VVD achieves the most gains in this regard.

The final element of the contribution to the improved sustainability of public finances is the improvement of **the EMU balance in 2015**, as described in section 2.2². If all elements are considered collectively, it follows from the analysis that VVD will improve sustainability the most, namely by 6% GDP. The manifestos of D66, ChrU, Green Left, CDA, ChrU, PvdA and SGP will also completely resolve the sustained deficit of 4½ % of GDP. The measures proposed by SP and PVV will resolve roughly half of the total sustained deficit calculated by CPB.

² The improvement is due in part to spending curbs on healthcare, state pension and the housing market. The effect of the EMU balance in 2015 as presented in figure 2.4 has been adjusted accordingly.

Figure 2.7 Temporal distribution of net government profit



An improvement of sustainability is inevitably accompanied by spending curbs and/or an increase in taxes and premiums. This will reduce the **'net profit'** that members of the public receive from the government. The net government profit is the balance of the revenues of government provisions (transfers, but also for example the 'profit' of defence) and the costs of tax payments. It measures how much society benefits in a certain year from the government, expressed as a percentage of GDP. As all parties to a lesser or greater degree improve the EMU balance in 2015 and the long-term sustainability of public finances, they all show a reduction of the net profit for all periods.

Figure 2.5 shows the distribution of net profit over three periods. The figure reveals that parties differ in terms of the period in which the biggest bill will be paid. An even reduction in the net profits in different periods means that the bill will be spread evenly over time. If the net profit decreases more after 2040 than before, the largest part of the bill will be shifted to the future. As SP and PVV propose measures that will resolve part of the sustained deficit, this means in CPB's analysis that the necessary increase in tax and premiums and in spending curbs will, for the remaining part, be shifted ahead towards 2041 and beyond. VVD places the burden mostly in the 2016-2040 period and shifts the least onwards to the subsequent period. Among the other six parties, Green Left and also PvdA, shift the most onwards to the long term (2041 and beyond), among other things because they propose a number of measures with a long introductory time.

2.6 Accessibility

Six of the nine parties want to improve 'accessibility' through a form of road pricing. Five of the six parties have opted for a rush-hour tariff, usually of approximately 10 euro cents per kilometre, while only CDA opts for a flat rate levy without a rush-hour tariff (see table 2.6). SP, VVD and PVV will not introduce any form of road pricing. Three parties (PvdA, Green Left and ChrU) will introduce a peak tariff of between 15 and 18 euro cents per kilometre for lorries. This yields approximately 1 billion euros for PvdA and for ChrU. Green Left will also increase the tariff for delivery vans, which will improve the EMU balance by 1.5 billion euros in total. Most parties that want to introduce a form of road pricing will do so in a way that is charge-neutral, i.e. the other motor vehicle-related taxes will be reduced. In the case of ChrU, the introduction of road pricing will be accompanied by a structural easing of tax and premiums by 1.9 billion euros.

VVD, PVV, and SGP earmark more money for the building of motorways, while in contrast PvdA, SP, Green Left and ChrU want to make savings on this item. SP, Green Left, D66 and SGP will invest extra in public transport. VVD will spend extra money on rail transport, but will make spending cuts on regional public transport. Several parties want to save money through efficiency measures. CDA and VVD have opted among other things for putting the transport concession on the main railway network out to tender. CDA, VVD and ChrU make it mandatory to put public transport in the three major cities out to tender.

Introduction of road pricing has major effects on waiting times in traffic jams, the use of motor vehicles and - to a lesser extent - the use of public transport. More or less road or public transport infrastructure has significantly smaller effects. Road pricing will reduce the use of motor vehicles and thus lead to fewer traffic jams. The benefits of faster travelling times as a result of road pricing come in most cases to an annual amount of approximately 1¼ billion euros, except in the case of Green Left where, because of the generic reduction of the speed limit, the annual travelling time benefit will be limited to approximately ½ billion euros. As the use of motor vehicles will become more expensive if there is road pricing, there will also be a fall-off in demand – because the costs of commuting, but also of recreational trips, will increase. In this way road pricing will lead not only to prosperity gains, but also to prosperity losses (more than half ½ billion euros annually). Green Left will reduce traffic jams the most. The travelling time benefits are, however, smaller than the prosperity loss due to less use of motor vehicles. It should be noted that any environmental gains or losses as a result of accessibility measures have not been factored into this, but they have been factored into the reporting of the environmental effects of the different proposals in the next section.

