

**Netherlands Scientific Council
for Government Policy**

A Policy-Oriented Survey of the Future

Towards a Broader Perspective

**Summary of the twenty-fifth
Report to the Government**

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1. OBJECT AND DESIGN OF THE SURVEY

1.1 General surveys of the future

Surveys of the future of society as a whole may take various forms. The first of these is a sketch of how the future is likely to turn out. Predictions are made in various fields on the basis of reasonable assumptions. These forecasts are then juxtaposed and their inconsistencies eliminated as far as possible, the overall picture built up in this way thus providing a survey of future developments. This was the method adopted by the Council when it drew up its report 'The Next Twenty-Five Years' published in 1977¹.

Two principal forms of experience were gained with this technique for drawing up surveys of the future. In the first place the compilers of the report were ineluctably driven into taking a number of normative decisions, the consequences of which for the final outcome were not always clear. Such decisions did not just concern the selection of 'reasonable' assumptions and the direction in which inconsistencies were to be eliminated but also such apparently technical decisions as the choice of the individual fields of which the survey was made up and of the authors responsible for analysing each of these fields. The completion of this general survey of the future left a strong conviction that the normative element would have to occupy a more prominent place in any further survey.

The Council was strengthened in this conviction by a second experience. Upon publication the findings of the survey were virtually accepted as they stood. Any genuine discussion as to whether the future scenarios were in fact desirable and, if so, for whom and for what reason, failed to materialize. If anything, national debate about the sorts of policies required was discouraged rather than stimulated. A major aim of any futures survey, namely furnishing a means of anticipation, was therefore not achieved.

Another form of futures survey consists of outlining a desirable type of future. More specifically, this might take the form of a survey of future developments in Dutch society that reflected the type of future desired by the Council and the ways in which this might be anticipated and brought about. The Council does not wish to pursue this path. This was not why it was set up; indeed, the Council's Act of Establishment and its history make it clear that the legislator was concerned to prevent it going down this path.

A third possibility for a survey of the future consists of presenting a range of possible developments based on varying normative perceptions as expressed within the political system. The present survey falls into this category. In doing so it is consistent with one of the Council's responsibilities, i.e. that of delineating policy alternatives. It also forms a logical reaction to the experience gained with its first futures survey and is designed to help stimulate public discussion about the sorts of future developments considered desirable and the role of government in that process.

The choice of the various normative perceptions discernible in the political system forms an essential aspect of the operation, and is discussed in detail in the next section. It is, however, important to note from the outset that varying perceptions of this kind exist side by side. In reality these alternative perceptions are constantly jockeying for position, shifts in the balance of political forces play a major part, certain perceptions fade into the background over time while others emerge, and compromises are concluded. It is not the Council's aim to forecast how this process might work itself out. This survey therefore results in the description of a number of juxtaposed developments, none of which will in reality be realized, since

¹ Netherlands Scientific Council for Government Policy, *The Next Twenty-Five Years, A Survey of Future Developments in the Netherlands*. Reports to the Government no. 15, The Hague, Staatsuitgeverij, 1978.

the dominance of any one will be held in check by the constellation of political forces within society. In adopting this approach the Council aims to provide a counterweight to the tendency for social question to be depoliticized – a tendency that has long existed in Dutch politics and which has once again come to the fore in recent years. In addition the survey distances itself from efforts to forecast the future in the Netherlands. This was prompted in part by the realization that in a democracy, discussion of the ways in which society might develop increases choice and hence reduces predictability. In adopting this approach the Council is seeking to arouse greater consciousness of the possible future effects of current policies and social action and thus to discharge its statutory responsibilities. The value of this particular survey of future developments lies in the possibility of stimulating public discussion about future-oriented policies by depicting the likely consequences of particular normative conceptions of society. In this sense this futures survey may be said to be both policy-oriented and to afford a broader perspective.

The impression might be aroused by the above that the Council considers the future to be largely directable, or in other words that it has opted for a voluntaristic type of futures survey. This is not the case. The Council is fully conscious of the fact that future circumstances and trends are to a great extent pre-determined by the past and present and that there are many inevitabilities. If, however, there is a rationale behind regarding future developments as the object of conscious attention, then this rests on the supposition that the course of social development is at least susceptible to a certain degree of shaping. The scope for such shaping forms the subject of this survey.

As was noted, the spectrum of normative perceptions concerning the way in which society should evolve forms the principal point of departure in a survey of the future of this kind. The perceptions come first, and provide the setting for examining social problems and their possible solution. In general, studies of individual aspects of government policy proceed the other way round: problems are identified, 'reasonable' policy options set out, and a policy proposal made taking the balance of political forces into account in the hope that the proposal will obtain majority support. The Council itself has conducted a number of studies along these lines and, in line with its terms of reference, will no doubt continue to do so.

In the case of a wide-ranging survey of the future this ceases, however, to be possible, because society as a whole is too complex. It is simply not possible to specify coherent alternative solutions to problems in dozens of specific policy areas unless certain points of departure are first worked out to provide a conceptual framework. This is also necessary to identify the problems to be covered in a futures survey. While there may be consensus about certain problems within society, this is by no means always the case. This therefore raises the need for certain conceptual criteria to be developed beforehand in terms of which the futures survey as a whole as well as its individual parts can be carried out. These criteria have essentially been drawn from the political arena, but have been moulded by the Council into ideal-types. These perceptions of society, labelled 'characteristic views', are fundamental to the design of the survey.

The question may of course arise as to whether the characteristic views are indeed of such importance that problems or solutions can only be specified in terms of them. The question obtains all the more force since reality cannot by definition be encompassed by any one characteristic view: nobody perceives the entire range of social activity through (for example) 'technocratic-liberal' eyes alone, to name but one of the characteristic views. This report does do so since, methodologically, arbitrariness is undesirable in this respect. If this approach should at times prove irritating – as may very well be the case – the reader should bear in mind that the report is dealing with ideal-type conceptual constructs that are not actually endorsed or propounded in these terms.

1.2 Survey design

The above considerations formed the point of departure for the first part of the policy-oriented survey of the future, which appeared on 10 September 1980 under the title 'An Attempt to Challenge'². In the first part (abbreviated as BTV-1) a step-by-step approach was adopted, starting with a preliminary definition of the characteristic views. This laid the foundation for the second part of BTV, of which this brochure contains a summary, in which developments in society have been sketched assuming each of these views in turn to be the prevailing one in society. For the further specification of the views, as well as to ensure that they corresponded sufficiently closely with existing social developments, the Council elaborated a 'provocative example' in BTV-1. The content of this example, which was extrapolated from current trends, compelled a position to be adopted, while its form elicited the formulation of coherent alternatives. The example selected was scenario 'A' from the Interfutures report issued by the Organization for Economic Cooperation and Development in 1979, specially worked out for Dutch conditions by the Council³. It was shown that the political leaders of the major western industrialized countries consistently reiterate their desire to work towards a future closely corresponding with that in scenario A. The relevance of this scenario, which centred on continuity, economic growth and the reduction and simplification of government regulations, is not therefore at issue. With it the Council hoped to elicit reactions from various social groupings at a stage when these could still be taken into account in the elaboration of alternatives. With this in mind a symposium was organized in January 1981 to discuss the recognizability and political relevance of the various views distinguished in the first BTV report and the room which the international economic and political situation left the Netherlands to convert particular views into reality. A report of this symposium was published under the title *Government Policy and the Future*⁴.

The reactions underlined the desirability of formulating alternatives on the basis of differing normative assumptions. Partly for this reason the characteristic views were revised and amplified. This is reflected in section 1.3.

The characteristic views have been compiled by combining two distinctions. The first of these distinctions concerns the main political streams in the Netherlands: liberalism, socialism and Christian Democracy.

The premise behind the *liberal* ideal is that everyone's convictions are equally valuable: tolerance is a prerequisite. Each individual is expected to respect in principle the actions and views of others. To set limits to these is in the first place a matter for the individual; the government should interfere as little as possible. Differences in thinking and in acting are seen as positive because this is the only way in which personal freedom can express itself and because society derives its dynamism from it. Thus freedom is something that society should respect rather than something that has to be created.

The premise of *socialism* is that the actions of man are determined to a large degree by the social structure and that he can only develop in concert with others. The structure is considered in turn to be determined primarily by the economic order. A capitalist situation allows the individual little freedom to exercise his will, but nevertheless enough to subordinate the economic order to the political order by acting in solidarity and thus creating the scope for freedom of action. Thus freedom is something that is created rather than something that society does respect.

The premise of *Christian Democracy* is that the ultimate goal of mankind is not in this life and that his duty here on earth is to develop into a complete person through his relations with other people. Although conceptions of man's ultimate goal may vary, social behaviour is seen as having an external inspiration and entailing obligations to one's neighbour. The

² Netherlands Scientific Council for Government Policy, *Beleidsgerichte toekomstverkenning; deel 1: Een poging tot uitlokking (A Policy-Oriented Survey of the Future, Part one: An Attempt to Challenge)*, Reports to the Government no. 19, The Hague, Staatsuitgeverij, 1980.

³ OECD, *Facing the Future: Mastering the Probable and Managing the Unpredictable*, Paris, 1979.

⁴ Netherlands Scientific Council for Government Policy, *Beleid en toekomst (Government Policy and the Future)*, Report on a symposium on BTV-1, W.R.R. Preliminary and Background Study Series no. V. 23 (in Dutch). The Hague, Staatsuitgeverij, 1981.

mutual dependence inherent in this can best be given substance in surveyable social ties: society should be organized to ensure that no contradictions are permitted to develop within and between these ties. The contradictions must be ironed out by means of a concerted approach and in a way which is acceptable to all involved. Thus, freedom is a gift which can be all too easily abused.

The second distinction concerns the contrast between the so-called technocratic and sociocratic orientations in politics. Under a technocratic orientation high priority is attached to solving problems by means of state institutions and state-governed processes; the sociocratic orientation, by contrast, stresses problem solution by means of social institutions and processes.

A characteristic feature of the *technocratic* orientation is the view that government should participate in society and act as a motive force. The state is seen as activist and placed at the centre of society. Administrative tasks should be carried out as expertly, rationally and systematically as possible. The stress is placed on the regulative and executive functions of the state; of the three branches of government, the accent is on the executive.

Under the *sociocratic* orientation attention is not primarily focused on the planning-based regulative and executive functions of government because the position and role of the state in society are regarded as mediatory rather than activist. The solution of problems is approached primarily in terms of the self-regulating potential of society. The task of the state is to enable society to assume and carry out responsibilities on its own account.

The distinction set out above in generalized terms assumes a particular form within each of the ideological streams. With respect to the way in which the current conflicts between the state and society should be resolved, six separate positions may therefore be identified. These will be dealt with briefly below.

According to the *technocratic-socialist* position the executive forms the principal means for realizing the objectives pursued by the state. Cutting back the role of government to that of laying down the rules of social justice only plays into the hands of the strongest groups in society. Sectional interests can only be weighed and safeguarded in relation to each other within the context of the state, on the basis of a vision of the general interest. This confidence in the ability to change the structure of society and to steer developments by means of government intervention is much less pronounced in the case of the *sociocratic-socialist* position. The government's freedom of action is held to be excessively curtailed by the balance of power within society. Socialist objectives should therefore be realized within society by the popular movements pressing for them. This implies confidence in the ability to engineer social change by means of social conflict. The government is not detached from these power processes, but its primary task is to create a framework within which social conflicts can be resolved. In this way society will itself be able to bring about the desired material equality.

According to the *technocratic-liberal* approach social problems require active state intervention. Present-day market processes result in many losses of freedom that can only be remedied by strengthening the countervailing power of the state. Where possible the self-regulating potential of society itself (i.e. free from government intervention) should be exploited, but the government will have to impose certain limiting conditions and to adjust these when necessary. In the absence of spontaneous initiatives from within society, these should be stimulated by the state. According to the *sociocratic-liberal* approach, the freedom of individual choice and room for creative solutions have been excessively curtailed: private initiative has been stifled by the network of rules and regulations

imposed on citizens by government and been made redundant by the care provided from cradle to grave. A solution is not sought in a return to a 'laissez faire' state but in resisting excessive concentration of power in the state by obliging it to draw back and by organizing countervailing power to prevent government from acting arbitrarily.

The two sub-divisions of Christian Democracy have in common the belief that any further encroachment by the state represents a dangerous development since it leads to a weakening of the sense of social responsibility. In the *technocratic* position, close cooperation between the government and semi-governmental and private institutions is seen as the main means of dealing with present-day problems. The strengthening of these social organizations will enable the contradictions and conflicts at present blocking desired solutions to be overcome. In the *sociocratic* position the notion of shared responsibility is much more centred on the communities in which people live and work, i.e. in the fields of education and personal development, religion, science and welfare, and socio-economic life. To the participants these human communities provide a well-defined setting for sharing responsibilities with others and expressing these in practice.

By combining the two distinctions with one another, these six 'characteristic views' are obtained. The views consist of sets of normative, general assumptions and attitudes concerning the organization of society, which provide a guideline for sketching alternative ways in which the future may evolve. Although, as ideal-type constructs, these characteristic views will not be immediately recognizable in party-political terms, they do when taken as a whole provide a reasonable impression of the range of conflicting political attitudes in the Netherlands. A generalized account of where each of these views stands in relation to a number of policy areas is given in section 1.3.

