

MEMO TO THE PARTY COMMITTEES

**KEY ISSUES FOR THE NEXT TERM
OF GOVERNMENT**

ABOUT THIS PUBLICATION

The Netherlands Scientific Council for Government Policy was founded as a temporary body in 1972. It was established as a permanent body by the Act of 30 June 1976 (Stb. 413). Its present term runs until 31 December 2017. Pursuant to the Act, the Council's task is to advise Government by providing evidence-based information on trends and developments that may have a long-term impact on society.

It is the Council's task to anticipate policy issues at the earliest possible stage, to point out conflicting aims, to identify dilemmas, and to propose alternatives. In accordance with the Act, the WRR sets its own working programme after consulting the prime minister, who seeks the advice of the Council of Ministers in this regard.

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INTRODUCTION

Barring unforeseen events, the people of the Netherlands will elect a new parliament on 15 March 2017. The Government that subsequently takes office will face a number of major issues concerning labour, economic development, the financial sector, wellbeing and social cohesion, international relations, and the relationship between citizens and government. In view of these events, the Scientific Council for Government Policy (WRR) has reviewed its recent publications and selected those insights which it deemed relevant for Government policy in the coming years. This is in line with the WRR's task to provide independent evidence-based advice on long-term issues that are of importance to society. It is important that we review and highlight those issues now, in the midst of everyday life, as the various parties prepare the election programmes that will form the basis for a new term of government.

The topics that the council draws your attention to are: Resilient Economy; Broad Innovation; Social Cohesion; Navigating in a Changing World; and Value-driven Public Sector.

The present document does not aim to present an exhaustive agenda, but rather presents a concise review of insights and policy approaches, based on the WRR's existing work. In each case, reference is made to the original WRR publications on which these summary notions are based. Our suggestions should not be construed as concrete policy proposals; instead, they point out the direction in which the WRR believes policy should be developing or formulate the policy choices we believe government will be facing.

The WRR's 2015 programme (english.wrr.nl/programme) includes various projects that have not progressed to a state where they can be referenced in this publication. As soon as these projects have resulted in conclusions and recommendations the WRR will inform you of their content.

Prof. André Knottnerus
Chairman

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Secretary/Director

Over the past fifty years, the Netherlands has enjoyed steady economic growth. Even so, there are no guarantees that this situation will continue to persist. After all, the Dutch labour force is shrinking, economic activity is shifting to other parts of the world, and growth in the Eurozone is declining. There is no reason for pessimism, however; new markets and advances in technology offer all sorts of opportunities. But these changes do imply that established positions will be permanently challenged. It is difficult to forecast the next source of economic growth and where the Netherlands should put its focus. The answer can be found in a resilient economy that is able to adapt to rapidly changing circumstances.

1.1 Broadening the aims and indicators of economic policy

Trend

- Present discussions of economic policy are quickly limited to income, expenditure and production. The dominance of gross domestic product (GDP) as an economic indicator and the specific models used to calculate the impact of policy contribute to narrowing such discussions. As a result broader economic policy aims such as stability, wellbeing and sustainability gain less attention. Such discussions also neglect unpriced activities and significant forms of capital formation as sources of future growth.
- GDP no longer provides an encompassing, undisputed measure of production and productivity. In fact, it obscures our view of large segments of the service sector, including health care, education and financial services. The GDP statistics we use today were designed at a time when the economy was dominated by goods rather than services. That makes it difficult to accurately measure new forms of economic activity through existing statistics.
- Using models to plan and evaluate economic policy compels us to be consistent and give careful consideration to our use of scarce resources. However model-driven calculations may also narrow the discussion. In part this results from the choices built into the model and the underlying role of economic theory. The main reason for the limited nature of the debate, however, is the way in which the outcomes of modelling are interpreted in actual policymaking.

Agenda

- Successful economic policy requires a broad, even-handed approach that allows for targets related to growth, economic stability, the financing of the economy and sustainability.
- To achieve this, we must also broaden the range of indicators used to measure economic prosperity. The Government could join Dutch and international initiatives that seek to broaden the definition of prosperity, such as the Temporary Committee on a Broad

Definition of Welfare. When a composite index is used, the weighting of the underlying indicators must be transparent and the effects of adjustments should be immediately visible.