Table 2.5 Accessibility measures: most important measures and their effects

Most important measures	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Flat-rate pricing (average in cents)	4 to 5	5	no	no	no	7	7	5	7
Rush hour tariff (in cents)	no	11	no	no	no	15	8	11	11
Toll for lorries (LKW-MAUT) (in cents)	1	15	no	no	no	18	15	2	2
Reduction of maximum speed						yes			
Road infrastructure 2011-2015 (in billions)		-3.8	-3.2	+1.5	+2	-4.7	-1.5	-2.75	+1
Railway infrastructure 2011-2015 (in billions)			+3.2	+1		+1.9 ^a		+1	+0.25
Train ticket prices (%)							+3 à 4		
Regional public transport ^a (in mld)				-1,75		+2,5 ^b	+0,6	+0,25	
Effects on traffic and transport in 2020	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Car usage ^b (in %)	-10	-10					-10	-10	
Public transport usage ^b (in %)	to -15	to -15	0	0	0	-20	to -15	to -15	-15
Lost vehicle hours ^c (in %)	+5 to 10	+5 to +10	5	0	0	+15	+10	+10	+10
	-35	-40							
	to -40	to -45	+0 to 5	-5	-5	-60	-45	-45	-45
Prosperity effects in 2020									
Travel time benefits (euro billions/year)	1¼	1¼	-¼	¼	¼	½	1¼	1¼	1¼
Loss of mobility due to less car usage ^d (euro billions/year)	-½	-½	0	0	0	-1	-¾	-½	-¾

^a Including management & maintenance and, if applicable, operating subsidy;

^b Usage of cars and public transport measured in travellers' kilometres per year;

^c Lost vehicle hours on the national motorway network.

^d The congestion and flat-rate charge will make car usage more expensive and a fall-off in demand will occur. The amount concerns the negative prosperity effects caused by the fall-off in demand.

2.7 Energy and climate

Table 2.6 Overview of the effects of the parties' proposals on the reduction of greenhouse gases (Mton CO2-eq) in 2020 in relation to the baseline^a

	CDA	PvdA	SP	VVD	PVV	GL	CHRU	D66	SGP
Total	36	44	21	2	2	63	38	31	28
of which: Non-ETS	10	15	3	0	0	13	17	6	4
ETS	26	29	18	2	2	50	22	26	24
of which: built-up environment									
energy sector	0	3	1	0	0	4	5	1	0
Renewable energy	6	5	-1	6	6	27	0	4	6
Traffic	19	25	19	-4	-4	23	24	25	19
Industry	3	2	0	0	0	5	3	2	2
Other	7	8	1	0	0	4	5	-1	0
	1	1	1	0	0	1	1	0	0

^a The totals may differ from the sum of the elements because of rounding off.

All parties reduce emissions of **greenhouse gases**, although the reduction under the proposals of VVD and PVV are significantly less than those proposed by the other parties, and the largest reduction is proposed by Green Left. Except for VVD and PVV, all parties reduce greenhouse gas emissions mainly by increasing the proportion of renewable energy. Green Left wants to close coal-fired power stations by raising coal tax by a factor of ten, which will make the use of coal three times more expensive. CDA, VVD, PVV and SGP want to make it possible to have a new nuclear power station. PvdA will achieve greenhouse gas reduction in the energy sector mainly through a levy on the discharge of residual heat and by ending the fuel tax exemption of coal-fired and gas-fired power stations.

The largest part of the greenhouse gas reduction occurs in the ETS sectors, i.e. those in the European system for trading CO₂ emission allowances. The ETS sectors include electricity stations, refineries and most of industry. On a European scale, the greenhouse gas reduction in the Netherlands will not lead to an additional reduction of greenhouse gases, because the emissions ceiling has been set for the EU. By selling emission allowances not used in the Netherlands it will be possible for emissions to increase elsewhere in Europe.

PvdA, Green Left and ChrU will also achieve in the non-ETS sector substantial reductions of greenhouse gases (by more than 10 Mton) through measures in the built-up environment, industry and traffic. Green Left proposes an extensive package in the built-up environment, including an obligation for buyers to raise their homes at least to the level of energy label B. Green Left also achieves the largest reduction in traffic. This will be attained mainly by introducing road pricing and lowering the maximum speed on motorways (from 120 to 100 km per hour and from 100 to 80 km per hour), which will increase the average travelling time.

CDA, PvdA and ChrU want to place emissions from processes in the chemical industry under the ETS system in 2013, without raising the emission ceiling. This will produce a reduction of almost 5 Mton of greenhouse gases.

Table 2.7 Overview of the effects of the parties' proposals on the proportion of renewable energy (%) and expenditure (in billions of euros) in 2020										
	Baseline (%)	Parties compared with baseline in % points								
		CDA	PvdA	SP	VVD	PVV	GL	CHRU	D66	SGP
Proportion of renewable energy in 2020 ^a	7	7	12	7	-1	-1	11	11	11	7
		Expenditure on renewable energy (euro bn)								
Central government		-0.5	-0.5	-0.5	-0.5	-0.5	0	-0.5	0	-0.5
Taxes and premiums of companies/families		2.1	4.4	2.9	0	0	3.8	4.3	3.8	2.4

^a Proportion of renewable energy in end-consumption in 2020 in accordance with the European definition.