In part one of the BTV, scenario A of the OECD Interfutures study was specially elaborated for the Netherlands in order to provide a point of comparison for alternative developments. In doing so, consideration was first of all given to the more or less fixed factors which characterize the special position of the Netherlands. Detailed attention was then devoted to the economic, social and cultural, environmental and governmental aspects of the scenario. The same policy areas have been dealt with (in a somewhat different order) in the second part, but this time in terms of the characteristic views.

To begin with a survey has been made in each policy field of current issues. Consideration is then given to the way in which these problems have been evaluated within each of the characteristic views and the types of solutions that they envisage. The characteristic views have been compared with one another in such a way as to highlight the political dimension of the issues. Various solutions have next been worked up into so-called 'policy perspectives', in which alternative courses of developments are elaborated on the basis of the current situation, with special reference to the policy implications.

The six characteristic views are not only confronted with the same problems in the report but, when it comes to specifying possible solutions, with the same constraints or limiting conditions. It will therefore be obvious that in many cases, six different types of solutions to the one problem or set of problems do not exist. Certain types of solutions are, therefore, shared. With respect to the policy perspectives this means that some solutions will only be consistent with one particular characteristic view, while others will cover a wider net. The socialization of demand may be taken as an example of the former and the creation of conditions for consumer-oriented growth as an example of the latter possibility. Even in the second case, however, little general agreement will often be retained once the solutions are worked out in practical form.

The strict application of this method would mean that policy perspectives would be worked up for each of the characteristic views, but this would lead to a good deal of repetition. For this reason a number of important policy perspectives have been discussed in terms of the characteristic views with which they have greatest affinity and in which the policies in question are regarded as a lever for bringing about changes in the desired direction. The attitude that the other views would take in relation to these proposals are then outlined in a number of significant cases. In any major instances where this has not been done it may be concluded that the policy perspective in question is scarcely controversial in a political sense. This working method does, however, mean that the characteristic views are not each given equal weight in the policy areas considered in part two of the BTV report.

Following this general discussion of the methodology of the report, a brief outline is provided below of the contents of the individual chapters.

Chapter 2 reviews *the factors that determine the special position of the Netherlands* and the limits within which any future development will have to take place. The factors considered include the international setting, geographical considerations and land use, the energy situation and demographic trends. Finally two matters of methodological importance for this survey of the future are discussed. In the first place consideration is given to the historically-evolved system of production of goods and services, which has a major bearing on the limits and possibilities of future developments, including in the longer term. Twenty industries have been distinguished within the system of production in terms of their characteristic input/output production relationships and their capital/output ratios. On the basis of this analysis, the effort and time required to bring about change in various directions can then readily be determined at a later stage. Secondly, the structure of money flows in the welfare state has been examined in rather more detail than in the first part of BTV. This primarily accounting description of the circulation of money, distribution of income and financial involvement of the government shows that every guilder put to good use somewhere in the economy must also come from somewhere. The mutual interrelationships evident from this analysis is something that none of the characteristic views is able to ignore.

In Chapter 3, which deals with *distribution problems in the field of equity and welfare*, the survey of current issues centres on a number of important developments in the post-war welfare state and the characteristic views are elaborated by examining the division of labour, the social security system, incomes policy, equal rights and health care. Eight policy perspectives bearing on these fields have been elaborated.

Chapter 4 concerns *the production of goods and services*. The survey of current issues covers the problems of stagnating growth, rising unemployment, pressure on finite resources and irreversible external effects on the one hand, and economic order on the other. This is followed up by distinguishing the characteristic views in terms of both their objectives and their means. With the aid of a linear programming model consisting basically of the quantitative description of the system of production of goods and services noted above, examination is devoted to the extent to which this system is able to satisfy the demands made of it by the varying views⁵. The survey gives rise to three policy perspectives, namely Consumer-oriented growth, Export-led growth and Voluntary austerity and stewardship. Consideration is also given to the technical possibilities of substituting labour for energy and to the system of taxes and levies as a means of bringing such a substitution-effect about.

The separate treatment of developments in the economic and social fields in Chapters 3 and 4 has the effect of obscuring socio-economic interrelationships. To overcome this lack, *a number of socio-economic perspectives* have been worked out in Chapter 5. In each case one of the technical economic variants from Chapter 4 and various social policy

⁵ The multi-period multi-goal linear programming technique that has been used is summarized in an article 'An investigation into the potential of the Dutch economy in the eighties', which is available at the Council's bureau.

perspectives from Chapter 3 have been combined within the integrative framework of the structure of the flow of money in the early 1990s. Particular attention has been paid to the way in which the unemployment issue is tackled, to the creation of the necessary volume of savings and to the role of government. This chapter pays considerable attention to methodology, thus enabling other socio-economic perspectives to be formulated on the basis of the material presented in the preceding chapters.

The survey of current issues in Chapter 6 on *the environment* commences with an examination of environmental policy, including such factors as risk exposure, pollution control and the payableness of anti-pollution measures. Attention is also devoted to the problems of town and country planning and the relationship between agriculture and nature management and environmental control. These subjects are also central in the elaboration of the characteristic views. The chapter proceeds to work out a number of policy perspectives for the subjects. Agriculture has been treated separately because agricultural activity cannot be viewed in isolation from the management of nature and landscape and because the land taken up by agriculture also fulfills environmental and recreational functions. Finally the technical economic perspectives from Chapter 4 are quantified in terms of their impact on water, soil and the air.

Chapter 7 on *cultural policy* focuses on the involvement of the government in the fields of education, science, the media and the arts as well as on the problem of selectivity in cultural policy and the comparative lack of yardsticks in this respect. In elaborating the liberal, socialist and Christian Democratic-inspired views the central subjects include self-development and non-intervention, cultural dissemination and consciousness, institutional diversity and changes in attitudes. Finally various policy perspectives have been worked up for each of the four fields.

Chapter 8 on *foreign policy* elaborates the views with respect to peace and security, the European Communities and development cooperation. Three or four policy perspectives are outlined for each of these three areas.

In Chapter 9 on *public administration*, the institutional forms associated with the technocratic and sociocratic positions form a major guideline in the introductory survey of the field and in the elaboration of the characteristic views. Finally two policy perspectives based on these positions have been worked up in terms of the implications for central government, the administrative framework and the constitutional system.

Chapters 3 to 9 deal with the policy perspectives for individual fields. This approach makes it more difficult to obtain an overall impression of the pattern of developments associated with each of the characteristic views, for which reason the policy perspectives have been dealt with in terms of each view in the summary at the end of the report.

Two parts of the original report have been included in their entirety in this brochure, namely the chapter dealing with socio-economic perspectives (ch. 5) and the concluding summary of the perspectives for each characteristic view developed in a number of areas. Taken together these texts provide a good impression of the approach adopted in this survey of the future.

1.3 The characteristic views

In the *technocratic-liberal* view the social market economy occupies a central position. Economic growth is given free rein, provided that it takes place within the social constraints imposed by government. Selective stimulation of industry can play an important role in the transition towards a predominantly post-industrial society characterized by a small (in terms of employment) but internationally competitive industrial base and a large commercial services sector.

A high level of welfare facilities and care – guaranteed in part by the government – is of major importance for the functioning of modern society and also forms the basis for individual development. A condition-setting incomes policy coupled with a non-paternalistic system of transfer payments is regarded as indispensable. The welfare system is, however, on the verge of being unpayable. A more efficient system of social security is therefore required in which considerations of solidarity play a less prominent part than at present. Efficiency could also be increased and rigidities in the labour market decreased by strengthening the operation of market forces in the allocation of welfare facilities.

Policies designed to establish general conditions, in which the stress is placed on legal equality and 'transparency', are also required for dealing with new problems such as the responsible management of the environment, resources and energy. Instances of more selective intervention by the government should not, however, be automatically ruled out.

In the cultural field the government's responsibility does not just consist of making cultural goods accessible but should extend to the production of culture itself.

All this requires not only interventions by government across a broad front in society but also efficient administration and flexible government.

International interdependence requires policies to be coordinated in the international context. The benefits of doing so far outweigh the associated loss of domestic sovereignty.

According to the *sociocratic-liberal* view the present level of government interference has led to an unacceptable concentration of power in the state, as a result of which the freedom of the individual to develop within society has been excessively curtailed. This means that responsibility has to be transferred back to the public. The government can contribute towards this process by ensuring that the exercise of power is identifiable and by promoting appropriate forms of democratization. The government should formulate general, statutory rules for structured, democratic decision-making, but should at the same time refrain as far as possible from substantively influencing the social process. Procedures should be laid down compelling organizations and enterprises to submit themselves to external supervision by the responsible organs of society.

If this were to happen the possibilities of the free market economy could then be positively re-assessed. The government must, however, be permitted to implement anti-cyclical macro-economic policies and to maintain effective competition in the market, but must refrain from intervening in structural problems. The excessive influence of the government on economic and social activity indeed forms one of the major causes of the stagnation at the present time. For this reason cutting back the size of the public sector and the level of government intervention in the various markets (where this leads to overregulation), forms an essential precondition for recovery.

Similarly resource problems should be left to the operation of market forces rather than to government regulation. Pollution control should wherever possible be achieved by means of financial regulations. The polluter-pays principle is considerably more effective than the use of directives and prohibitions.

In principle it should be left to individual citizens to decide how they wish to participate in society. To this end the welfare state would be reconstructed into a 'guarantor' state in which citizens were left broadly responsible for themselves with, however, the protection of a safety net provided by the state. For the rest the government should exercise extreme restraint in the provision of welfare services and facilities.

Restraint is also advocated in the field of cultural policy, where it is assumed that individuals are able to articulate and organize their cultural needs.

In the case of international economic relations this view stresses the elimination of barriers to trade. For developing countries, too, this would ultimately offer better prospects than the present system of development aid provided by the West.

According to the *technocratic-socialist* view, too many initiatives in a capitalist society are geared towards the maintenance of privileged positions. Continual mistrust of vested private interests is called for.

Given the present level of mass unemployment and the simultaneous existence of numerous social needs, greater political control must be exerted over economic production. Consumption can be geared towards these needs and economy recovery brought about by selective, planned intervention in the market process. Apart from stimulatory activities, direct participation by government itself in economic activity should not be ruled out.

Although man occupies a central position in this view and nature does not enjoy any absolute priority, the continuing encroachment on nature and the landscape requires intensified care. Strict standards and controls are required on production and consumption, while remaining unspoiled areas should be preserved.

Renewed economic growth is of major importance for the maintenance and if possible expansion of the welfare state, which in turn forms an essential precondition for individual freedom and greater social justice.

Considerable stress is placed on the equal division of rights and obligations, including between men and women. This means that high priority is attached to the distribution of employment among all the able-bodied. In the field of welfare there remain numerous needs to be met, especially by means of the socialization of demand and, where necessary, nationalization.

The democratization of enterprises and social organizations is essential in order to overcome the power of capital, to improve internal industrial relations and the wage structure and for the continuity of employment. Such internal democratization runs into limits when its external effects frustrate the steering and planning desired by the central government.

Cultural policy is aimed at the dissemination of culture in order to heighten appreciation of quality throughout society and to promote high-quality cultural activities as a counterweight to the 'disposable' culture resulting from mass-production and commercialization.

Parliamentary democracy should provide the legitimation for these reforming activities by the government. The increase in governmental responsibilities imposes high demands on governability but requires in the first place a more controllable governmental apparatus itself. The transfer of national sovereignty to the European Communities must be coupled with an improvement of the E.C.'s decision-making procedures, together with an extension of the powers of the European Parliament. The problems of the Third World are not just an economic but above all a political issue; the reduction of economic inequality is only possible by redressing the imbalance in power, for which a new international economic order is required.

In the *sociocratic-socialist* view social change is seen much more as the result of social conflict between individuals, groups and movements than of efforts by the central government. As such greater emphasis needs to be placed on social rather than political democracy. The problems that confront society cannot be solved by strengthening the central government and political organs; this would only lead to bureaucratization, over-organization and alienation. Instead much more should be left to the various social sectors. For this to be done, however, these sectors would have to be organized in such a way as to enable social antitheses to be expressed and peacefully resolved. The decentralization of policy-making

powers can often be effective since there is a greater understanding of community needs and the means of solving them at regional and local level than at national level.

Nor can current economic problems be solved by means of the direction of economic developments in their entirety by government. Instead, the government should create greater scope for initiatives from below – for example by trade unions and by workers' councils consisting exclusively of employees – and by the introduction of statutory frameworks for the forms of workers' control that evolve. Apart from this, government should above all seek to influence individual aspects of the economic process, such as the elimination of monopolies, countering the abuse of economic power or by stimulating socially beneficial investment.

While there is a substantial temptation to protect the natural environment by strict regulation, this task is also too complex to be handled by central government policy. A promising path consists of laying down procedures compelling institutions to make themselves accountable to consumers, environmental movements, employees and the trade unions.

The desired distribution of employment and income is not something that can be enforced by government. Better results would be likely to be obtained by the transfer of responsibilities in this regard to trade unions and workers' councils as well as to movements seeking to decrease discrimination against women, ethnic minorities and other under-privileged groups. In the case of social security a distinction needs to be drawn between basic facilities, the financing of which should be based on the solidarity principle, and luxury facilities, where the equivalence principle applies. A selective cut-back of the welfare state along these lines would enable a new balance to be struck between the responsibilities of the individual, the group and the community.