- Consideration should be given to reintroducing (in a broader form) the capital account system. At present, what the Netherlands invests in infrastructure, education, sustainability is insufficiently clear. By drawing up a balance sheet that shows the value of national stocks, we will have a better idea of the investment needed to secure long-term growth. It will also enable us to more accurately weigh the needs of the short term versus those of the long term.
- GDP will continue to be an important instrument. That is why we must see that it remains relevant as a measure of economic prosperity. This subject is already being discussed abroad, for example in the Bean Report recently issued by the UK Government.¹ It is vital that this discussion also influences the way in which the Netherlands measures GDP.

Based on:

Public Interests in a Market Society ('Publieke zaken in de marktsamenleving')

WRR-report 87, Amsterdam University Press, 2012

Towards a Learning Economy. Investing in the Netherlands' Earning Capacity ('Naar een lerende economie: investeren in het verdienvermogen van Nederland')

WRR-report 90, Amsterdam University Press, 2013

1.2 Rethinking the Dutch growth model

Trend

- The nature of world trade is changing. Businesses and countries are links in global supply and production chains. Products are no longer made and packaged at a single location but produced by cross-border production chains in which different businesses in different countries carry out a segment of production. Most of the money is earned at the beginning (conceptualisation and design) and at the end (sales and aftersales) of the chain. That is why many countries have geared their economic policy towards improving their position within global chains.
- The globalisation of production, the ability to swiftly shift economic activity to other locations, and the unpredictability of technological advances require all open economies – the Netherlands included – to rethink their growth models.

¹ Ch. Bean, *Independent Review of UK Economic Statistics*, HM Treasury, March 2016

- In weighing these issues it should be noted that policy debate often overestimates the direct significance of trade, as important as it may be for our economy. Gross exports account for more than 70 per cent of Dutch GDP, but much of this consists of transits or re-exports. The value added of exports generated within the Netherlands stands at about a third of GDP. In other words, most of our income is earned within our own borders.
- In recent decades, exports have been the biggest source of economic growth by far. By contrast, domestic demand has lagged behind. At the same time, economic growth in the Eurozone has declined steadily since 2000 (even if the crisis years 2002-2003 and 2008 are left unconsidered). Since 2008, Dutch economic growth has been no higher than average and as such lags behind that of Germany.

Agenda

- The task of securing the Netherlands' prosperity requires a pro-active economic policy that not only keys into traditional comparative advantages such as location and existing forms of specialisation, but actively creates new strategic advantages in knowledge, education and innovative networks. This also means re-examining our reluctance to pursue an economic policy based on activation strategies. As various other countries have demonstrated, government action is able to achieve more in this regard than we in the Netherlands often assume.
- In addition, the advantage of investing in knowledge-based networks and the necessary institutions is that they continue to function as fields of gravitation in a way that is difficult to replicate. In a world where it is easy to shift economic activity elsewhere, investing in knowledge, education and innovation will help safeguard our long-term growth potential.
- Policymakers should focus on those segments of the value chain that are crucial for future growth. This means looking more closely at high value-added activities in international trade chains such as R&D and marketing, and re-examining the role of domestic demand.
- This will also require new statistics that show not only production and export volumes, but also how value added is distributed across international value chains, and the position of the Netherlands in those chains.

Based on:

Towards a Learning Economy. Investing in the Netherlands' Earning Capacity ('Naar een lerende economie: Investeren in het verdienvermogen van Nederland')
WRR-rapport 90, Amsterdam University Press, 2013

1.3 Financial services and the public good

Trend

- Finance is essential for economic growth, but there can also be too much of it. In the past fifty years, credit extended to households and businesses has grown three times as fast as economic activity in the OECD countries. At this pace, credit expansion suppresses economic growth, exacerbates inequalities, and puts stability at risk.
- Since the 1980s, technological advances, deregulation and globalisation have brought about a revolution in the financial sector. Concentration as a result of mergers and growth have changed the banking industry. Formerly segmented financial flows have merged while also having become more international, and financial products on offer have become ever-more complex. In all these respects, developments in the Netherlands have been particularly strong.
- The scale of debt – especially mortgages – and the use of financial indicators in other domains (such as pensions and the semi-public sector) have caused society to become more dependent on the financial sector and more sensitive to fluctuations on financial markets.
- Another crucial factor concerns the return of financial instability. The virtual absence of financial crises from the 1950s to the early 1980s was unusual. Since then, crises have become a more frequent occurrence, as they were before the 1950s.