Under the proposals of VVD and PVV, the proportion of **renewable energy** will decrease slightly in comparison with the baseline; the proposals of all other parties lead to an increase in the proportion of renewable energy. PVV and VVD will abolish the subsidy under the SDE scheme for the stimulation of the production of renewable energy, while the other parties opt for a hybrid supplier obligation for renewable energy, in such a way that the proportion of renewable energy will increase. Under the proposals, the SDE subsidy will be replaced by financing through a surcharge on electricity and gas prices for end-users. Additionally, there will be an obligation under which the proportion of renewable energy will gradually be increased. Except for Green Left and D66, these parties reduce expenditure by central government by financing obligations not yet entered into under the SDE scheme via the surcharge on the price of energy.

CDA and SGP want to obtain renewable energy partly by purchasing renewable energy (and certificates) in other countries. This means the costs of renewable energy will be lower under the proposals of these parties. CDA, PvdA, D66 and ChrU increase from 10% to 14% the compulsory proportion of biofuels in motor fuels for traffic.

2.8 Agriculture and nature

	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Emissions ^a	0/+	+	++	0	0	++	0/+	0/+	0/+
Economy agricultural sector ^b	0	-	--	0/+	0	--	0	0	0
Quantity of nature	0	+	0/-	--	-	+	0	0/+	-
Quality of nature	0	+	+	--	-	++	0/+	0/+	0
(National) landscapes	0	0	+	-	-	++	++	0/+	-

^a Ammonia, nitrogen and phosphate caused by agriculture in 2020 0/+ : 0-2 kton, + : 2-10 kton, ++ : >10 kton.
^b 0: -25 - +25 million euros €, - : 25-250 million euros, -- : > 250 million euros.

Green Left and, to a slightly lesser extent, SP, D66 and PvdA give relatively high priority to the quantity and quality of nature (see table 2.9). This priority is expressed in part by extra investments in the National Ecological Network (by Green Left) and partly by measures designed to reduce greatly the emissions caused by agriculture (Green Left, SP and PvdA). In contrast, the scores on the quality and quantity of nature and emissions are either negative or neutral in the case of VVD, PVV and SGP. ChrU and CDA occupy a middle position.

Emissions of ammonia, nitrogen and phosphate by agriculture influence the quality of nature (fewer emissions is good for nature). Measures that limit those emissions also come at a price, however: generally speaking they harm economic activity in the agricultural sector. This applies to the proposals of SP, PvdA and Green Left. The measures of the other parties do not have a negative effect (VVD) or have a less negative effect (SGP, ChrU, D66, CDA, PVV) for the agricultural sector and related companies.

CDA, ChrU, PvdA and SGP want to maintain the system of animal allowances. This will reduce emissions a little compared with the baseline, because it provides greater certainty that livestock will not increase. In the baseline, the growth of livestock is already zero, given the expected market developments. SP wants to reduce the number of animal allowances in pig farming and poultry farming by 25% and abolish the nitrogen derogation for dairy farming, which will reduce dairy livestock by 5%. This will lead to a substantial reduction of emissions. Green Left wants to reduce livestock by 10% and widen the zone around nature areas in which poultry and pig stalls must be equipped with an air washer. PvdA wants to make the installation of high-efficiency washers obligatory in all pig and poultry stalls.

Increasing the VAT rate for meat (proposed by ChrU and Green Left and on non-biological meat proposed by D66) will not have any effect on the numbers of animals (exports, which are not liable to VAT, will increase). The prohibition of mega-stalls larger than 1.5 ha (proposed by ChrU, Green Left and PvdA) will not have any effect on the numbers of animals or on emissions. This is because this limit will not prevent a scaling-up, since considerable expansion is still possible up to the limit of 1.5 ha.

Under the policy of four parties (CDA, SP, ChrU and D66) the quantity of nature area will remain roughly the same in size as in the baseline. In the case of VVD, PVV and SGP, the quantity of nature area will be smaller than in the baseline as a result of spending cuts on the acquisition of areas for the National Ecological Network. VVD and PVV makes the biggest spending cuts. In contrast, Green Left and PvdA will obtain more nature area than in the baseline. Green Left will free up more funding for the purchasing of land for the National Ecological Network. PvdA is pursuing a wider application of the loans item: besides purchasing nature area this will also be usable for the arrangement and management of nature areas. This will increase the quantity of nature.