Cultural policy should be based on the cultural equality of groups in unequal positions of power, i.e. should be designed to stimulate consciousness among groups in the process of achieving emancipation. The development of such a sense of identity should be supported not just by education, the arts and the media but also by science.

When it comes to North-South relations the imbalance of power is so marked that developing countries would be better served by a temporary de-coupling from the world market than by a 'new international economic order'. Rather than closer European integration, this train of thought would support a much less binding form of cooperation between sovereign states. Either alone or together with a number of other states, the Netherlands should take initiatives outside the NATO context in the direction of unilateral disarmament in order to break through the vicious circle of the spiralling level of armaments.

In the *technocratic Christian Democratic* view particular concern is expressed about the lack of control over developments within the present social order. There are too many conflicts of interest, such as those between capital and labour, which the central government is unable to bridge because it tends itself to be drawn into the conflict on one side or the other. Such conflicts could, however, be resolved in intermediary cooperative bodies in which the parties involved in a particular sector of society would bear responsibility for the planning and steering of social developments in accordance with their position and their ability to do so.

In a guided market economy in which responsibilities are distributed along the above lines the government would have not only corrective but also stimulatory and steering functions geared towards achieving a socially acceptable pattern of production, distribution and consumption. Industrial competitiveness will have to be improved in both the domestic and foreign markets if economy recovery is to occur. Lower costs – in so far as they are not achieved by the reduction of rigidities in the labour market – have to be brought about by wage restraint on the part of all income groups over a period of years.

Policy-making in the environmental field would be decentralized since jointly-taken decisions provide the best assurance that they will be observed. Lower levels of government and statutory bodies preside over a great deal of knowledge and understanding and should therefore be drawn into policy-making and implementation. The careful husbandry of scarce resources also calls for decentralized policies.

The social security system is evolving towards the individualization of rights and obligations. This trend should be rejected not simply on financial grounds but also on principle. To prevent the further disintegration of society, the breadwinner-principle should be restored to its rightful place in the field of social security, with a return to the concept of a 'just wage'. The growth in benefit payments should primarily be reduced by employment-generating policies. By raising the threshold for social security and by eliminating those aspects of the social security system that tend to produce rigidities, the labour system can be made more flexible. The implementation of social legislation should remain in the hands of industry organizations at branch level. Improved coordination and control are, however, required.

Similarly welfare care needs to be made substantially more efficient. The activities carried out in this field by ideologically and religiously-based organizations form an important asset and should be retained, also in the case of greater decentralization. This also applies in the cultural field. The system of denominationally or ideologically-based vertical divisions in Dutch society ('*verzuiling*') forms an expression of the equal value of subcultures in a plural society.

Dutch participation in international bodies such as the European Community and NATO should not just be assessed in terms of their practical benefits and drawbacks. European unification centres primarily on cultural and institutional links. The Netherlands should do what it can to overcome the present impasse in the interests of continued supranational integration. Similarly in the case of NATO it is not just a matter of self-interest, but of the preservation of the democratic rule of law.

The *sociocratic Christian Democratic* view clearly stresses the responsibility of individuals and groups for achieving a change in mentality. Progress will only be brought about by changes in life-style and the structural adjustment these bring about.

The message of the gospel implies that people's actions should be guided by their faith. Within their particular social contexts, individuals should work towards a more just and sustainable world, in which as many people as possible are involved in decisions about their society. At issue is personal responsibility, which cannot be passed on to social organizations or the government. Conversely, this responsibility cannot be demanded by a government that seeks to involve itself increasingly directly in moral issues.

The balance of power between NATO and the Warsaw Pact, based as it is on a high degree of technological sophistication, is so uncontrollable that initiatives in favour of disarmament and detente must be taken independently from these two power blocs.

Prosperity in our part of the world continues to be obtained at the expense of prosperity in two-thirds of the world, and conditions in the two are in glaring contrast. The premise of social justice therefore calls for a more restrained life-style and for a socio-economic system in which limits are imposed on production and consumption. The 'economics of voluntary austerity' is also the consequence of sustainability. Christianity has contributed towards the despoliation of the earth and has abandoned its own principles of sound stewardship. The present emphasis on growth, in which nature and human labour are nothing more than means for achieving the goal of a further rise in income and consumption, must be replaced by an economic system in which consumption and income are used as means for achieving the goals of survival and meaningful employment.

An important policy instrument for bringing about the economics of voluntary austerity consists of raising indirect taxes on energy and manufactured products and lowering taxes on the factor of labour. The selective allocation of basic incomes would strengthen the productive forces in the informal economy and bring about a role differentiation that strengthened the sense of solidarity within the family and other small social units. In these fields government intervention would be acceptable.

In general, however, the government should not take the lead but should eliminate the obstacles in the path of the developments urged above. The government should strictly observe the constraints on its actions imposed by the legal order. With respect to government organization the accent would switch from the central to the regional and local level, with the allocation of responsibilities taking place from the bottom up. A federal structure of this kind should not be confined to the Netherlands but is also regarded as essential for the future of Europe.

2. PERSPECTIVES FOR SOCIO-ECONOMIC POLICY

2.1 General

2.1.1 Construction of the perspectives

The separate treatment of developments in the social field in Chapter 3 and in the economic sphere in Chapter 4 of the report means that socio-economic interrelationships do not come as fully into their own as they might¹. To overcome this, a number of socio-economic policy perspectives are discussed in this chapter. This has been done by combining each of the technical economic perspectives with one or more of the social policy perspectives, using as an integrative framework the entries in the National Accounts in the medium term as these developments work themselves out in the directions in question. In this way the government policy perspectives will be placed within the sort of financial framework required for the formation of judgements. As a result the various perspectives may be compared with one another as well as with the current situation. In elaborating these perspectives particular attention will be paid to the way in which they deal with the problem of unemployment, the social security problem, the formation of the required level of savings and the role allocated to government. In this way the description loses much of its 'accountancy' nature.

In the discussion of social policy perspectives in Chapter 3 of the report this was, where possible, anticipated by examining the effects on the distribution of income among particular groups and among individuals, taxes and social security contributions, transfer payments and the number of people involved under different schemes of income formation. This had to be done in a qualitative sense, since the technical economic framework for these social developments was still left open. This room for manoeuvre has been curtailed in this chapter by expressly placing these developments in the social sphere within one of the technical economic perspectives outlined in Chapter 4. This not only specifies the size of the net value added available for distribution but enables the limiting conditions to be indicated which that distribution must satisfy. Given the structure of production to be achieved, these constraints include the volume of net investment and the practical limits to which both collectivization and privatization are subject. The technical economic perspectives also specify the future levels of consumption and unemployment and thus impose constraints on aspirations in the social sphere. This enables the intended as well as unintended consequences of the developments discussed to be illuminated and helps delineate the constraints to which the conduct of the participants in the socio-economic process is subject.

It is not possible to make any categorical utterances concerning the ultimate feasibility of the policy alternatives discussed in this chapter. Apart from the necessary political acceptance of the change in course, the problematical question arises as to whether the various policy measures will achieve the desired effect, both individually and especially in concert. At best some tentative assessments may be made.

On the basis of the three technical economic perspectives elaborated in Chapter 4 of the report and given the affinity these were shown to bear to the various characteristic views of society, three socio-economic perspectives have been elaborated in this chapter. It may be noted that there does not necessarily exist an automatic, clear-cut relationship between a particular characteristic view and a particular perspective. At the

¹ These chapters have not been included in this translated selection. The key economic data have however been included either in the text or in Tables 2.1 to 2.4.

same time, the particular socio-economic perspectives do fit in well with the characteristic views. Other combinations are also possible, but these have not been discussed.

Towards a strengthening of the welfare state. The generic and sector-specific policies required for working towards export-led growth and employment forms a logical extension of the technocratic socialist view. By means of a general reduction in working hours such growth would create room for distributing both the right to work and income and the obligation to work and earn a livelihood among all employable individuals. The growth of non-commercial services and the necessity for an employment policy would require close attention to be paid to the socialization of demand.

Towards a guarantor state. The policies required to achieve consumption-oriented growth are primarily of a generic nature and consist particularly of creating the right conditions for active domestic sales and exports. In terms of the sociocratic-liberal view, the unrestricted operation of the markets for goods, services, capital and labour forms a pre-condition; given the present rigidities, the labour market, in particular, needs to be freed of its internal obstacles. To this end the welfare state would be reconstructed into a guarantor state in which citizens would be responsible for their own welfare, although with the ultimate protection of the safety-net provided by the state.

Towards a sustainable society. This perspective is directed towards voluntary austerity and stewardship, a development consistent with the sociocratic Christian Democratic view. An economy is envisaged in which the level and pattern of consumption could be used as a means of achieving sustainability and meaningful employment. An important policy instrument of a generic kind consists of increasing indirect taxes on energy and other resources and reducing taxes and other payments on the input of the labour factor. The selective allocation of basic incomes would strengthen the productive forces in the autonomous or informal sphere and bring about a role differentiation that strengthened the sense of solidarity within the family and other small social units.

These three perspectives explore the limits of change in widely-differing directions and in this sense encompass the range of possibilities. Each is expressly concerned with changing the present socio-economic structure. The individual perspectives are elaborated in a way that makes the working method clearly apparent, so that other perspectives could in principle be formulated and elaborated.

With respect to the three views not discussed in this chapter the following may be noted. Within the Christian Democratic train of thought, a technocratic perspective would differ from the sociocratic view elaborated below principally with regard to economic development. Instead of voluntary austerity, the stress would be much more on economic growth, with the result that considerably less urgency would be attached to bringing about socio-economic changes associated with austerity. The technocratic-liberal perspective does not differ sufficiently from the Interfutures-A scenario as worked up for the Netherlands in the first part of this survey to deserve separate treatment. The sociocratic-socialist view is particularly concerned with the structure of control and the creation of conditions in which the citizen can defend himself against the government and big capital interests. The elaboration of a particular socio-economic perspective would do little to illuminate this.

2.1.2 *Characteristic features of the Dutch welfare state*

Before proceeding to a discussion of the three perspectives of the future in section 2.2, the origins of and recent developments in the Dutch welfare state will be outlined below, partly by way of historical context².

² This section has been taken from section 3.1 of BTV-2.

Although the foundations of the present system of social security go back to the beginning of the century, what is known in the Netherlands today as the welfare state did not get underway until the 1950s. These developments reached their formal conclusion in 1976 with the introduction of the General Disablement Benefit Act. Between 1963 and 1978, the redistribution of income by means of the social security system rose from 14% to 29% of net national product. These compulsory transfers provided citizens with protection against individual poverty and major material uncertainty.

Under the welfare state the government's new responsibilities extended beyond the field of social security alone. Examples include a wide range of new laws and regulations, subsidies and benefits in the fields of health, housing, education, culture and the social services and policies in the fields of physical planning, environmental protection, employment and energy. However large the increase in these government activities may have been in absolute terms, it was very modest in a relative sense: the percentage of net national product channelled through the public sector for the payment of civil servants and the purchase of goods and services rose only from 24% in 1963 to 26% in 1978. These would appear to have consisted primarily of complementary activities that were introduced in line with the general rise in the level of economic activity. For the rest they consisted of redistributive transfers.

At the same time, however, the level of government involvement in economic activity has increased. This has taken the form not just of greater legislation but also greater financial involvement. This amounts to what is in part informal nationalization, the complexity and obscurity of which rival that of the social security system.

This network of increasing interdependence is continually under pressure from shifts in the balance of power in society, changes in social and cultural attitudes and fluctuations in economic circumstances. Given the present state of economic stagnation these pressures have built up so sharply that the welfare state is sometimes referred to as being in a state of crisis. It may, however, justifiably be argued that while the system of social security was necessarily built up in times of prosperity when there existed the wealth and the confidence in the future for the state to undertake these kinds of commitments, the system was also designed for less prosperous times, when people not in receipt of a wage would be protected by means of income redistribution. If the level of income should drop as the result of economic stagnation there will be less to divide and hence less to distribute. But this is not a crisis of the welfare state; we are not dealing with the downfall of the social security system but with putting it to the test. So far the system has withstood the test.

And yet doubts persist. On the one hand it is argued that economic growth forms a pre-condition for satisfying the various social and cultural demands, but that on the other this growth is being frustrated by rigidities that have been built up in the form of linkages and indexation in the socio-economic field and by the inability to control the growth of the public sector. The Interfutures scenario worked up for the Netherlands in part 1 of this survey is based on this line of thought. Looked at differently, however, rigidities may be said to arise primarily because society continues to insist on the need for economic growth; it is furthermore argued that cutting back growth expectations to more modest levels forms a pre-condition for a new form of society in which the current fixation with consumption, income and employment is broken and scope created for achieving the required social solidarity in other and varying ways.

In socio-economic terms wages policy occupies a central position. After the war a centrally-directed wages policy was introduced but this eventually aroused such opposition, partly because it by-passed the union movement, that it had to be abandoned in the early 1960s. Since then negotiations

have been held on an industry basis, with the conditions of employment agreed in those negotiations being expressed in money terms in the collective agreements. By means of tripartite consultations, where necessary reinforced by a general wage determination, it is ensured that these agreements reflect the national interest, the latter being determined largely on the basis of the generally accepted objectives of economic policy. Over the course of the years a wide variety of sectional interests have been protected by the introduction of various linkages, including wage indexation: the linkage of civil-servant pay levels to wages in the market sector; and the linkage of social security benefits to the net minimum wage. If it is further considered that there are mechanisms which seek to pass on any wage increases into price increases and that there is considerable political pressure to allow minimum wages to rise more rapidly than fixed (i.e. collectively agreed) wage rates, it will be evident that the government is faced with a formidable task if it wishes to prevent prices, wages and social security benefits from pushing one another up. The government is not, however, well equipped to do so, as may be seen for example from the nature of the social security system.