Agenda

- Finance and society are closely intertwined. To a certain degree, the scale and influence of the financial sector are the result of choices made in society and in government. A sensible financial policy, therefore, should not only focus on the financial sector, but starts by pursuing a strategy that reduces society's dependence on finance. There are various ways of achieving this. For example by abolishing tax incentives that encourage debt and by promoting the use of equity instead; by exercising caution in turning market signals into indicators in other policy domains; and by amending the pension system so as to focus on the longer term. Society's position can also be bolstered by making standard financial products mandatory, by encouraging consumers to join forces and boosting expertise at semi-public institutions.
- Policy focusing on the financial sector should put the public interest first. It should not promote the interests of the financial sector, but facilitate a healthy and stable financing of the economy. In addition to the mentioned measures this requires higher (risk-unweighted) capital buffers to counter moral hazard springing from the implicitly cheaper funding of large institutions as a result of public guarantees. It also means that systemic risk must be reduced. Owing to the relative size of its financial institutions and

the degree of concentration in the sector such risks at present are considerable in the Netherlands. We can reduce these by encouraging diversification and competition in the banking industry, by facilitating direct finance, and by permitting differentiation in market access rules.

- We must acknowledge the political dimension of policies aimed at the financial sector. Parliament must assert its periodical involvement in this respect and improve its own level of expertise.
- Putting the public good at the centre of policymaking also affects the level at which decisions are taken. Although EU harmonisation remains appropriate and even necessary for purposes of supervision and market access, there cannot be a taboo on using national discretionary powers.

Based on:

Finance and Society: Restoring the Balance ('Samenleving en financiële sector in evenwicht')

WRR-report 96, 2016.

1.4 Aiming for inclusive growth

Trend

- The answer to the question whether economic growth in the Netherlands in recent decades has been inclusive depends on how we measure economic inequality. One of the most commonly used measures in this respect, the Gini coefficient, has not increased since 1990. Wage differences have, however. The combination of these two facts means that the welfare state increasingly needs to redistribute to keep income inequality from rising. But in a period of limited economic growth, this approach has its limits.
- Like most other countries, the Netherlands has a wider disparity of wealth than of income, even (although to a lesser extent) when pensions are included in the equation. More worrisome in terms of individual economic resilience is the fact that the lower and middle income classes on balance are in debt or have limited equity. This means that the financial buffers that allow them to cope with economic adversity are very thin. This is not just a distributional issue; it also results in greater economic volatility.
- Robotisation and digitisation can ease work and life and boost productivity, but they can also lead to greater disparities in income and wealth. However, rising inequality and the pressure on the middle class are not the result of technological change alone. A complementary factor is the sudden rise in availability of cheap labour specifically in China and India, which through globalisation has come to affect markets all over the world.
- There are signs that a high level of income inequality has a negative impact on many different domains, ranging from health and social mobility to political participation and

trust. There are also indications that a large income gap between rich and poor in developed countries may stall economic growth.

Agenda

- More research is needed on the development of wealth in the Netherlands and the effect of its distribution on the economy, especially the limited accumulation of wealth among the lower and middle classes.
- Those seeking to reduce economic inequality often propose redistributive policy measures, for example by lowering the tax rate on labour and raising the rate on wealth. This balance is important to consider in any discussion of tax simplification. A different option might be ‘predistribution’, which seeks to mitigate (rising) income disparities in the labour market instead of ‘repairing’ economic inequality afterwards through the taxation and social security insurance system at a high bureaucratic cost.
- To ensure that everyone can benefit from new technology, we must keep a close eye on its impact on inequality and address this issue where necessary.

Based on:

How Unequal is the Netherlands? An Exploration of the Development and Consequences of Economic Inequality

(‘Hoe ongelijk is Nederland? Een verkenning van de ontwikkeling en gevolgen van economische ongelijkheid’)

M. Kremer, M.A.P. Bovens, E.K. Schrijvers & R.C.P.M. Went (eds.)

WRR-Investigation 28, Amsterdam University Press, 2014

Mastering the Robot. The Future of Work in the Second Machine Age (‘De robot de baas. De toekomst van werk in het tweede machinetijdperk’) R.C.P.M. Went, M. Kremer & J.A. Knottnerus (eds.)

WRR-Investigation 31, Amsterdam University Press, 2015

Finance and Society: Restoring the Balance (‘Samenleving en financiële sector in evenwicht’)

WRR-report 96, 2016.