PvdA will use the extra funding within the ring-fenced area of the National Ecological Network. This will increase spatial cohesion of nature areas, improve environmental conditions and, by consequence, increase the quality of nature. The same applies to Green Left. As Green Left additionally conducts a stringent environmental policy also in the proximity of nature areas (see above, under agriculture), the quality of nature will increase more than under the proposals

of PvdA. SP reduces emissions by agriculture more than under the proposals of Green Left, but will not achieve any extra hectares of nature area. While this will improve the quality of nature, it will not be as much as under the proposals of Green Left. However, SP does want to lay down in a zoning plan for the North Sea the protected status of maritime nature areas. D66 also devotes attention to nature at sea. D66 wants to act against over-fishing and create maritime reserves.

Many parties (CDA, ChrU, D66, Green Left, SGP, SP, VVD, PvdA) focus their nature and landscape measures not only on the National Ecological Network, but also on the rural area outside the network. CDA, ChrU, D66, SGP, SP and VVD opt for a larger role of farmers in the management of nature and landscape than is the case in the reference line. PvdA, PVV, SGP, SP and VVD have adopted proposals from the Broad Review of the Living Environment and Nature. As regards nature and landscape, these parties are pursuing mostly spending curbs according to the 'Socially efficient and solid' variant. D66 and SGP are pursuing the spatial variant of the National Ecological Network (i.e. using current funding differently).

Landscape quality is influenced mainly by the budget available for managing the landscape and for the Recreation around the City programme, by introducing (or not introducing) an open-space levy and by spatial policy. ChrU, Green Left, PvdA and SP opt for an open-space levy. This will have positive effects on the retention of landscape qualities in rural area. This is because an open-space levy will make it more expensive to put up buildings in rural areas, which will reduce possibilities for living in green areas. At the same time, the open-space levy stimulates densification of urban areas. Residents experience a heavily built-up living environment more negatively than one with fewer buildings. Besides the open-space levy, Green Left will introduce a spatial tax and will link construction to investments in nature and landscape. The other side of the deterrent policy of these parties on living in outlying areas, however, is that the choices for housing consumer will be limited as living in the countryside will become more expensive. The policy of VVD runs entirely counter to this: the party wants to relax spatial planning policy in rural areas to allow more construction. CDA also wants to make it easier to work and live in outlying areas.

PvdA and SP will also introduce an open-space levy, but will also reduce the budget for Recreation around the City. Moreover, PvdA will reduce funding for the national landscapes. On balance, this will not produce any improvement of landscape quality in relation to the baseline. SP will also use extra funding for managing landscape in the national landscapes. This will improve the quality of the landscape. CDA frees up more funding than in the baseline for the management of landscape elements, but also wants to make living and working in the rural area more interwoven. This means that, on balance, the quality of landscape will be similar to the quality in the baseline.

ChrU and D66 are pursuing better utilisation of areas zoned for economic activity, which will reduce the pressure to construct new areas of this kind. This will have a slightly positive

effect on landscape quality. For various reasons the measures proposed by PVV, SGP and VVD lead to a deterioration of landscape quality. PVV will make spending cuts in the funding for landscape management. SGP will devolve the Recreation around the City programme to provincial government without providing the associated funding (which on balance means a spending cut).

2.9 Education and innovation

Figure 2.8 Intensifications and spending curbs in education policy, 2015 (in billions of euros, 2010 prices)