One of the characteristic features of the financial structure of this system is that a very high proportion of the funds are brought together by employees and employers, while the responsibility for implementing the provisions rests in large part with the industrial insurance boards, labour councils and the Social Insurance Bank. Coordination and consultation between the central government and these executive bodies is poorly developed. The structure of the system is such that expenditure on social security tends to grow more or less autonomously.

In recent decades social security contributions have, however, been increasingly used as an instrument of economic policy, in that they are used to influence wage trends and income distribution. This means that the level of contributions and of benefits are not always strictly in proportion at the level of the individual contributor. Particularly when the first form of national insurance, the General Old Age Pensions Act, was introduced in 1957, the emphasis shifted from the equivalence principle towards the solidarity principle, which rests on contributions according to the capacity to pay and benefits according to need. As a result a large proportion of national insurance contributions increasingly obtained the character of a general tax, and the payment of contributions became generally regarded simply as a deduction from the contributor's real disposable income.

The share of national insurance contributions in national income has gradually risen from around 8% in 1955 to approximately 22% in 1981. This growth was in fact less than it might have been, since provisions were made for the state to make a financial contribution out of its general revenues virtually from the inception of the system of national insurance. Over the course of the years these state contributions were frequently used in the framework of wages policy. In the last few years, however, contributions from general revenues have dropped sharply.

The increase in social solidarity under the welfare state cannot, however, simply be measured in terms of the relative increase in transfer incomes, since this conceals substantial shifts in the nature of the solidarity ties and of the transfer payments. Thus, for example, transfer incomes have risen appreciably less than the figures might suggest because the primary solidarity ties previously provided by the family, work and church have been replaced by the support provided by more anonymous, semi-government bodies. The broader application of the solidarity principle at the expense of the equivalence principle operates, however, in the opposite direction, since it expressly breaks the link between the level of contributions and benefits in an effort to promote the redistribution of income. Under the equivalence principle, by contrast, the insurance concept, which is not concerned with redistribution, plays a major part.

Another characteristic of the process of substitution of transfers from the informal to the formal sphere has been that the privilege of support has been replaced by a right to income and material assistance in the form of a claim on the government. This right is well understood by the public, both individually and in a group sense, but the willingness to provide the necessary financial resources in the role of contributor and tax-payer is not so great. Taken together with the poorly-developed coordination and consultation in implementation this means that payability problems are inherent in the system. The result is that in times of economic stagnation there is pressure, on the basis of purely financial considerations and irrespective of the level of formal transfers, for the latter to be substituted for transfers in the informal sphere. The effect of this on the ultimate, individual distribution of income is probably small. However large the sums may be in relation to the government's revenue shortfall and in the eyes of those directly concerned, they are small in relation to the sums at issue in both the formal and informal transfer payment circuits and because there is scope within both these circuits for burden shifting. The situation would appear closely to resemble that of the impact of a progressive direct taxation structure on income distribution. Burden shifting is assumed to exist, but the extent to which it occurs is hard to pin down.

In this respect it is worth bearing in mind the high value attached to the family at the time the social security system first took shape. This applied not just to the Christian Democratic wing of the political system, but also to the socialist and liberal camps. The Dutch Labour Party's manifesto adopted in 1959, for example, stated:

'The party recognizes the fundamental value of the family, both for the personal development of all family members and for society. Social, fiscal, cultural and housing policies should all be designed to protect and elevate the family.' The liberal People's Party for Freedom and Democracy (VVD) included the following statement in its 1966 manifesto: 'In the conviction that the family forms the heart of society, the party urges that nothing be left undone to strengthen the moral and material protection of the family. This central position of the family was underlined in 1974 by the way in which, beginning with the first child, child benefit allowances were frozen as a matter of course on the basis of the argument that the minimum wage should be enough to support a woman and two children.'

Although the laws and regulations arose at a time when the family was regarded as central in society, they must now be applied in a situation that is far more geared to the individual. This has been the source of considerable tensions, confined not just to redistribution in the secondary sphere but also touching on the question of who may be allowed to earn primary income.

In particular, this concerns the position of women. The improved professional qualifications of women together with demographic changes have resulted in an increasing number of women seeking paid employment. This applies especially to married women. It is, however, more than just a matter of the participation in the labour force of women able to work. Not just the position of women but that of men is at issue. These shifts in the traditional allocation of roles in society have raised all sorts of issues, especially in the field of income distribution and social security.

In addition to the transfer payments under the social security system there are substantial transfers in the form of cash and services and facilities that are directly charged to general revenues. Expenditure on traditional government activities (e.g. public administration, justice and defence) has over the years declined in relative terms when compared with transfer payments. The bulk of cash transfers take place under the National Assistance Act and represent not just an expression of solidarity by society with citizens who are unable to provide for their own maintenance but also of confidence in the personal judgement of the benefit recipient. The provision

of public facilities is different. Apart from the need for efficiency they reflect the attitude, which may or may not be paternalistic, that certain socio-cultural values are better able to find expression through public channels than in the private sphere.

These facilities are designed both for the weaker members of society and for the perpetuation and development of the values maintained by socially, culturally and economically more resilient citizens. Some of these facilities are moreover only of any use if people are prepared to spend something themselves. A cheap train ticket is only of benefit if the fare can be afforded; state-subsidized owner-occupied dwellings are only attractive if a mortgage commitment can be entered into. The major responsibility allocated to the government in the field of incomes policy has meant that these public facilities have been increasingly assessed from the viewpoint of income distribution, with particular attention to their effects on income equalization. As it stands the higher income categories clearly benefit more from these facilities than do lower income groups.

Health facilities form a special problem. The demand for medical services has risen greatly since 1950. Total expenditure on health care amounts at present to around 30 billion guilders (1982, at current prices). In 1980 approximately 70% of the costs were financed through national insurance funds, while private treatment accounted for some 25% of the costs. The remaining 5% consisted of direct state subsidization of certain facilities. The government also makes a limited financial contribution to the insurance funds, thus bringing its total involvement to a little over 15%. These financial contributions have been drastically reduced since 1980, so that the increase in costs is now primarily passed on to citizens in the form of higher contributions. Compulsory health insurance contributions more than doubled between 1950 and 1980, from 3.65% to 8.1% of earnings, while contributions under the Exceptional Medical Expenses (Compensation) Act almost trebled, from 1.2% to 3.2%.

The fact that these facilities are largely financed collectively has cut the direct link between benefit and sacrifice: in most cases the user is not required to pay directly for the use of health facilities. As individuals seek to obtain the maximum benefit from the available facilities, this has made it difficult to control the demand for health care. In addition, the way in which the medical profession and health care institutions are paid provides no incentive for facilities to be used economically. The importance which individuals attach to their health, compounded by the system of remuneration, means that medical practitioners tend consistently to provide treatment the cost to society of which bears no relation to the benefit to the individual. While professional ethics may prevent treatment from being provided purely for income motives, the present system lacks the necessary incentives to ensure the efficient allocation of scarce goods. An additional factor is that more and more facets of existence are now subsumed under the concepts of sickness and health.

It will be evident from the above that the welfare state in the Netherlands is subject to a number of problematical developments. These concern particularly the controllability and payability of the system and are therefore especially evident at a time of economic stagnation. In other cases, however, it has been the justice of certain developments that has formed the subject of controversy, in so far as these developments have had a major bearing on social change, either in a consolidating or changing sense. It is especially for this reason that the way in which the problems are defined and the manner of the solutions put forward differ in each of the characteristic views.

2.1.3 *Methodological considerations*

An outline of future developments in the medium term along the lines discussed in section 2.1.1 raises a number of methodological and practical issues that require separate treatment for a proper understanding of the approach. Except where they are specifically related to one of the perspectives to be elaborated later, these problems are dealt with below.

Taking account of a three-year period of economic stagnation after 1980, the results of the technical economic forecasts have been projected up to the early 1990s. This raises the difficult question as to the sorts of developments that may be expected during this period in the social field and in the role of the government. Events in recent years might suggest that the margins are so narrow that no developments of any substance are to be expected during a period of this length. A minimalist approach of this kind has, however, no place in a survey of the future in which alternative developments are juxtaposed. The view that the margins are narrow moreover fails to recognize the speed with which major shifts in society and in the role of government have taken place in the past.

Taking this into account it may be reasoned that within a period of ten or so years it is possible that society will have evolved appreciably in the direction advocated by one of the characteristic views. Whether this will be the result of political will or in response to the force of circumstances is comparatively immaterial. What is relevant is that an enforced breakthrough in the current situation would entail a change in course for government policy, although the precise form this took in the medium term would leave considerable room for manoeuvre. The way in which those options might be narrowed down in practice is shown in the elaboration of the socio-economic perspectives in the following sections.

In the accounting scheme used for the purposes of the survey, net value added at market prices is transferred by means of the successive transactions in the primary, secondary and financial circuits and by government expenditure to households, enterprises, government social security, life insurance and other countries. Net value added is equal to net national product as generated in the technical economic projections. The net value added and hence the volume of the money flows in the early 1990s are expressed in terms of 1980 guilders. The technical economic projections assume that relative prices – including that of labour – do not change. This assumption has also been made for the calculations in this chapter. It does, however, ignore variations in labour productivity in the various sectors, thereby eventually placing this assumption under strain. In the discussion below, this increasing discrepancy between value and volume has a particularly marked effect when it comes to analysing the costs of health care and government services. The precise course this takes varies from perspective to perspective, but in quantitative terms little can be said since both compensating and consolidating effects come into force. This forms a further reason for confining forward calculations to ten years at most.

The fact that calculations are made in terms of constant 1980 prices means that incomes in the early 1990s can readily be compared with those in 1980. In 1980, the share of the factor of labour, including the attributed share of the self-employed in primary income, amounted to 75% of net national product, or 225 billion guilders. In terms of man-years and including the self-employed, 4.8 million people were employed, so that average primary earned income was 47,000 guilders per man-year. The gross statutory minimum wage, including the employer's social security contributions, amounted to 29,500 guilders per year. The ratio between the minimum wage and average earned income was therefore 0.63. Given the 10.5 million Dutch adults (aged 18 and over), average primary income per

adult in the Netherlands in 1980 from wages, profits, dividends, interest and so on amounted to 24,000 guilders and disposable income to 22,000 guilders. A few years earlier the income of the poorest 10% of the population, after allowing for all formal and informal forms of income redistribution, stood at 44% of average net income per Dutch adult, although it should be noted that this group consisted of a high proportion of young people and students.

In the case of primary transactions a particularly uncertain factor in the early 1990s consists of the interest which the government will have to pay out. Taken over the longer term shifts in these payments become comparatively minor because the debt burden is eased over time either by economic growth or by inflation. It has therefore been assumed somewhat optimistically for each perspective that the interest burden will not weigh disproportionately on the government's budget in the early 1990s. Since the distribution of net value added is at issue, capital transactions and redemptions fall outside the scope of this circular flow of money payments. Government loans placed domestically amount to little more than an undertaking to transfer money from one citizen to another in the future, and because the bulk of redeemed loans are immediately reinvested by the same institutions or individuals, any redistributive effects are limited.

As far as the scale of price-reducing subsidies (e.g. for public transport and housing) and of government production and procurement are concerned, the discussion has been conducted on the basis of the structure of production in the early 1990s as determined by model analysis. On the basis of the characteristic view from which the particular socio-economic perspective is derived calculations have been made in relation to the current situation of the extent to which shifts are likely to occur in the direction of greater collectivization or privatization in the major industries under consideration. The government's financial requirements for these purposes have then been broadly quantified. It must however be taken into account that the government's influence through its holdings and semi-government corporations (e.g. the State Mines) and through the provision of various taxation facilities, are a separate matter.

The technical economic perspectives include calculations for net investment. These have (taking the above considerations into account) been allocated to enterprises and to government. Any shortfall in company or government savings has been bridged by the intervention of life assurance companies and banks, supplemented by household savings. These borrowings thus indicate the size of the income shortfall of enterprises and the government, i.e. the difference between net investment and own savings. In 1978, households, enterprises and government generated 70%, 20% and 10% respectively of the savings required for net investment. In terms of the characteristic views, this ratio depends on the amount of confidence one has in the ability of households to generate the required volume of savings and of the importance attached to self-financing.

In the case of health insurance the scale of transfer payments has been assessed in terms of the size of the health sector and the degree of collectivization or privatization advocated under the view in question. In the case of the social security system, an overall, quantitative estimate of the transfers has generally been taken as sufficient. In so far as these are made in the context of insurance against loss of income, the burden at macro-level may be calculated for any given combination of solidarity and equivalence on the basis of a few index figures. National assistance is regarded as an item that can only be commented upon following the examination of the social security system.