Both in sustaining the Dutch growth model and in tackling the challenges society faces in terms of climate change and water and food security it is essential to maintain the existing physical and knowledge infrastructure. International trends and technological advances can easily lead to economic activity being moved elsewhere. A sound infrastructure functions as an field of gravitation and is therefore essential to economic growth. The Netherlands has an outstanding physical infrastructure. And while we must make every effort to maintain this, intensifying efforts to boost our knowledge infrastructure can make the biggest difference. With problems of sustainability and food security being potentially disrupting, we need an agenda aimed at broad innovation.

2.1 Diversity in knowledge policy

Trend

- Economic growth and our ability to tackle society's challenges depend on innovation. But innovation is not a linear process in which knowledge automatically translates into economic growth or comes up with solutions. This also requires supplementary processes, such as knowledge circulation and the creation of relevant institutions.
- Innovation is a multifaceted and polymorphous process. Notions such as those of scientists stumbling upon brilliant discoveries, or of innovation as a purely market-driven process are both too limited. Instead, innovation often comes about in the cooperation and interaction of different domains.
- If we look at combined private and public sector expenditure, we see that the Netherlands in fact invests relatively little in innovation. And when it does, it tends to focus on industry and less so on services – a sector that is vital to the Dutch economy.

Agenda

- The Netherlands needs a more ambitious innovation policy that supports both basic and applied research. Besides the generation of knowledge its circulation is also important for innovation. Intermediary organisations are essential, and so is cooperation with knowledge-based institutions and parties in society.
- The Netherlands has robust institutions that advise on industrial and employment relations, but there is nothing equivalent promoting innovation in order to secure the country's long-term growth potential. With economic growth being uncertain, it is important to strike an improved balance between these two priorities. It would be a testament of strength if we succeed in developing an institutional model that supports the growth potential of the Dutch economy over different government's terms.

Based on:

Towards a Learning Economy. Investing in the Netherlands' Earning Capacity ('Naar een lerende economie: Investeren in het verdienvermogen van Nederland')
WRR-report 90, Amsterdam University Press, 2013

2.2 Long-term commitment for climate change policy

Trend

- Counteracting the effects of climate change is important not only from an ecological perspective but also in order to preserve economic stability, safety and food security.
- The importance of sustainable development is widely acknowledged. The United Nations has adopted seventeen Sustainable Development Goals, and new climate change mitigation measures were recently agreed in Paris. The question, then, is not *whether* policy is needed, but rather *how* it can be made effective.
- With the international agreements reached, the Netherlands must now apply them in practical policymaking. It has a long way to go before it will be able to achieve the relevant targets.

Agenda

- An ambitious climate change mitigation policy must have better institutional safeguards and clear targets. To this purpose, a more robust legislative framework and an associated system of governance are essential. The collective agreements and investment decisions needed to achieve the intended targets require a vision for the long-term and a consistency of public policy.
- The long-term aim of making the Dutch economy climate-neutral presupposes a consistency in decision-making with regard to infrastructure at various levels of government. In practical terms, this means reducing carbon-intensive coal-fired capacity, building innovative infrastructure such as smart grids, and creating an energy-neutral built environment.

Based on:

Environmental Policy: Embedded or dissipated? 'Debateseries Hollands Spoor' (Milieubeleid: Verankerd of verdamp? Debatbijeenoekomst Hollands Spoor) (WRR/ Dutch National Strategy Platform (Strategieeraad Rijksbreed)), 2015

Who will be Alive, Who will Care? – Climate Change and the Lack of Long-Term Focus in Politics and Administration ('Wie dan leeft, wie dan zorgt? – Klimaatverandering en het gebrek aan langetermijngerichtheid van politiek en bestuur')

P.J.M. de Goede, WRR-working paper 6, 2015

Infrastructures Paving the Way for Sustainability ('Infrastructuren als wegbereiders van duurzaamheid')

M.P.C. Weijnen, A. Correljé & L. de Vries, WRR-working paper 12, 2015

Current research project: *Policy Perspectives for Sustainable Development*

2.3 Towards a food policy

Trend

- The global food supply system is facing major challenges in terms of ecological sustainability, public health and robustness (the ability to cope with shocks and adapt to changes). These new challenges also affect the Netherlands. Dutch food production is closely tied to the international developments, and our prominent status in the agrifood sector means we bear a unique responsibility.
- These challenges manifest themselves in a food system that has changed considerably in only a few decades. Agriculture and fishery have become more industrialised, foreign investment and trade have grown, non-agricultural players have become more important, and food consumption patterns have changed. Before food reaches the table, it passes through a complex cross-border network of supply and production chains, through a 'food net'.