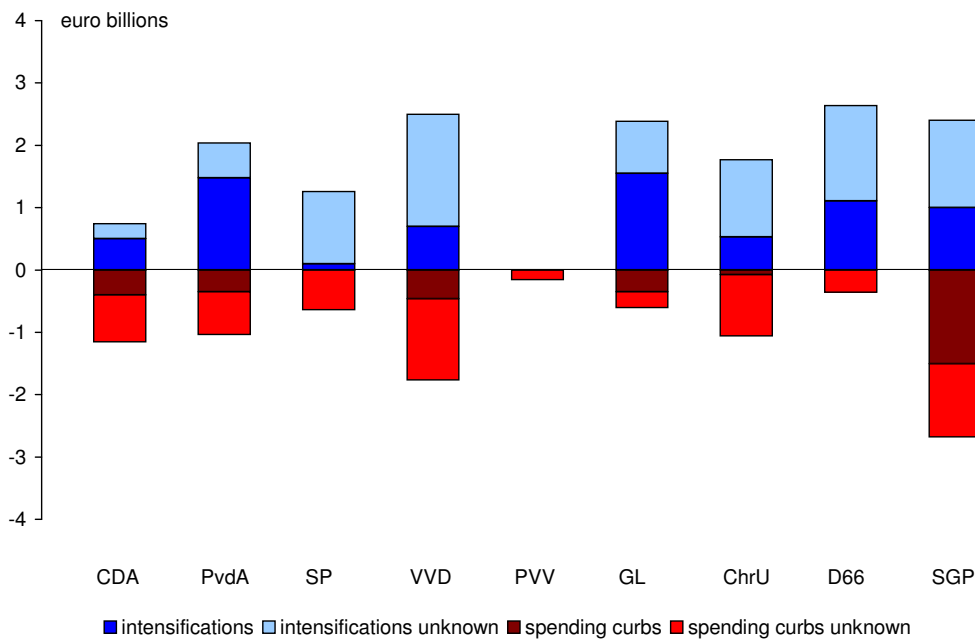


Figure 2.6 shows the intensifications and spending curbs for education policy. Except for SGP, CDA and PVV, all parties will on balance intensify education policy, whereby the totality of net intensifications will be between 0.6 billion euros (SP) and 2.2 billion euros (D66). The proposals have been weighted based on empirical studies according to their contribution to material prosperity. A proposal is promising if the social benefits are expected to be greater than the costs. For a number of measures, the effect in the analysis is 'unknown'. This means that empirical sources provide insufficient pointers for indicating the effect of policy.

Many parties are pursuing the same education themes. The degree and the way in which they are doing so can differ from party to party. Table 2.11 summarises the investments directed towards the most important education themes. The themes have been ranked according to

effectiveness. With the same funding, for example, performance-related pay will be more effective than training teachers.

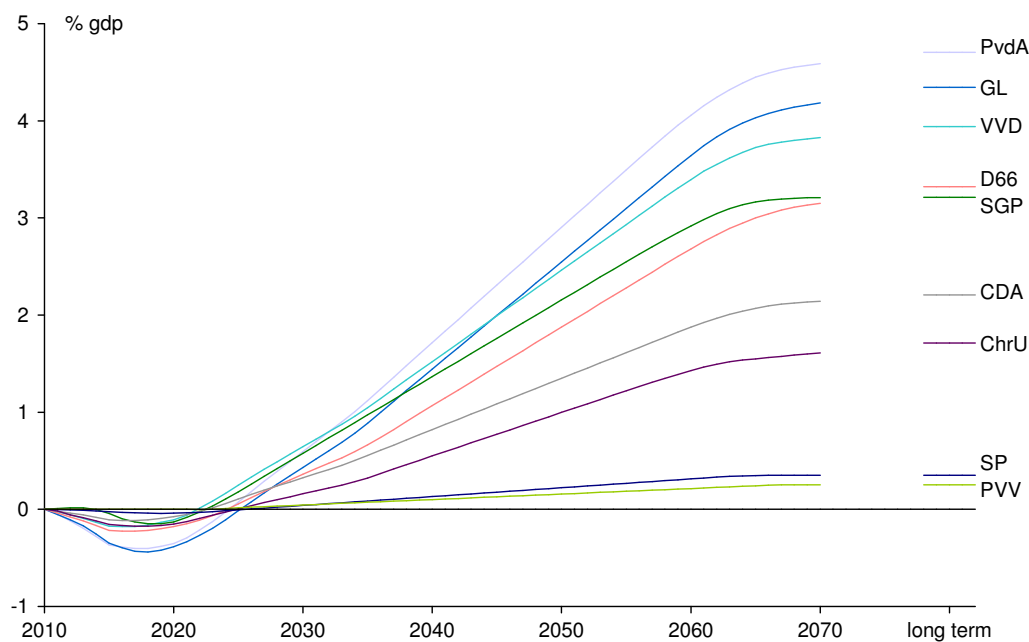
Table 2.9 Promising investments according to declining effectiveness, 2015 (in billions of euros)

	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Performance-related pay for teachers	0.2	0.1		0.2		0.3	0.1	0.2	0.2
Master courses lasting several years							0.1		0.2
School drop-out		0.1	0.1	0.1		0.3	0.0		0.4
Training of teachers	0.1	0.3		0.1		0.4		0.1	0.2
Early or pre-school education	0.2	0.3		0.3		0.5	0.2	0.5	
Extension of education time		0.7					0.1	0.3	
Other		0.1				0.1		0.1	-1.5
Total	0.5	1.5	0.1	0.7	0.0	1.6	0.5	1.1	-0.5

PvdA and Green Left are the parties that are most pursuing the promising measures, followed by D66. VVD and PvdA are additionally pursuing the introduction of performance-related funding of schools, whereby part of the basic financing of schools will be linked to the performance of their pupils. This will give schools an incentive, in a budget-neutral way, to improve the performance of their pupils. The investments that the other parties are making in promising measures are relatively modest. SGP stands out for a relatively large spending curb. This party is pursuing an efficiency discount on the lump sum of 1.1 billion euros, a measure that is feasible only by increasing class sizes.

The effects of the promising education proposals of each party are summarised in figure 2.x. In the first instance, the costs of the measures are greater than their (financial) benefits. Some of the costs are of a budgetary nature. People will attend a school longer, so the supply of labour will decrease in the initial decades. However, the costs outweigh the benefits, so in the initial decades there will be mainly costs. The increase in the level of education means that labour productivity will increase and, in due course, the supply of labour will increase again. This is because people with a high level of education will participate more in the labour market. The complete effect will be achieved after a long period of time. At that moment the entire labour force will be better educated. The total effect on GDP is the sum of higher labour productivity and supply of labour, minus the budgetary costs.