The three perspectives for socio-economic policy referred to previously (or at least feasible versions thereof) are elaborated in the next three sections. The following aspects are successively examined: the primary distribution of income, the problem of unemployment, transfer incomes, income transfers in kind, government activities, taxation and hence the level of disposable income and savings, and finally the structure of control. A number of key socio-economic aggregates for 1980 and for the three perspectives in the early 1990s have been brought together in Table 2.1. The computed structure of production and of expenditure has also been summarised in Tables 2.3 and 2.4. The major government transactions have been summarised in Table 2.2 along the lines of the national accounts. An explanation of the way in which these figures were arrived at may be found in the Council's working document 'BTV-2 Background Figures' (in Dutch). Because the accounts balance, the figures suggest a greater degree of precision than is in fact present or intended. The tabular presentation of the figures means that the description of the perspectives can be done with a minimum of quantitative data and that attention can instead be focussed on the problems thrown up in the elaboration of the perspectives.

Table 2.1. Key socio-economic aggregates, 1980 and early 1990

| | 1980 | Early 1990s | | |
|---|------|------------------------------------|---------------------------|-------------------------------|
| | | strengthening of the welfare state | towards a guarantor state | towards a sustainable society |
| <i>Net national income (NNI)</i> | 302 | 383 | 397 | 357 |
| Household consumption as % NNI | 68 | 62 | 74 | 55 |
| Government consumption as % NNI | 19 | 20 | 16 | 20 |
| Net govt. investment as % NNI | 3 | 4 | 1 | 5 |
| Net company investment as % NNI | 10 | 14 | 9 | 15 |
| Primary income as % NNI | | | | |
| households | 83 | 75 | 85 | 65 |
| government | 12 | 13 | 11 | 23 |
| enterprises | 5 | 12 | 4 | 12 |
| Disposable income as % NNI | | | | |
| households | 78 | 70 | 81 | 63 |
| government | 20 | 21 | 17 | 23 |
| enterprises (= savings) | 1 | 9 | 2 | 8 |
| other countries | — | — | — | —5 |
| Income surplus = savings (in billions of guilders) | | | | |
| households | 28 | 31 | 28 | 31 |
| government | -6 | -10 | 0 | -6 |
| enterprises | -27 | -21 | -28 | -25 |
| Employment at av. working hours 1980 (millions of jobs) | 4,8 | 4,9 | 4,8 | 4,8 |
| Number of jobs | 4,8 | 5,8 | 5,2 | 4,8 |
| No. of jobs divided by population aged 18-64 | 56% | 60% | 54% | 50% |
| Direct taxes as % NNI | 18 | 30 | 44 | 19 |
| Indirect taxes as % NNI | 13 | 15 | 11 | 27 |
| Social sec. contributions as % NNI | 20 | 14 | 0 | 18 |
| Taxes and social security as % NNI | 51 | 59 | 55 | 64 |

Source: Own calculations.

Table 2.2. Principal government transactions, 1980 and early 1990s (billions of guilders at 1980 prices)

| | 1980 | Early 1990s | | |
|--|--------|---------------------------------------|------------------------------|----------------------------------|
| | | strengthening of the welfare state | towards a guarantor state | towards a sustainable society |
| 1. Income from investments and holdings (a) | 19.0 | 20 | 18 | 15 |
| 2. Indirect taxation | 40.2 | 58 | 45 | 95 |
| 3. Price-reducing subsidies of which | 8.1 | 11 | 4 | 11 |
| — foodstuffs | (3.4) | (4) | (4) | (4) |
| — housing association and municipal building company grants | (1.7) | (2) | (0) | (2) |
| — public transport | (2.3) | (3) | (0) | (4) |
| — wage subsidies etc. | (0.3) | (2) | (0) | (0) |
| — miscellaneous | (0.4) | (0) | (0) | (1) |
| 4. Interest on national debt | 15.6 | 17 | 14 | 17 |
| 5. <i>Primary income</i> (1+2-3-4) | 35.5 | 50 | 45 | 82 |
| 6. Tied automatic transfers of which | 12.4 | 37 | 23 | 5 |
| — health care | (6.1) | (30) | (21) | (0) |
| — rent subsidies | (1.4) | (1) | (0) | (1) |
| — non-profit making orgs. | (4.9) | (6) | (2) | (4) |
| 7. Untied automatic transfers of which | 15.5 | 46 | 127 | 44 |
| — social security supplementation (excl. health care) | (7.9) | — | — | — |
| — assistance | (3.4) | (3) | (2) | (5) |
| — compl. lab. facilities | (4.0) | (4) | — | (3) |
| — scholarships | (0.7) | (1) | — | — |
| — miscellaneous | (1.2) | (1) | — | — |
| — by households to State and local authorities | (-1.7) | (-2) | (-1) | (-2) |
| — minimum income supplements | — | (5) | — | — |
| — basic income | — | — | — | (33) |
| — negative income tax | — | — | (119) | — |
| — family allowances (if tax-financed) | — | — | (7) | (5) |
| — old age pensions (tax-financed) | — | (34) | — | — |
| 8. Net transfers abroad | 0.9 | — | — | 18 |
| 9. Direct taxation | 53.5 | 115 | 173 | 68 |
| 10. <i>Disposable income</i> (5-6-7-8+9) | 60.1 | 82 | 68 | 83 |
| 11. Consumptions | 58.0 | 78 | 64 | 73 |
| 12. Savings (10-11) | 2.1 | 4 | 4 | 10 |
| 13. Net investment | 8.6 | 14 | 4 | 16 |
| 14. Surplus income (12-13) | -6.5 | -1.0 | 0 | -6 |

(a) The differences between the three perspectives are largely due to the differing assumptions concerning natural gas marketing policy.

Source:

- Own calculations.
- Central Bureau of Statistics, National Accounts, The Hague, Staatsuitgeverij, 1980, pp. 136-137, 164-165, 167 (1980 figures).

Table 2.3. The structure of production under the three technical economic perspectives

| Share in % | 1980 | Early 1990s | | |
|---|-------|-------------------|-----------------------------|-------------------------------------|
| | | Export-led growth | Consumption-oriented growth | Voluntary austerity and stewardship |
| Sector | | | | |
| Agriculture | 4.4 | 4.0 | 4.9 | 4.1 |
| Heavy industry | 17.7 | 14.6 | 15.3 | 13.4 |
| Other industry | 23.4 | 26.2 | 29.6 | 27.3 |
| Construction | 8.6 | 12.4 | 7.5 | 14.0 |
| Services | 45.9 | 42.1 | 43.3 | 41.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |
| Value of production (bns. of 1980 guilders) | 646 | 834 | 843 | 774 |
| Av. annual rise in production from 1983 | | 3.2% | 3.4% | 2.3% |

Source: Own calculations.

Table 2.4. Net national product according to expenditure categories under the three technical economic perspectives (all figures on an annual basis, bns. of 1980 guilders)

| | 1980 | Export-led growth | Consumption-oriented growth | Voluntary austerity and stewardship |
|---|------|-------------------|-----------------------------|-------------------------------------|
| 1. Net national product (2+3+4) | 314 | 383 | 397 | 357 |
| 2. Net investment | 37 | 68 | 41 | 71 |
| 3. Export surplus | -5 | 21 | -5 | 21 |
| 4. Consumption | 282 | 294 | 361 | 265 |
| of which from the sector | | | | |
| Energy | 20 | 13 | 20 | 14 |
| Agriculture, foodstuffs | 33 | 28 | 48 | 27 |
| Textiles | 11 | 11 | 13 | 10 |
| Transport facilities | 6 | 5 | 8 | 5 |
| Metal manufacture | 7 | 6 | 8 | 6 |
| Other industry and construction | 16 | 13 | 26 | 12 |
| Trade, hotel & restaurants, maintenance | 59 | 62 | 87 | 47 |
| Transport & communications | 6 | 4 | 11 | 4 |
| Banking & finance | 5 | 6 | 5 | 6 |
| Commercial property (a) | 33 | 35 | 37 | 31 |
| Health care | 27 | 29 | 30 | 26 |
| Education & administration | 61 | 82 | 67 | 77 |

Source: Own calculations.

(a) Includes marketable services in the field of education, market research, recreation and culture, and services to companies.

2.2 Towards a strengthening of the welfare state

2.2.1 Introduction

In Chapter 4 of the report, it was seen that an export-led economic recovery in which employment goals were optimised, produced a development broadly consistent with the aspirations ascribed in this survey to the technocratic-socialist view. This technically feasible scenario will be expanded in this chapter into a socio-economic perspective,

accompanied by an examination of the types of government policies required for its realization. By means of a general reduction in working hours, the economic growth envisaged under this perspective would enable the right to employment and income as well as the obligation to work and to provide for one's own livelihood to be spread over all persons in a position to work. The growth of non-commercial services within this variant would place the accent on the socialization of demand. This would apply especially to goods and services supplied by Dutch enterprises and the government, such as in the fields of environmental protection, health care, education, urban renewal, subsidized council housing, public transport and welfare facilities. In this way the community would obtain a grip on the level and composition of domestic production, while the labour-intensive nature of these goods and services would help generate employment.

The calculations in Chapter 4 of the report indicated an overall increase in output of over 3% p.a. to be feasible (for manufacturing industry over 4%), but that the growth in consumption was likely to lag behind by some 1%–2%. The net investment ratio (i.e. net investment divided by net national product) would need to be around 18%, a percentage consistently achieved in the Netherlands up to 1975.

A competitive export sector is indispensable for the resumption of economic growth. This will in turn depend heavily on a rise in labour productivity in the Netherlands. Structural policies would therefore centre first on export-oriented industries where high labour-productivity gains could be achieved. In the case of the Netherlands this would apply principally to certain branches of industry and to agriculture. Policies of this kind would certainly have an income-generating potential, but could not guarantee the growth or even stabilization of employment. Apart from economic growth and the socialization of demand, a reduction in working hours would be required in order to distribute the available volume of employment more effectively.

In political and administrative terms, this approach would entail greater government involvement, since the government alone is regarded as able to make the kinds of binding decisions on income, savings and investment required in the mixed economy of the Netherlands.

2.2.2 The distribution of primary income

Under this perspective there is a major requirement for investment, both of public and private sector. When added to the further socialization of demand, this would mean that the capacity for direct expenditure by private households would have to be curtailed. In the first place this would require their share in primary income to be cut back and that of the government and private sector to be enlarged. Virtually the only means of raising the government's primary share consists of an increase in indirect taxes, especially VAT and excise duties, and of retaining a greater share of the value added by enterprises. So far VAT has not been a popular form of taxation among socialists. Objections towards an increase in VAT would, however, lapse if a distribution of income regarded as just could be brought about by means of a centrally-directed incomes policy. Higher VAT rates would then fit in better with the general European pattern, while a system of differential rates would enable the government to exert some influence over the pattern of consumer spending. The retention of value added by enterprises would only be acceptable in the form of employees' capital formation schemes. These would be linked to an investment fund that would be responsible for the redistribution of savings among enterprises.

Since the individual control employees would have over these funds under the proposed form of profit-sharing would be limited, these funds have been allocated to the primary income of enterprises. Taken together with an increase in VAT this might enable the share of households in

primary income to be reduced from 83% in 1980 to 75% at the start of the 1990s. Given a net national product in the early 1990s of 385 billion guilders, the share of the households sector would then amount to 290 billion guilders.

A reduction in the share of households in primary income will only be feasible if the government is able to exert greater control over wages. At present, wage levels are determined by means of adversarial negotiations between organized employer and employee interest groups, in which the government frequently holds back, either out of impotence or for ideological reasons. At the same time the government, as the major employer, is also exposed to the consequences of wage determination in the market sector. Given the part often played in these negotiations by limited sectional interests there is no guarantee that the distribution of primary income desired under this perspective will be achieved, either in a group sense as between households, enterprises and the public sector, or within the households sector. While it is true that a more shared system of responsibility can be achieved by means of greater worker co-determination in industry, this will do nothing to strengthen the position of the government. The latter will be left empty-handed, while at the same time being required to do what it can to bring about the social priorities agreed upon in the democratic process.

A centrally-directed incomes policy certainly forms one of the principal means by which the government can exercise its responsibilities at a time of sluggish economic growth and growing unemployment. Such a policy inevitably entails a reduction in the role of employers' associations and the trade unions in major areas of economic activity, since negotiations about conditions of employment can then only be conducted within the margins permitted by government. Acceptance of these limitations would under this perspective have to derive from the realization that this formed the only means of achieving the socio-economic objectives these groups had themselves adopted.

Such acceptance would however require the full range of wages and salaries in the primary sphere to be brought within the ambit of the incomes policy. Such a policy would therefore require a detailed classification of economic functions and the appropriate pay scales. A good deal of experience has already been acquired in this field in government organizations. A large and complex network of pay levels and scales has been worked out; these are gradually making inroads into the liberal professions as well. In the same way as this applies to civil servants and wage earners, such a system would require a much greater degree of openness with respect to the incomes of higher-paid salaried employees in industry, the self-employed and those in the liberal professions.

The danger of rigidities would be avoided by the establishment of margins within which pay structures could be agreed that reflected the relative scarcities within a particular enterprise, industry or region. In this respect the position of works councils in companies would have to be strengthened. The trade unions would be faced with the task of increasing their influence at grass-roots level and, by developing their own channels of information, of ensuring their voice was heard in the centralized consultations between employers, employees and the government that preceded parliamentary decision-making.