Agenda

- Today's challenges require a reorientation of Dutch and European policymaking from an agricultural policy towards a food policy. This policy should address issues related to ecological sustainability, public health, and robustness. The switch from a production-driven to an integrated approach is already underway, but must be pursued more vigilantly.
- The urgent challenges we face call for a broad process of innovation. This presupposes pragmatism on the part of government, which should make resources available when needed, set targets, bring civil society parties together, and at times also impose strict requirements.

Based on:

Towards a Food Policy ('Naar een voedselbeleid')

WRR-report 93, Amsterdam University Press, 2014

The Netherlands belongs to a small group of ‘high-trust societies’ in which people generally trust one another and institutions. This large degree of trust has numerous social and economic advantages. However, this situation cannot be taken for granted. Other countries have experienced a steep decline in social trust in recent decades, and once trust has been lost, it is difficult to regain. Traditional religious and socio-economic dividing lines have become less pronounced in the Netherlands, but a new socio-cultural divide has emerged. It reveals divergent attitudes towards globalisation, migration, the EU and national identity.

3.1 Separate worlds

Trend

- The new socio-cultural divides correlate with differences in educational background. On average, higher and lower educated individuals have diverging views of migration, the EU and politics in general. The two groups differ sharply when it comes to satisfaction with society, trust in politics and perceived level of conflict.
- These divides are not only attributable to education, however. Differences in economic status and social environment are also influential factors. Lower and higher educated individuals live in separate social networks and they follow different media.
- Society is not as polarised as it was during the heydays of the Dutch pillarization, or as the United States is today. The Netherlands still has a vast middle class with less outspoken opinions and more varied backgrounds and voting behaviour.

Agenda

- A policy meant to promote social cohesion must begin with education. Children who have the same talents and capacities must be given the same opportunity to get a good education, irrespective of their parent’s education. The early selection in the Dutch education system and segregation by educational level mean that people with different educational backgrounds live in separate worlds from an early age.
- To promote social cohesion, we must prevent the socio-economic gap between the two groups from increasing and see that they continue to encounter each other, both physically and in the media. The position of the middle class merits special attention.

Based on:

Separate Worlds. An Exploration of Sociocultural Oppositions in the Netherlands (‘Gescheiden werelden?

Een verkenning van sociaal-culturele tegenstellingen in Nederland’)

M.A.P. Bovens, P. Dekker & W.L. Tiemeijer (eds.)

WRR / SCP, Amsterdam University Press, 2014

Current research project: **Social Divisions**

3.2 Making European labour migration work

Trend

- The free movement of persons is one of the basic principles of the European Union. Nevertheless, national labour market policy influences the scale, nature and impact of labour migration.
- Within the EU, the sectors that have the most flexible employment contracts are also those that employ the most EU labour migrants. As a result, countries with flexible labour markets (e.g. the UK and the Netherlands) hold a greater appeal for EU labour migrants than countries with less flexible labour markets, such as Sweden. In addition to wage differences, then, flexible labour market practices have a direct impact on labour migration.
- The Netherlands primarily attracts low-educated EU labour migrants; it is less successful in attracting high-educated labour migrants, also from outside the EU.
- It is difficult to determine the level of demand for EU and other labour migrants. That demand is influenced by national policy in such areas as minimum wages, temporary contracts and social insurance and their impact on the labour market.

Agenda

- The Netherlands can pursue a proactive and strategic policy with regard to EU labour migration. It requires identifying the knowledge and skills that will boost the Dutch economy in the longer term.
- The Netherlands can attract (and retain) high-educated migrants by investing in its knowledge infrastructure and by creating a welcoming climate, so that their long-term prospects are appealing.
- Integration of EU labour migrants merits more attention, for example by offering them language training. Although some labour migrants return to their country of origin, some also settle in the Netherlands permanently.
- Finally, more cooperation is needed between receiving and sending countries. Besides agreements on enforcing labour legislation, they can invest in broad economic and educational relations, for example by training agreements concerning skilled technical workers and by alliances between universities and knowledge networks.

Based on:

Making Romanian and Bulgarian Migration Work in the Netherlands ('Roemeense en Bulgaarse arbeidsmigratie in betere banen')

M. Kremer & E.K. Schrijvers, WRR-policy brief 1, 2014

Making Migration Work. The Future of Labour Migration in the European Union ('In betere banen: De toekomst van arbeidsmigratie in de Europese Unie')
J-W. Holtslag, M. Kremer & E.K. Schrijvers (eds.), 2012

3.3 From reception to integration of asylum migrants

Trend

- A vast number of asylum migrants have arrived in Europe in the past year, many of them fleeing war-torn regions.
- There is a good chance that the underlying conflicts, and therefore the stream of refugees, will persist. How many of these people will request asylum in the Netherlands depends in part on the policy of the EU and neighbouring countries.
- A large majority of recent asylum migrants have been granted a residence permit. In the first three quarters of 2015, 70 per cent of all asylum applications were granted in the first instance.