Figure 2.9 Effects of education policy as %GDP



Through their education policies PvdA, Green Left and VVD will achieve a large positive effect in long-term GDP. PvdA (1.5 billion euros) and Green Left (1.6 billion euros) are vigorously pursuing promising measures. VVD comes out high through the introduction of the performance-related funding of primary and secondary schools. D66 is also pursuing promising measures, but to a limited degree, whereby the party has opted for an approach with measures that have relatively low effectiveness. The larger class sizes proposed by SGP will yield a lot in budgetary terms and eventually result in a small negative effect on labour productivity. The party is further pursuing mainly the most effective measures. The proposals of the other parties have a smaller effect on GDP.

Most parties will change little in the budget for scientific research at universities, except for SGP and Green Left, which will increase the budget, while CDA, PVV, and ChrU will reduce the budget. In many cases it is unknown how changes in the budget for scientific research will influence the prosperity of the Netherlands. However, the proposal by Green Left to introduce more performance-related pay in scientific research will have a favourable effect on prosperity. ChrU, SP and PVV will make spending cuts on measures that stimulate immigration of knowledge workers, which must be qualified as unpromising. After all, knowledge migrants increase prosperity by transferring knowledge from other countries.

Green Left and D66 earmark extra money for innovation on balance, while VVD, ChrU, PvdA and PVV make spending cuts on balance. Except for PVV, the prosperity effects of the

proposals of the other parties are unknown due to their small scale. PVV wants to make sizeable spending cuts, by 40%. This proposal is not considered promising, because spending cuts of more than 20% will probably harm prosperity in the long term.

All parties shift the emphasis from thematic policy to generic policy. VVD, PvdA, Green Left and PVV provide almost exclusively only generic subsidies through the Research and Development (Promotion) Act. The current thematic policy turns out to be an expensive form of generic policy through higher implementing costs for government, higher costs incurred by companies when applying for subsidies and greater prosperity disruption through intervention of interest organisations. Therefore, the shift towards generic policy is promising, because costs will decrease while benefits will decrease hardly at all. Although D66 opts for more generic innovation policy, the party wants to make more rigorous choices for the remaining thematic policy. More rigorous choices might be promising, compared with the current thematic policy, but they are also risky due to a large probability of government failure caused by incorrect selection.

The larger emphasis placed by all parties on generic subsidies such as those under the Research and Development (Promotion) Act leads to a situation where benefits for small and medium-sized enterprises will still increase on account of the way the scheme is organised. This side-effect is unlikely to be promising. After all, under present policy SMEs receive for every euro they spend on research and development approximately five times as much subsidy as large companies. There is no evidence that SMEs generate greater social benefits to this extent. Some parties, such as VVD, SGP and Green Left, therefore want more equal treatment of SMEs and large companies under the Research and Development (Promotion) Act. This is probably promising.

	Level ^b		Change								
	2010	2014	CDA	PvdA	SP	VVD	PVV	GL	Chru	D66	SGP
	euro bn										
Science ^a	1.83		- 0.09	0.00	0.04	0.00	-0.42	0.18	- 0.08	0.05	0.22
Innovation	2.17	1.79	0.02	- 0.20	0.00	- 0.10	- 0.78	0.22	- 0.25	0.15	0.00

^a Inclusive of immigration of knowledge workers.
^b Source: Rapport Brede Heroverwegingen/Broad Review Report, No. 8, page 52. The implementing costs have been increased by 50%, because the figures on page 52 include only wages. The figure for science was estimated based on CBS, Kennis en Economie/Knowledge and Economy 2008, list 2.2.1, with the assumption that the third cash flow will be used entirely for research. The budget for knowledge immigrants has been added to this amount.

2.10 Housing market

Table 2.11 Housing market effects		CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP	
		% GDP									
Prosperity gain	structural	0.1	0.5	0.4	0.3	-0.1	0.8	0.5	0.9	0.7	
Effect on national budget	structural	0.1	1.4	1.4	0	0.1	2.1	1.3	1.5	0.1	
		difference compared with baseline in %									
Price change in owner-occupied homes	2015	-1	-7	-6	-2	0	-6	-5	-10	-6	
	structural	-1	-6	-6	-5	1	-10	-6	-10	-7	
Change in net rent	2015	5	1	-3	10	0	6	6	10	8	
	structural	5	15	-3	57	0	11	14	31	40	
Change in consumption. owner-occupied	structural	-1	-4	-4	-3	1	-7	-4	-6	-4	
Change in consumption. rented	structural	3	0	-5	27	-4	0	0	15	22	
		% rent value									
Subsidy percentage. owner-occupied sector	structural	25	16	13	30	25	8	17	17	25	

Greater efficiency in the housing market leads to an improvement in prosperity. The outcome of the 'prosperity effect' can be regarded as the degree to which a party succeeds in making the housing market function better (or worse, in the case of a loss) by reducing (or increasing) current disruptions. A prosperity gain does not mean that households will automatically gain, because the gain can also go to landlords (including housing corporations), or the government.