Although a certain amount of income equalization would be aimed at, the number of extremely high incomes is so small as to be of little material consequence for the body of low-income earners. In terms of the wage structure and industrial relations and the system of social security, the ratios for modal and low incomes are of much greater relevance. As noted previously, the ratio between the minimum wage and average primary income in 1980 was 0.63. Further equalization in the primary sphere by compressing these already narrow differentials still further would moreover not be in keeping with this perspective, so that it has been assumed this ratio will continue to apply in the early 1990s.

2.2.3 Unemployment

Under this perspective the growth of the economy and of the demand for labour are too small to absorb the increasing supply of labour, thus giving rise to a problem of unemployment. On the assumption of a right and obligation to work, this has been tackled by means of a general reduction in working hours.

Allowing for a persistent rise in labour productivity, including in periods of economic stagnation, the scenario suggests that whatever efforts are made, employment measured in 1980 man-years, i.e. assuming a 40-hour week, will rise by no more than 150,000 to 4.93 million in the early 1990s. By that time the number of people aged between 18 and 65 will have risen to 9.6 million. Assuming that 1.6 million of these will not be available for paid employment, either on account of employment disability or because they are studying, this would leave 8 million people among whom employment would have to be distributed. Given a total level of employment of 4.93 million man-years with a 40-hour week, the working week would therefore have to be reduced to 24.7 hours for the right and obligation to work to be distributed evenly. A drastic reduction in working-hours of this kind would be asking too much in the time-frame under consideration. It would be more realistic to assume that the transition was half-completed in the early 1990s in the sense that the length of the working week for wage and salary earners had been reduced to a maximum of 32 hours a week.

This would create a number of important transitional problems. In the first place there is a generation difference. It may be hoped that young women would at that time have received sufficient education or training to provide them with a reasonable chance of competing on equal terms with their male counterparts in the labour market. This is much less true in the case of older women, and differentiated social and labour-market policies would therefore be required in order to prevent inequitable generational differences. In the second place it is virtually unavoidable that the remuneration of labour at the minimum level will be too low to support a family, while still being adequate to maintain an individual. Policies will also be required to handle the tensions generated by this difference.

From the data in section 2.2.2 it follows that average primary hourly income in 1990 given a volume of employment of 4.93 million 40-hour jobs would be 25 guilders. Given a reduction in the length of the working week to 32 hours and a ratio between minimum and average earnings of 0.63, the minimum wage would amount to 26,500 guilders a year. This would mean that, despite economic growth, those on the minimum wage would earn a gross 10% less. In view of the greater stress on individualization, this decline is regarded as equitable for single people and working couples, since the present minimum wage has been set at a level reflecting the needs of a family. It would, however, be unacceptable for families with a single breadwinner earning the minimum wage or only slightly more, to take such a cut and transitional measures would be required. At the least, families from indigenous and foreign minority groups in which women do not traditionally work outside the home would have to be protected against an excessive trend towards individualization. In the changing society of today women from this category are among the most vulnerable in society. As well, there are still families in which the wife is able and wishes to work outside the home but has no chance of doing so on account of the level of unemployment. Apart from the elderly, there are at present some 2.3 million families with a single breadwinner, including over 200,000 on the minimum wage. In the early 1990s it is estimated that there will be around 2.2 million families with a single breadwinner. Because compensation would also have to be paid (on a sliding scale) to persons earning more than the minimum wage, a substantial number of families would qualify for support under the transitional regulations. Compensation problems of this kind do not arise at present because the minimum wage is regarded as

a family wage, with single people being allowed to retain anything above their requirements, which is different from regarding the minimum wage as a single person's wage and providing supplementation to certain families.

The allocation of a higher primary income to breadwinners would not be possible as a transitional measure. The level of direct taxation could be reduced somewhat for these families, although given the current rate of taxation on minimum incomes of around 9% this does not obviously offer a great deal of scope. For this reason a system of family supplements, such as are already provided on a very limited scale, has instead been opted for under this perspective. Another possibility would consist of differentiated working hours, with older people working more than 32 hours a week and young people less, for example 25 hours. These young people could at the same time be provided with a fully individualized regime of taxation, social security and assistance. In this way a population would gradually build up with the sort of emancipated way of life envisaged under this perspective. Older people could also be provided with the opportunity of opting for a more emancipated way of life and the individual regime associated with it. In order to prevent opportunism, however, individuals could not be allowed to switch their options.

In practice a broad range of measures will have to be introduced, such as adjustment of taxation scales, family supplements, differentiated working hours, adjustment of rent subsidies, special social welfare charges, and so on. Since most of these measures would centre on the minimum-wage earner it is probable that families on a modal wage but otherwise in much the same circumstances would be squeezed. In their case, however, there would be more scope for providing them with tax relief.

A reduction in working hours would also raise the problem of having to impose a prohibition on paid overtime and on individuals having more than one paid job, since an improvement in people's income position would be reserved for those in a position to perform more qualified work. Earning more by working longer hours could not be permitted – even though there would be ample time to do so.

How large would the number of employed be if the maximum length of the working week for wage and salary-earners were to be reduced to 32 hours? Under the present 40-hour week it so happens that the number of hours below 40 worked by part-time workers is more or less compensated for by the number of hours worked by small tradesmen, farmers and people in the liberal professions in excess of 40. If their working hours were also to be officially reduced to 32 hours, the number of jobs would increase, in proportion to the reduction in working hours, to nearly 6.2 million. This estimate is however subject to a number of qualifications. The working hours of the selfemployed may follow that of wage-earners, but only with a lag. This lag is likely to be longer the greater the reduction in working hours, firstly because it could not be argued that working somewhat longer than 32 hours is exactly a punishment, while secondly a reduction in working hours is not properly enforceable. At the same time a number of part-time workers would automatically become full-time workers and other part-time workers would attempt to work longer hours in order to compensate for the loss of income of spouses in full-time employment. These three factors would all operate in the same direction so that the effect of a reduction in working hours on the number of jobs would be lower than suggested above.

A more realistic assumption would be for the length of a full working week for wage and salary-earners to be cut to 32 hours. Average working hours would then be reduced to 34 hours, making a total level of employment of some 5.8 million jobs in the early 1990s. Ranged against (i) the level of unemployment in 1983 of 800,000, (ii) a secular increase in the supply of labour up to 1990 of 450,000 and (iii) the influx of 200,000 job-seekers expected to be generated by a tighter labour market and the declining level

of household income, this rise in the number of jobs would not be enough to solve the problem of unemployment. The rise in the number of job-seekers to approximately 1.5 million would exceed the increase in the number of jobs by about half a million. These are only rough estimates. Much would depend on the method of registration and on labour-market behaviour, which would be influenced by such advantages as there were in being registered as unemployed. It is for example possible that the decline in household income would exert a greater stimulus on participation in the labour market than assumed above.

The distribution of paid employment over a greater number of participants would make it more common for both partners in a family to work. A change of job by one of the two would generally mean that the new job would have to be found in the immediate vicinity. Another reason for increasing rigidities in the labour market is the lack of coordination between the types of labour qualifications on offer and those in demand. The resolution of these coordination problems will place a heavy burden on the education system, with respect to both retraining and initial education. The existence of these forms of friction in the labour market render it probable that a proportion of the unemployed will not be readily placeable, so that the long-term unemployed could well form a significant proportion of the total level of unemployment.

2.2.4 *Transfer incomes*

Insurance against loss of earnings. The introduction of a reduction in working hours on the scale proposed, would be an important step towards a situation in which paid employment would be distributed in such a way that everybody able to work could find a job. This would justify a continuing link under the social security system between entitlement to benefits and the obligation to work. Apart from those physically or mentally unable to work, benefits paid out under insurance arrangements against loss of earnings would then amount to transitional facilities upon sickness or change of job. As long as the loss of earnings is involuntary there is little reason to draw a distinction as to the cause. Under the present system, substantial differences can arise in the level of benefits payable, e.g. as between long-term unemployment and disablement. These differences cannot be justified and lead to unintended use, in this case of the Disablement Insurance Act (WAO) regulations. If only for this reason the integration of sickness, unemployment and disablement insurance regulations would be desirable. For practical reasons, however, statutory health insurance provisions have not been integrated with the other forms of insurance in the calculations in this section. Sick persons have, instead, been counted as employees sharing in primary income.

On the basis of the same principles of equal treatment, the integration of loss of earnings insurance would have to be coupled with similar insurance arrangements for wage earners, civil servants, workers whose pay is linked to that of civil servants, the self-employed and members of the liberal professions. Not just the long-term unemployed but also school-leavers aged over 17 would be transferred from the present social security arrangements to a comprehensive insurance system of this kind (provided they expressly wished to work). This would make for a simpler and clearer system. Benefits for school-leavers would be related to the minimum hourly wage and to a 25-hour working week. This group would then come to form an emancipated vanguard for the age-related introduction of a reduction in working hours and for an individualized system of social security.

The principle of equal treatment would also require social security contributions and benefit levels to be independent of sex and family situation and that in the case of the measures referred to earlier for coping

with transitional problems, no distinction be drawn as to whether income was derived from employment or benefits.

These steps would clear the way for a universal form of insurance against loss of earnings. A certain degree of solidarity would of course remain institutionalized under this form of insurance. This would concern the solidarity between benefit recipients who had previously received a high hourly wage and those who had had to make do with a lower hourly wage. Solidarity between (ex) full-time workers and (ex) part-time workers would not be built in because part-time employment would be regarded as a voluntary decision, which is not in general true of working for a low hourly wage. Under a socialist form of insurance against loss of earnings, the so-called 'net-net' linkage would be retained whereby those earning the minimum hourly wage would not suffer a drop in net income upon an involuntary loss of earnings. The latter implies the absence of any financial incentive for this group to find fresh employment. Under this perspective, however, financial incentives do not form the appropriate means for enforcing the obligation to work, since willingness to work forms a necessary precondition for qualifying for insurance benefits. Finally, there is a strong preference for a contributory system since financing out of general revenues (as in the case of social security assistance) can lead to marked fluctuations in demand-determined budgetary items and thus seriously affect the ability to regulate government expenditure. Financing by means of a fund formation, as in the case of pensions, is impossible since the number of potential benefit claimants cannot be predicted.

Elsewhere a formula has been drawn up whereby the level of contributions under a system of this kind may be worked out on the basis of the number of persons in employment, the number of benefit recipients, the relationship between minimum benefits and average income and the degree of solidarity or alternatively equivalence³. Under this technocratic-socialist perspective it is assumed that minimum-wage earners do not contribute upon a loss of earnings. This means that parameter a is equal to 1. For parameter b a value of 0.4 has been selected. In doing so a reasonable degree of solidarity is achieved: those earning 1.5 times the minimum wage would then suffer a 20% drop upon loss of earnings, while those earning three times the minimum would suffer a 40% drop. The maximum drop would be 60%. Indexation limits on benefits would not have a place under this perspective. It is the function of incomes policy, not of insurance arrangements against loss of earnings, to bring about an equitable distribution of income.

The level of contributions also depends on the respective numbers of persons in employment and benefit recipients. After a reduction in working hours the active work-force would be 5.8 million, but the number of unemployed would still be around 500,000 (see section 2.2.3). It is assumed there will be no dramatic rise in the disablement percentage, so that the number of incapacitated persons in the early 1990s would be around 800,000. This figure could prove somewhat lower because a number of incapacitated persons might be able to work if the working week were shortened and because shorter working hours would also reduce the risk of disablement. In so far as this occurred the level of unemployment would rise, since the number of available jobs would remain the same. The number of benefit recipients would therefore stand at 1.3 million (excluding the sick).

If these figures are filled in in the formula referred to earlier, the required level of contributions for insurance against unemployment and disablement comes out at 14.8%. The number of unemployed persons in this estimate is uncertain. If the figure is doubled to a million the level of contributions rises to 19.4%. The increase is comparatively small because the number of unemployed persons is already so large and because the benefits are subject to the payment of contributions.

Demographic insurance. Apart from insurance against loss of earnings, a second major aspect of the Dutch social security system consists of

³ On the basis of $U = a(M + b(I - M))W$, in which U = weekly benefit, M = minimum hourly wage, I = previously earned hourly income, W = number of hours worked per week and a and b = parameters, the following formula may be derived for the required contribution rate: $p/(1-p) = a((1-b)(M/I) + b)(N_u/N_w)$, in which p = contribution rate, I = average hourly pay rate, N_u = number of benefit recipients, and N_w = size of the employed work-force. Benefits have been assumed to be subject to the payment of contributions. For the derivation of the formula see WRR, *Beleidsgerichte toekomstverkenning, deel 2 (A Policy-Oriented Survey of the Future, Part 2 (in Dutch))*, The Hague, Staatsuitgeverij, 1983, appendix to Chapter 2.

demographic forms of insurance. Although not strictly a form of insurance, family allowances have for the purposes of this section been included in this category alongside the old age pensions and widows' and orphans' pension. The family allowance regulation would continue to exist, although it could be employed to a greater extent as a means of correcting undesired consequences of the individualization of social security. Despite the administrative problems, the level of family allowances can be made subject to means testing. By doing so, and given the fact that the number of children will fall by over 10% in the next decade, the total cost of family allowances would be somewhat lower than the present level of 2.2% of net national product.

In quantitative terms the Widows' and Orphans' Pensions Act is of even less importance. Under this perspective, with its emphasis on individualization, it would be logical for this facility to be gradually abolished since there are no grounds for drawing a distinction between widows and divorcees with children.