Agenda

- Most of the attention is now focused on the arrival and reception of migrants. It is very important – both for the economic independence of permit holders (asylum migrants granted a residence permit) and for public support for the government's asylum policy – that policymakers focus from the very start on integrating these permit holders and on their labour market prospects.
- This requires an accurate and rapid asylum procedure that looks closely at the labour potential of permit holders and their opportunities in the Dutch labour market. It also requires an approach in which language acquisition, schooling, and the search for housing and work occur simultaneously rather than sequentially.

Based on:

No Time to Lose: from Reception to Integration of Asylum Migrants ('Geen tijd verliezen: van opvang naar integratie van asielmigranten')

G.B.M. Engbersen, J. Dagevos, R.P.W. Jennissen, L. Bakker & A. Leerkes m.m.v. J. Klaver & A. Odé
WRR-policy brief 4, 2015

The international situation is changing. China, Russia, Iran and other countries are becoming more prominent in regional and geopolitical issues, while the EU strives for closer harmonisation of its foreign policy. Social, ecological and technological developments have also put new issues on the international agenda, such as cybersecurity and sustainability. At the same time, existing structures for international cooperation are under pressure. The form and function of the EU are open to debate. NATO must consider how it will adapt to the new global security reality. In this increasingly uncertain, rapidly changing international arena, it is difficult to focus foreign policy.

Dealing with this situation requires clarity concerning our own principles and a willingness to adapt existing institutions to the changing world.

4.1 Variation within the European Union

Trend

- The EU and cooperation between European states are at risk. The banking crisis, the refugee crisis, the financial situation in Greece, the Brexit, and the crisis in the Ukraine have all raised questions about the effectiveness and legitimacy of the EU. Moreover, the treaties concluded by the EU are a growing topic of national debate; one example is the controversial Trans-Atlantic Trade and Investment Partnership (TTIP) agreement with the US.
- There have been two responses to these developments. One side argues that the powers delegated to the EU should revert to the member states; the other side advocates closer political integration and a more centralised governance of the EU.

Agenda

- To tackle the existing cross-border challenges, we must take better advantage of and promote institutional variation within Europe. That means variation in which countries cooperate on which issues and in which forms.
- The EU should not rule out the option of differentiated membership. Membership categories could differ by policy issue, structural needs and aspirations.

Based on:

Decisiveness in the Pan-European Union ('Slagvaardigheid in de Europabrede Unie')

WRR-report 65, Sdu Uitgevers, 2004

Europe in Crisis. Looking ahead from a Historical Perspective

Paper by E.M.H. Hirsch Ballin during the 2015 WRR Lecture

Current research project: Europe's public functions

4.2 Towards a new security strategy

Trend

- The security situation of the Netherlands and Europe has changed in the past decade. Instability is growing in the eastern and southern flanks of Europe. For the first time since the Second World War, the territorial integrity of a country has been explicitly violated in Eastern Europe without the situation being restored. While dictatorial regimes in Northern Africa and the Middle East have toppled, these changes have often led to a military-political power vacuum, and (civil) war.
- Global problems of food security, energy supply and climate change are also leading to instability, while international technological changes (specifically related to the internet) are creating new global vulnerabilities.
- Internal security and external security have become closely intertwined. Domestic political decisions can have repercussions for foreign security, and vice versa (as in the case of terrorism or political conflicts with important trade partners).

Agenda

- The rapid changes in the international security situation require a new security strategy. This should include consistent goals and consistent choices for the military, with corresponding long-term budgets. It also means intensifying international cooperation on security matters, and working towards closer integration of security policy at home and abroad.
- An encompassing security strategy also requires a firm policy of prevention. Actual military intervention calls for an approach that anticipates both the end of the intervention and the long-term development of the region where it is taking place.
- Addressing international security issues requires an understanding of relevant trends and developments worldwide. The central challenge, then, is to improve our intelligence about developments in other countries and to organise representation adequately in those countries.