All parties except for PVV improve the efficiency of the housing market and increase prosperity. PVV opts for introducing a housing corporation levy, without allowing extra rent increases. This will increase rationing in the housing market, which will cause prosperity to decrease. It should be noted that doubts exist about the legal feasibility of a levy directed specifically towards housing corporations (the same applies to the proposals of D66, VVD, PvdA and ChrU). The effects of the proposed levies have been included in the analysis, however.

Among the other parties the emphasis in the reforms differs. CDA, VVD and SGP are focusing mainly on the rented market, whereas other parties also put forward proposals for the owner-occupied market. PvdA, SP, Green Left, ChrU and D66 all reduce to a greater or lesser degree the tax relief on mortgage interest. As the markets for owner-occupied and rented homes are strongly interrelated, the proposals of all parties have consequences for both markets. The

prices of owner-occupied homes will decrease under the proposals of all parties compared with the baseline, except in the case of PVV. Rents will also increase under the proposals of almost all parties. It should be noted that the effects presented here are macro-effects at national level. The effects on rents and house prices may (significantly) differ regionally.

2.11 Healthcare

Table 2.12 Most important indicators

	Base	CDA	PvdA	SP	VVD	PVV	GL	ChrU	D66	SGP
Curative care (under Care Insurance Act, 'zvw')										
More (+) or less (-) market forces		+	0/+	-	+	0	0/+	+	+	+
Insurance excess (level. euros per year in 2015)	775	230	200-600	0	300	210	150-300	200-600	210-400	150-500
Personal contributions (change in relation to base. billions)	5,5	-3,2	-2,6	-5,5	-2,8	-3,4	-3,2	-2,6	-2,9	-2,9
Alteration of insured package of service (in relation to base. billions)		-0,5	-0,7	0,0	-2,3	-0,3	0,0	-1,6	-1,1	-1,0
Other measures (net. in relation to base. billions)		-1,6	-1,8	-1,0	-0,9	-0,7	-1,4	-1,5	-0,8	-1,1
Long-term care (under Exceptional Medical Expenses Act, 'awbz')										
System: extramural care	awbz	wmo/ vou- cher	wmo	awbz	zvw	awbz	wmo/ awbz	zbo	wmo	wmo
System: intramural care	awbz	vou- cher	awbz	awbz	zvw/ zbo	awbz	awbz	zbo	wmo/ zbo	wmo/ zbo
Personal contributions (change in relation to base. billions)	2,9	-1,1	-0,6	-1,0	+0,5	0	+0,2	-0,1	-0,3	-1,0
Alteration of insured package of services (billions)		-1,0	-0,4	0,0	-0,5	0,0	-0,2	-1,2	-1,2	-1,3
Other measures (net. billions)		-0,6	-0,6	0	-2,1	0	-0,5	-0,9	-1,9	-1,6
Total care										
Increase in employment 2011- 2015 (x1000)	150	-10	-15	+15	-50	+10	+15	-30	-40	-35

wmo = Social Support Act zbo = Autonomous administrative authority

In the Economic Forecast for 2011-2015, CPB made the technical assumption that the annual **insurance excess under the Care Insurance Act** would be raised from 165 euros per adult in 2010 to 775 euros in 2015. None of the parties has opted for this approach. If the current insurance excess of 165 euros were to be index-linked in the usual way in the coming years, it will work out at 210 euros in 2015. Most parties opt for an insurance excess that is slightly above this figure. Only PVV opts for the index-linked insurance excess of 210 euros and SP abolishes the insurance excess in its entirety. Five parties make the insurance excess income-linked, whereby the lowest incomes will have an insurance excess of 150 to 210 euros, while

the highest incomes will have an insurance excess of 300 to 600 euros. An income-linked insurance excess requires a fairly complex implementing organisation, because medical insurers do not inquire about the income of insured persons. Therefore, a separate public body will have to make the link between health care expenditure and the income data of insured persons. CPB has made allowance for implementing costs of 60 million euros. VVD is the only party that has included GPs in the insurance excess. A number of parties additionally propose more specific personal contributions towards mental health care, hospitals, mouth care and physiotherapy.