Benefits under the General Old Age Pensions Act (AOW) would be individualized in order to render the unequal treatment of men and women a thing of the past. Given the fact that everyone would be entitled to the same benefits irrespective of their working history or income position, and that the costs could be accurately estimated, it would be logical under this perspective for the costs to be met from taxation revenues. In this way the general state pension would still be realized. The indexation of these individualized benefits would be achieved by equating them to the minimum for a 25-hour week, excluding insurance contributions against loss of earnings. This would amount to nearly N.Fl. 18,000 a year. For single persons this would mean a drop in income, but married persons would gain. Single elderly persons without supplementary pensions would therefore be entitled to an income supplement under the National Assistance Act, as would married elderly men with a non-working wife aged under 65. Given 1.9 million elderly people the cost of old age pensions would come to 34 billion guilders a year or 8.9% of net national income.

Income supplements and national assistance. In order to protect families in which the breadwinner earns around the minimum, a system of family supplements would be required as a transitional measure upon the introduction of shorter working hours (section 2.2.3). In the current situation the minimum wage for a 40-hour week is deemed adequate to support a family. Since a constant relationship of 0.63 is assumed between minimum and average hourly wage rates, a family income of 40 minimum-wage hours would necessarily remain a minimum in the early 1990s. On an annual basis this would amount to a gross family supplement of over N.Fl. 6,500 for a 32-hour working week. If the supplement were to be reduced by the full amount by which earnings exceeded the minimum level, incomes between the minimum wage and 1.25 times that level would be completely evened out. This would scarcely provide an incentive to earn more. Disagreeable kinds of work attracting higher rates (e.g. shift work) could become less popular. Similarly for married women with a low family income, the family supplement would in effect amount to a 100% levy on any earnings up to 25% of the minimum wage. This sort of discouragement does not fit in well with this perspective. Offsetting the amount by less than 100% would alleviate the problem, but make the scheme considerably more expensive. As it is, the sums are large enough: at a rough estimate on the basis of the numbers (section 2.2.3) and the average supplement, a sum of 5 billion guilders would be involved. This figure includes single elderly people without a supplementary pension and married elderly men with a non-working wife aged under 65. The minimum income supplements thus form a definite problem under this perspective.

Finally there are the national assistance payments to persons who do not fall into any other category. In 1980 these amounted to N.Fl. 5.7 billion. Part

of this was allocated for unemployed school-leavers and the long-term unemployed, who have been included above under the general insurance arrangements against loss of earnings. Another part of this sum was set aside for financing institutions and old people's homes, but this now takes place directly. This means that a sum of approximately three billion guilders would be required in the early 1990s for national assistance. A major part of this would consist of incomplete families with children.

Despite the broad scale on which loss of earnings insurance has been set up, the total costs in order to guarantee at least a minimum income by means of income supplements and national assistance would be comparatively high. The safeguards against poverty in the social security system mean that under this perspective a considerable degree of income equalization occurs in the band between the minimum wage and 1.5 times that level.

2.2.5 Income transfers in kind

The third form of distribution concerns tied transfers. Of these, health care forms a major item. Controlling the rise in costs must be achieved by nationalization, thus enabling expenditure in this field to be weighed by the government in the context of overall public expenditure and revenues. The experience in the U.K. has indicated this to be a good way of keeping the costs within bounds. It would also remove the financial incentives that frequently frustrate cost-control efforts under the current system. Under this perspective expenditure on health care would rise by only a few billion to around 30 billion guilders a year. Although other arrangements are also possible for a nationalized industry (cf. the Post Office in the Netherlands), the cost of health care would be met out of general revenues; this would not only safeguard the individual's right to treatment but also the solidarity of the healthy with the sick and payment according to ability to pay. Covering health care expenditure out of taxation would mean that taxes would have to rise by thirty billion guilders or 8% of net national product. Health fund contributions and private insurance would then lapse.

A second major item concerns the system of selective subsidies. Cost-reducing non-personal subsidies for dwellings and the contributions towards municipal building companies and housing corporations would be increased under this perspective. Given the envisaged growth of the housing construction industry, personal rental subsidies would be less appropriate, although they will remain necessary for the time being and perhaps even increase in scale if family budgets should in certain instances come under strain as the result of the reduction in working hours. The system of family supplements that would be required during the transitional phase towards a 25-hour week would however be designed to prevent uncontrolled growth of this item.

Allowance will also have to be made for an increase in the cost of a third form of subsidy, namely the as yet still limited sum – 300 million guilders in 1980 – disbursed by way of wage subsidies. Transitional subsidies will be required in order to distribute the financial consequences of industrial problems involving a compulsory reduction in working hours. This will also apply to the stimulation of such experiments as the introduction of shift work upon an increase in operating hours.

Finally there is a significant flow of subsidies to non-profit making bodies, particularly in the fields of social and welfare work, culture and recreation. Considerable importance is also attached to public transport under this perspective. Both these types of subsidy are likely to grow since they provide scope for the implementation of substantive social policies. Under the arrangements outlined above government transfers to households by means of contributions towards national insurance and health and other forms of care would disappear and instead be included under a universal form of insurance against loss of earnings and a health care system financed out of taxation revenues.

To provide a scale of reference it will be assumed that the total level of these selective subsidies, excluding health care, will rise from 14.4 billion guilders in 1980 to 18 billion guilders by the early 1990s (see table 2.2).

2.2.6 *Government activities*

Under this perspective there would be an appreciable expansion of government activities. The government is seen not just as a legislator and administrator but also as a provider of services and as a producer. There would be a particular growth in government involvement in the health field as the result of nationalization. Under the technical economic perspective the education/administration sector would be a third larger in the early 1990s than in 1980. Education, especially, would call for a greater input, not only on account of the opportunities for self-development but also because the distribution of employment over a greater number of people and the associated labour market problems would give rise to a major requirement for retraining. In addition the need for high labour productivity in order to achieve export-led economic recovery would require a well-qualified working population. Apart from high-standard education this would also mean that the 'initial' education stage would have to be clearly geared to the needs of the labour market. Important preconditions would therefore be a sound understanding of the present and future level of demand for the various categories of labour and control and supervision of apprenticeship/student numbers in the various categories. This would apply all the more since the signalling function that pay differentials can otherwise fulfil, must be reconciled under this perspective with the desire to achieve an equitable distribution of income by means of social insurance and a centrally-directed incomes policy.

Current expenditure on goods and services by the government will also rise as the result of the increase in government production and the provision of goods and services, since such expenditure is to a large extent complementary with government production. Current expenditure on goods and services is estimated to rise from 17 billion guilders in 1980 to 23 billion guilders in the early 1990s, while under the technical economic perspective net government investment is projected to rise from nearly nine to fourteen billion guilders in the early 1990s. If 1980 ratios are maintained, four billion guilders of this would have to come out of government savings and the rest from borrowing. Government investment is concentrated on schools, public buildings, roads, bridges, harbours, the new Markerwaard polder and other infrastructural works. This growth in the share of net expenditure on goods and services in relation to government expenditure as a whole would reverse the downward trend in recent decades. The government would once again act as the initiator and creator of conditions for economic growth.

In addition to generally accepted government activities, there would under this perspective be room for the government to make further inroads into the private sector. The opportunity of doing so arises when companies in difficulties approach the government for assistance, in return for which the government can demand a certain degree of control over company policy. But under this perspective there would also be a quite separate justification for entrepreneurial activity by the government, namely in order to obtain a greater measure of control over economic activity in general. This applies particularly to control over production, where the government would aim for operating results that were more or less in balance. Even in the case of deliberate nationalization, a shift in the burden of taxes and other payments is not generally the specific aim. Where it is, it will, as with the railways, need to find explicit expression in the form of subsidies. In this case, however, nationalization does not form a precondition.

Government production in the market sector at present forms some 10% of the overall value of production in that sector. For a number of reasons

government production is concentrated on specific industries. These include energy (public utilities, the Gas Union), basic metals (Hoogovens) and transport and communications (the Posts, Telegraph and Telephone Service, Netherlands Railways, KLM, airports, and municipal public transport). These industries and commercial services often have the potential to play a key role in re-activating the economy and to exert a significant flow-on effect on private companies in the same or ancillary industries, and can therefore form spearheads for selective stimulatory policies. In order to obtain better control over the economy the government's involvement would also, under this perspective, need to be increased in the banking system as a counterweight to the present oligopolistic structure of the market and in order to approach the financing problems of individual enterprises in a broader social context. The experience accumulated with the Postal Giro Service and the National Savings Bank provides the basis for the establishment of a fully-fledged Post Office Bank.

The construction industry also forms a significant area for government involvement. The pace-setting, labour-intensive nature of the industry calls for active government policies in this field. The major expansion in building activity envisaged under the economic scenario is unlikely to be realized if the central, provincial and municipal governments adopt a wait-and-see attitude. There is no lack of available projects; apart from the urgently required replacement or modernization of 19th century urban neighbourhoods, the bill is likely to be presented in the near future for the speed with which post-war construction generally and pre-fab construction in the boom period of the 1960s in particular took place. In a vigorously expanding construction industry with inevitable local scarcities and lucrative contracts, it would be advisable for the government not to lead the building industry world with its characteristic customs and practices into temptation. Government production could instead concentrate on those segments of the building market of less interest to private entrepreneurs, such as low-cost housing and dwellings for the handicapped. Extending the present practice, the emphasis could be placed on greater involvement by the municipalities in the building and rental activities of the housing corporations. In addition there could be an expansion of the system adopted by a number of large municipalities of buying up and renovating dilapidated housing with a view to offering it for letting purposes to non-commercial housing associations.

Greater involvement by the government in the rental field, for example to obtain greater control over tenant allocation policy, would make it a more active producer in the commercial property field. More direct involvement by the central and municipal governments (e.g. through the housing corporations) in the construction and letting of dwellings would have a salutary effect on the socially undesirable practices that have arisen in these fields in the private sector.

Just how far the government should get involved is hard to say, but certainly less than in France.

2.2.7 Taxes, savings and disposable income

On the basis of the situation in 1980, the above data enable an overall, quantitative survey to be drawn up of government transactions. The results are set out in table 2.2, together with those for the remaining perspectives still to be discussed. These reveal that the total sum of direct and indirect taxes would have to rise from N.Fl. 93 billion in 1980 to N.Fl. 173 billion in the early 1990s, i.e. from 31% to 45% of net national product. Of this, N.Fl. 64 billion is the result of funding health care and old age pensions out of taxation. With respect to the structure of indirect taxes, corporation tax and other direct taxes (chiefly income tax), it is assumed that N.Fl. 120 billion would be distributed as in 1980 and that 90% of the rest would be met out of income tax and the remaining 10% by an increase in VAT. This would in

fact broadly perpetuate the 1980 pattern, since a large proportion of additional government expenditure would previously have been financed by contributions (e.g. pensions and health). Indirect taxes would rise from 13% to 15% of net national product, corporation tax would stay at 3.5%, but direct taxes paid by households would rise from 14% to 28% of national income. Allowance for this increase in indirect taxes was made at the beginning of this discussion when analysing the distribution of primary income.

The income tax burden would rise to the point that it could no longer be levied at the present level of progression. The latter would however not need to be retained since much of the increase in taxes would be in lieu of contributions. There would therefore be a significant increase in taxes on lower incomes, thus enabling an appreciable decline in the rate of progression. In the context of a centrally-directed incomes policy, the distortions in the present system of direct taxation could then be redressed. The replacement of contributions by taxes would mean that persons on lower incomes were also able to make use of taxation concessions. For at least some families with a single breadwinner, the family allowances discussed earlier could be replaced by taxation relief, thus obviating the need for national assistance in these cases.

As noted previously net government investment is likely to be around N.Fl. 14 billion, of which N.Fl. 4 billion would come from own savings. Net corporate investment would amount to N.Fl. 54 billion, of which N.Fl. 33 billion, i.e. disposable income, would be saved by the companies themselves. The government and private sector would therefore have a combined financing deficit of N.Fl. 31 billion which, to balance the books, would have to be saved by households.

Under this perspective household savings would not be promoted by placing a curb on higher incomes since the savings ratio generally falls in sympathy with the level of income. Nor will savings benefit from the possible slight rise over time in household consumption expenditure. On the other hand, a high proportion of savings at the present time takes place through pension funds and life insurance, whereby commitments are entered into for the long term. The total level of household savings of N.Fl. 31 billion is not therefore unattainable in relation to the N.Fl. 28 billion saved in 1980. These institutions do, however, tend to favour low-risk investments, so that their savings are likely to flow towards the government on account of the guarantees it is able to provide with respect to interest rates and redemption. The government should therefore be able to continue to rely on household savings to bridge its financial deficit.

The N.Fl. 21 billion household savings not absorbed by the government could be channelled without great difficulty to the private sector if, as assumed under this perspective, companies were able to generate a sufficient level of venture capital themselves. This would occur by means of wage restraint, whereby a proportion of the remuneration due to the factor of labour would be retained by companies and not creamed off in the form of corporation tax. One problem in this regard would be that variations in company profitability would be accentuated rather than evened out under this system. Some companies would therefore be able to generate a considerable volume of savings, whereas others would not. Nor would those companies making profits necessarily be the ones able to undertake the type of investment required for the government's structural policies. The government therefore requires an instrument for bringing about the desired scale and composition of company investment. An appropriate measure for achieving the desired scale of risk-bearing investment would be a combination of a centrally-directed incomes policy with some form of contractual wage investment. A suitable allocation of investment could then be obtained by channelling these funds to a national investment fund, which could also tap the proceeds from profit-sharing schemes.