Based on:

Attached to the World: on the Anchoring and Strategy of Dutch Foreign Policy ('Aan het buitenland gehecht: Over verankering en strategie van Nederlands buitenlandbeleid')

WRR-report 85, Amsterdam University Press, 2010

Current Research project: Security and Defence Policy

4.3 Cyberspace as a new domain in the international order

Trend

- For a long time, internet governance was the exclusive domain of the ‘technical community’. In recent years, however, governments have also interfered with the governance.
- This shift reflects a change in attitude: instead of seeing the internet in economic terms, governments now also view it as a national security issue. This new attitude has led to interventions that increasingly affect the internet’s deeper technological layers.
- Parts of the internet’s public core can be viewed as a global public good. Proper functioning of this public core is important to everyone and can only be preserved by a dedicated form of international cooperation.

Agenda

- Protection of the internet’s public core should be part of the Netherlands’ foreign policy agenda.
- To be able to develop a credible foreign policy in this area, the Netherlands must ensure that that public core is also an important consideration in its national legislation.

Based on:

The Public Core of the Internet. An International Agenda for Internet Governance (‘De publieke kern van het internet: Naar een buitenlands internetbeleid’)

WRR-report 94, Amsterdam University Press, 2015

In a society in which people and groups have different opinions, interests and values, government has four tasks. It provides structure, for example by issuing a reliable civil code. It provides goods and services that serve the public interest. It provides incentives, for example by introducing tax measures. And it arbitrates, for example by settling disputes. Government's ability to fulfil these tasks is vital to a flourishing society and economy. The art of governance is not about performing one of these tasks at the expense of another, but about performing all of them simultaneously, even when they sometimes make different demands.

5.1 Focus on public interests

Trend

- The 'new public management' approach has long dominated thinking about the public sector. That approach emphasises the separation of policymaking and implementation, stresses having measurable targets and performance agreements, and upholds effectiveness and efficiency as dominant values. It also, by extension, encourages market competition and the outsourcing or privatisation of public services. Although the relevant institutions still receive government funding, creating own revenue streams has become more important.
- Effectiveness and efficiency are certainly important values that allow the optimal deployment of public funds. At the same time, a unilateral focus on these values edges other important considerations out of the picture. This causes problems in the public sector, because government pursues different aims simultaneously that are not necessarily consistent with one another.
- The 'new public management' approach has practical limitations in implementation. The focus on measurable indicators regularly leads to 'goal creep' on the ground. Public targets that are difficult to measure and quantify soon fade into the background. In addition, the focus on measurable indicators can come at the expense of existing professional expertise.

Agenda

- The public interests must always be the explicit point of departure in the public sector. This may seem obvious, but when the unilateral emphasis is on effectiveness and efficiency, the broader concern for the public interest fades into the background.
- Measurable indicators are important tools, but they have obvious limitations. They should be used to support substantive objectives. The responsibility for achieving those goals should lie with professionals and administrators. Good governance can be

promoted by trusting professional expertise and by supporting and improving it where necessary.

- Government should bear in mind that requiring a public service to generate more income or compete commercially may come at the expense of public objectives and can be disruptive to the market. Another concern is that organisations differ enormously in their revenue-generating capacity; that is especially true in the cultural sector.

Based on:

Public Interests in a Market Society ('Publieke zaken in de marktsamenleving')

WRR-report 87, Amsterdam University Press, 2012

Confidence in Citizens ('Vertrouwen in burgers')

WRR-report 88, Amsterdam University Press, 2012

Supervising Public Interests. Towards a broader Perspective on Government Supervision ('Toezien op publieke belangen: Naar een verruimd perspectief op rijkstoezicht')

WRR-report 89, Amsterdam University Press, 2013

Revaluating Culture ('Cultuur herwaarderen')

E.K. Schrijvers, A.-G. Keizer & G.B.M. Engbersen (eds.)

Essay, Amsterdam University Press, 2015

5.2 Policy for real citizens

Trend

- Policymakers expect more of citizens nowadays. This is true with regard to health care and wellbeing – a domain where government has withdrawn to a certain extent – and in matters of sustainability and lifestyle, where changes in behaviour and healthier consumer choices are supposed to lead to better outcomes for society.
- Citizens are also taking more initiatives. Social media and the internet have lowered the threshold and made it easier to find allies and information. Some citizen initiatives support official policy, while others oppose it.
- Although these trends give citizens more control, there are limits to what people can handle. People are not always the rational decision makers that policy assumes them to be. Limiting factors include the complexity of information and the time available. This differs from one person to the next, of course. For example, people who depend on social organisations, are limited in the choices they have.