Parties clearly have different views when it comes to **market forces** in healthcare. Only SP opts for variant A of the Curative Care Review, whereby the present insurance will be replaced by a services system and the present insurers will be replaced by budgeted care procurement offices. PVV has opted to retain the system as it is in 2010. All other parties want to develop the present system further, to a greater or lesser degree, towards variant B of the Curative Care Review, i.e. more market forces. CDA, VVD, ChrU, D66 and SGP opt for a system under which care insurers become entirely risk-bearing and the freely negotiable B segment in hospital care will be enlarged (under the proposals of CDA to 50% of all hospital care). VVD and D66 also want to increase the role of the market by giving care providers a possibility to raise private capital, with codetermination and profit distribution. PvdA and Green Left are more conservative as regards greater market forces in healthcare and opt for a larger role for the government.

VVD is the party that wants to limit the **standard insured package** the most. Several parties want to scrap one or more of the following elements: minor mental health treatments, a number of medicines (gastric acid blockers, cholesterol reducers and contraceptives), some paramedical care, dentures and mouth care for people aged between 18 and 21. Only SP and Green Left want to leave the standard package unchanged.

By increasing **efficiency**, all parties hope to hold down healthcare costs. Except for D66 and PVV, all parties want more stringent management of the insured package when allowing new treatments. All parties, except for PVV, want to improve the governance structure in hospitals and to increase quality and transparency in healthcare by establishing a national quality institute. Except for VVD and D66, all parties want to make savings by reducing by 35,000 euros the normative incomes of medical specialists and top healthcare administrators. All parties, except for Green Left, want to introduce a VAT compensation fund in healthcare, so as to make outsourcing more attractive for healthcare institutions.

With regard to medicines, many parties, except for CDA, PVV, Green Left and SGP, have opted to extend the preferential policy for medicines by allowing clusters of medicines that are not always 100% identical. CDA wants to overhaul the system of reimbursing medicines. Besides the above-mentioned spending curbs, SP and SGP also want to earmark extra money

for curative care. SP wants extra money so as to provide more care. SGP wants to spend extra money on more curative care remunerations that are more in line with market norms.

Almost all parties have opted for a different **organisation of long-term care** (under the Exceptional Medical Expenses Act), while only PVV and SP maintain the current system in its entirety. Various parties want to transfer some extramural care (CDA, Green Left), or all of it (PvdA, D66, SGP) to the municipal organisation responsible for provisions under the Social Support Act. This will transform this care into a service and end the insured right to care. CDA wants to introduce a voucher system for some extramural care and all intramural care. Such a system immediately confronts clients with the costs of care, so there will be a strong incentive to purchase care critically, both in terms of price and quantity. Therefore, an efficiency gain of 5% has been estimated in this respect. Unlike the present personalised budgets, these vouchers will be usable only for qualified care, which will exert a braking effect. PvdA and VVD also limit the use of personalised budgets for some healthcare to qualified care.

ChrU has opted to transfer all care, both extramural and intramural, to a national autonomous administrative authority. Here again, the insured right to care will be discontinued and greater possibilities will be created for customisation. Additionally, the autonomous administrative authority will have a stronger procurement incentive than the present care offices whose budgets are limited less stringently, which means that an efficiency gain is also likely to occur in this respect. VVD, D66 and SGP will also place the most complex intramural care (mental health care and care for the disabled) under a national autonomous administrative authority, but transfer intramural care and nursing to provisions under the Care Insurance Act (in the case of VVD) or the Social Support Act (D66, SGP). Green Left and PvdA maintain for intramural care the present provisions under the Exceptional Medical Expenses Act. Four parties want to transfer rehabilitation to the Care Insurance Act (CDA, PvdA, VVD and D66).

Besides these changes to the system, the parties want to limit care entitlements by means of various measures. Many parties have opted to stop offering less complex care intramurally, but for new clients only extramurally. This applies both to mental healthcare (CDA, PvdA, VVD, Green Left, D66, SGP) and to stays in a care home or nursing home (CDA, VVD, Green Left, ChrU, D66). Additionally, various parties will reduce extramural counselling (VVD, ChrU, D66, SGP) and care (CDA, ChrU, D66, SGP), while VVD will scrap care for the disabled in the case of clients with an IQ above 70, with money being reserved for leakage to other schemes. Apart from this IQ measure none of the parties makes any spending cuts on care that will continue to be offered intramurally. However, the personal contribution will be raised under the proposals of most parties.

Virtually all parties (CDA, PvdA, VVD, Green Left, ChrU, D66, SGP) have opted to separate the costs of housing and care. This implies that care institutions may bill rental and service

charges directly to the client. Only a few parties earmark extra funds for intensifications in long-term care. PVV will spend extra money on 10,000 extra nurses and carers. Only Green Left has earmarked significantly more extra money for such matters as higher wages for carers and nurses and improvement of their career prospects and the Social Support Act. ChrU and SGP also free up extra funds, although on a smaller scale.