Agenda

- Government should base its policy on a realistic understanding of how citizens make choices. This requires embedding this knowledge in the policymaking process.
- Government must take the perspective of citizens into account and recognise the diversity of their wishes, circumstances and skills. Professionals whose work brings them into direct contact with citizens can play an important role in this respect, provided they are given enough leeway and support.
- When citizens need to make complex choices, government can assist them by offering standard options, tailor-made information or ‘nudges’. All such incentives should be transparent.

Based on:

Confidence in Citizens (‘Vertrouwen in burgers’)

WRR-report 88, Amsterdam University Press, 2012

Policymaking Using Behavioural Expertise (‘Met kennis van gedrag beleid maken’)

WRR-report 92, Amsterdam University Press, 2015

Current research project: **Social divisions**

5.3 Safeguarding public interests in the semi-public sector

Trend

- With government privatising and outsourcing public services, the semi-public service sector now includes large and relatively independent organisations.
- Managers of these public and sector-oriented organisations are free to take many decisions without any noticeable internal or external checks and balances.
- The trend towards outsourcing of public tasks has also made internal and external supervision more important.

Agenda

- External supervisory bodies should give more consideration to safeguarding public interests in the domain in which they exercise their authority. They have a unique position to act as early warning systems for problems or to identify opportunities that involve public interests. A reflective supervisory body spots such problems and opportunities and raises them for discussion, shares its expertise with others, and proactively provides politicians, management and practitioners with feedback. Supervisory bodies can undertake this role by drafting an annual ‘State of the Sector’ report or by recom-

mending changes in policy and legislation that address specific problems. This role requires reinforcing the independence of these supervisory bodies.

- Good governance starts with the internal organisation. If the internal checks and balances do not function, external supervision will always be too late. We can boost these control mechanisms by introducing forms of collective management. Clients, employees and other stakeholders can also form a third body – alongside the management and supervisory boards – to improve internal checks and balances.

Based on:

Supervising Public Interests. Towards a Broader Perspective on Government Supervision ('Toezien op publieke belangen: Naar een verruimd perspectief op rijkstoezicht')

WRR-report 89, Amsterdam University Press, 2013

Improving Internal Checks and Balances in Semi-Public Organisations ('Van tweeluik naar driehoeken: Versterking van interne checks and balances bij semipublieke organisaties')

WRR-report 91, Amsterdam University Press, 2014

From Incident to Prevention. Constraining and Reinforcing the Relationship between Internal and External Supervision ('Van incident naar preventie. Beperking en versterking van de relatie tussen intern en extern toezicht') A.M. Bokhorst

WRR-policy brief 3, 2015

5.4 Diligent with data

Trend

- The use of IT is ubiquitous, also within government. We can no longer describe this as an 'eGovernment', with a focus on utilising technology to provide services. What has evolved in everyday practice is an 'iGovernment', characterised by information flows and data networks aimed not only at service provision but also at control and care.
- The exponential increase in the amount of data available, the rise of new analytical techniques, and the growing tendency to use data from one domain to take decisions in another have brought about a revolution in data use that is often referred to as 'Big Data'.
- The new technological options, refined analysis techniques and growing availability of data offer opportunities for investigation and surveillance for security purposes. However, using data in this fashion may also be at odds with basic principles as the right to privacy, freedom of speech and anti-discrimination policy. Moreover, Big Data has made individuals more transparent for government, but the analysis methods used by government organisations have become hard to comprehend or even detect by the public.

Agenda

- The rise of iGovernment requires a permanently critical attitude towards both information and information processes, and an investment in internal government procedures to improve transparency and accountability in data processing. A further question, one that requires a well-reasoned approach, is where the boundaries of data collection and data linkage lie.
- Current legislation emphasises regulating data collection and data sharing. In the age of Big Data, however, it is data analysis and data use that need to be more strictly regulated. This is required to prevent Big Data from posing a risk to a free society, rather than supporting it. At the very least, we must safeguard the role of the human decision-maker bearing final responsibility.
- Big Data also requires stricter supervision, more transparent data processing procedures, and a bigger role for NGOs and citizen rights organisations in legal proceedings examining decision-making based on Big Data processes.

Based on:

iGovernment ('iOverheid')

WRR-report 86, Amsterdam University Press, 2011

Big Data and Security Policies: Serving Security, Protecting Freedom ('Big Data in een vrije en veilige Samenleving')

WRR-policy brief 6, 2017