Having determined taxes and savings, it is now possible to calculate disposable income. In the early 1990s this would be N.F.I. 270, 82 and 33 billion for households, government and companies respectively, or 70%, 21% and 9% of net national product. In 1980 the distribution was 78%, 20% and 1%, i.e. the division in the early 1990s represents a shift away from households in favour of companies. Allowance must also be made for the amount of household savings required to supplement company and government savings, thus leaving N.F.I. 237 billion for household consumption. The figure in 1980 was N.F.I. 205 billion, i.e. a rise of only 16% in the period in question compared with an increase in net national product of 27%. Apart from the relative increase in net investment of 75%, this is the price that must be paid for the socialization of demand.

2.2.8 *The structure of control*

An outline has been provided of the way in which the required level of savings could be generated. In return for wage restraint and the allocation of part of their wages as venture capital, employees would be given greater say. As the employees' representative, the trade union movement could be asked to assume co-responsibility for administering the funds brought together in the national investment fund. By working together the government and union movement would be able to shape investment flows in the economy. Companies themselves would of course retain the freedom not to invest even if offered capital.

Investment decisions would be taken within the framework of a structural policy laid down in broad terms by the government and Parliament. In the context of the sort of structure of production being worked towards, selective investment grants could be provided or alternatively the government could undertake certain productive activities itself. As far as the body required to implement these policies is concerned, a typically Dutch solution would consist of a tripartite organization combining representatives of the government, employers and employees. Such a system would have the advantage of drawing those ultimately responsible for the restructuring into decision-making at an early stage, but it would have the disadvantage that employers and employees tend to be too locked into confrontation to permit constructive decision-making. This has for example been shown by the repeated stalemates in the Socio-Economic Council and the Netherlands Restructuring Corporation (a body in the textiles and clothing field). As interest groups, employers and employees are furthermore overly conservative. These institutional rigidities could be overcome by the appointment of a body of independent experts that was required to work within the government guidelines. The radical changes required to bring about export-led growth demand a policy the operationalization and implementation of which are as free of the conservative pressures of interest groups as they are of the vagaries of politics. In this regard the Socio-Economic Council and other tripartite bodies have a valued advisory voice, but nothing more.

Within companies themselves greater control by employees is required in exchange for their willingness to plough back part of their wages into the company. Together with the government, employees would then be able to shape investment policies in favour of employment. By giving works councils the right to assess applications for grants and the investments themselves in the light of the particular company's strategic plans and the government's structural policies, the money flows in question could be applied more effectively. A works council would also be able to exercise control over project implementation and would have the power to take up innovation proposals which management for whatever reason had decided not to take any further. With trade union assistance, these proposals could then be made public so that they would still qualify for possible financing.

Democratization and an increase in public control can also be effectively combined in the case of companies in difficulties. It was suggested earlier that in return for providing aid to companies, the government could demand a greater say in management, which could of course be passed on to employees and the union movement.

The centrally-directed incomes policy that forms an essential aspect under this perspective would be concerned to achieve a number of important socio-economic objectives, namely that the right person would be found employment in the right place free from coercion but as an act of free choice based on financial incentives; that an adequate level of savings would be generated in order to finance the investment required; and that incomes would be distributed on a socially acceptable basis. If these functions were to be realized by an incomes policy it would no longer be necessary to resort to the distorted instrument of direct taxation in order to achieve an acceptable distribution of disposable income. An effective centrally-directed incomes policy would obviate much of the present need to work along indirect lines. But a centrally-directed incomes policy would also mean that the union movement would have to be prepared to give up its 'inalienable right' to free collective bargaining in exchange for the creation of a better distribution of income, control over investment, and employment. This will not be an easy task.

2.3 Towards a guarantor state

2.3.1 Introduction

Under this perspective greater weight is attached to consumption than to employment and particular stress is placed on the unfettered operation of the markets for goods, services, capital and labour. Of the possibilities examined in Chapter 4 of the report, that of balanced growth with the maximalization of total consumption represented a development broadly in line with this perspective. This development will accordingly be taken as the basis for outlining the sociocratic-liberal perspective.

In technical terms, a balanced growth of consumption of 3% p.a. would be feasible. The rate of growth of production would be of the same order but the volume of employment in terms of the number of man-hours would remain roughly constant. The structure of production would see two principal developments: within industry, a swing away from heavy towards lighter, processing industries, and in the services sector a shift away from services traditionally provided on a public basis towards those traditionally provided on a commercial basis. The latter would indicate a gradual switch in favour of privatization, a trend supported under this perspective. The required level of net investment in relation to net national product of 10–12% is considerably lower than the level of 17–21% that prevailed up to 1975.

Government policies should be primarily generic in nature. In this respect little benefit is expected to be obtained from the streamlining of the bureaucracy as advocated by the technocratic-liberal school of thought; overcoming institutional rigidities will instead often have to amount to withdrawal by government. This would apply not just to public administration in the narrow sense but to the total network of statutory bodies using the powers delegated to or arrogated by them to stifle private enterprise. The guideline under this perspective would be a minimum of substantive legislation in favour of effective procedural legislation and rules. This would mean a break with the practice as it has evolved in many areas of society in the Netherlands. In order to promote the effective operation of the markets as coordinating and allocatory instruments and to render direct involvement by the government in price formation redundant, an effective competition policy would be required.

Negotiations on pay and conditions of employment would be conducted on a company or industry basis, thereby enabling joint responsibility for company viability to come into its own. To this end the government would create a statutory framework but would refrain from substantive interference; it would not, for example, be able to declare a particular collective wage agreement to have binding force for an entire industry. Effective internal democratization at company level would prevent a relapse to the situation in the 1920s. Automatic linkages would be abolished, so that the government too would become responsible for conducting its own negotiations on pay and conditions of employment.

2.3.2 *The distribution of primary income*

As the operation of market forces was improved it would become more attractive to hold shares, so that the public would have a greater incentive to save for risk-bearing purposes. Fiscal measures would help ensure that the bulk of profits were distributed as dividends and not retained by companies, thus promoting the reallocation of funds between companies. A reduction in the highest VAT rates and special consumption taxes – it not being up to the government to decide what constituted luxury consumption – would result in a decline in the government's share of primary income. On the other hand, many of the subsidies to reduce the cost price of goods would disappear. Nevertheless the internationally-speaking low share of households in primary income (81% in 1978) would rise to 85% in the early 1990s. Given a net national product in the early 1990s of nearly N.Fl. 400 billion, this would put the level of household primary income at N.Fl. 337 billion.

Under this perspective the government's involvement in the distribution of primary income, including in the households' sector, would be reduced to a minimum. The key element of such liberalization would consist of the phasing out of the legal minimum wage, based as it is on the misplaced notion of a 'just wage' that saddles private industry with a social function which can at critical junctures undermine the viability of individual companies. While it is certainly the government's responsibility to ensure that nobody drops below the margin of subsistence, this must be done with minimum disruption to the labour market. The scope for doing so will be examined in detail later.

2.3.3 *Unemployment*

Assuming a sustained rise in labour productivity during the current recession, the resultant loss in jobs would be compensated for by economic growth. Consequently employment would remain at nearly 4.8 million in the early 1990s, measured in 1980 man-years. Average primary income from employment per man-year would be N.Fl. 63,500, an increase of 35% in relation to 1980. A key question would then be whether this increase was so large that the problem of unemployment would resolve itself by means of a voluntary reduction in working hours and voluntary part-time work.

Once again one would be confronted with a level of unemployment of 800,000 in 1983 and a secular rise in the supply of labour of some 450,000 up to 1990. Given an unchanged working week, this would bring the level of unemployment to over 1.2 million. Working hours would therefore have to be reduced by 20% to around 32 hours a week in order to achieve a situation of full employment. This implies that over half the potential increase in gross wages would have to be exchanged for greater free time. This is a great deal in a perspective in which wage negotiations would be conducted on a decentralized basis and the profitability of individual branches and enterprises evened out by the operation of market forces alone. In historical terms it would be more reasonable to assume that approximately a quarter of the potential increase in wages and income

would be exchanged for free time. In the early 1990s this would amount to not quite 10% more jobs and a level of unemployment no lower than at present.

One possible solution to the problem of unemployment would be the creation of a greater volume of part-time work than might otherwise be expected on the basis of long-term trends. Proper legal status for part-time employees would be an obvious requirement, but it is questionable whether this would be sufficient to bring about a substantial reduction in the supply of labour in man-years. In the first place it must be assumed that if more part-time work were provided, the number of people seeking such employment would be greater than secular trends would suggest, since both husband and wife will often have to work in order to prevent family income from slipping back too far. Secondly, active stimulation of part-time work by means of taxation concessions or subsidies would not fit in with this perspective at all – quite apart from the fact that some of this effect would probably be lost as the result of a reallocation of responsibilities in families which only resorted to work-sharing in response to these concessions.

Unless the social security system could be redesigned in such a way as to bring about a drastic reduction in the supply of labour, a large and permanent pool of unemployment would remain under this perspective.

2.3.4. *Transfer incomes*

A basic benefit? Under this perspective the welfare state would be converted into a guarantor state. Citizens would be expected to look after themselves, with the security of a safety net provided by the government. One step in this direction would be the replacement of the present complex system of regulations to guard against loss of earnings by a statutory and equal basic benefit for the entire working population. Anything over and above that benefit would be a matter for private insurance, company schemes and the like, but certainly not a government responsibility.

Irrespective of the marital and family situation of the individual in question, the level of the basic benefit would be linked to the average number of hours worked per week, and the duration of benefit to the length of the individual's employment history. The latter linkage would determine the length of time before which the long-term unemployed were transferred to national assistance. In view of the fact that the basic benefit under these arrangements would be deemed an acceptable minimum in social and welfare terms for an ex full-time worker, national assistance benefits would be at much the same level. The major difference would be that the benefit would now depend on the wealth and income of the household of which the benefit-recipient formed part; the element of need would begin to play a role.

At a rough estimate, the level of taxes and social security contributions would be little affected by the precise relationship between the number of people drawing benefit and those on national assistance. If the number of persons entitled to benefit on account of the rise in unemployment and despite the somewhat less forthcoming national assistance treatment of young people and people living together, were put at 200,000 more than under the technocratic-socialist perspective, this would bring the figure to 1.5 million. If benefits amounted to half average earnings from employment (and which were thus below the present minimum wage) the net transfer would amount to 11% of net national product. A situation in which structural unemployment was bought off by a system of basic benefits of which national assistance formed a substantial element would therefore be difficult to accept not so much in cost as in social terms. In terms of this perspective there would be far too many dependency relationships where bureaucratic judgement would have to be exercised in order to implement the national assistance regulations. Nor is it reasonable to require large

numbers of people consistently to reaffirm their right to a minimum existence by looking for jobs that are not there. And then there is the insoluble question of the level at which the basic-benefit safety net should be set. If, despite economic growth and a reduction in working hours, the number of jobs should continue to decline, setting the safety net too low might give rise to social unrest and instability. On the other hand, if set too high, it would begin to act as a minimum wage and interfere with the operation of the labour market.

Negative income tax. The only way of escaping this dilemma is to switch to a system of negative income tax. This is, admittedly, widely regarded as unpayable in countries with a comprehensive social security system, but it tends in these instances to be regarded as something grafted onto the existing system rather than as a completely new system. The concept of a negative income tax was discussed in Chapter 3 of the report, together with the prospects for phasing it in. At this point, it will therefore be sufficient to examine the way in which it would be introduced under a sociocratic-liberal approach and to discuss, in a necessarily speculative way, the influence it would have on the operation of the labour market.

The system of negative income tax is characterized by the fact that each adult would receive a basic income irrespective of whether he or she derived income from whatever source. The cost of the system would preferably be met by means of a proportional levy on all primary incomes in the households sector. In that case the levy base would be equal to the basic income divided by average primary income per Dutch adult, so that those earning the least in society would come out even. In determining the level of the basic income no distinction would be drawn between men and women or in terms of marital status/family situation. These are not matters for the government. The only valid distinction would be that between those deemed able to offer their services on the labour market and those who were not. The latter would naturally receive a higher basic income. In the early 1990s this would involve nearly 1.9 million elderly people and over a million disabled persons, the latter figure being estimated for the entire population aged under 65. This means that there would be around 8.5 million people in the early 1990s who would be able to work, but given the basic income by no means all of these would actually seek paid employment.

In determining the level of the basic income, it needs to be remembered, when drawing a comparison with the present legal minimum wage, that the basic income would not be subject to the payment of national insurance contributions, although taxes for conventional purposes and compulsory health insurance would be payable. Without national insurance contributions but including health insurance, the minimum wage in 1980 was around N.Fl. 20,000, i.e. not much below the average primary income of N.Fl. 25,000 per Dutch adult in that year. The reason why the minimum wage is so high in relative terms is because it is regarded as the minimum required to support a family. The basic income, however, is individualized, so that it can form a substantially lower percentage of average primary income.

Because this perspective would also support a reasonable level of existence for those unable to offer their services in the labour market, the ratio between basic income and average primary income per Dutch adult would be set in this case at 0.5. By doing so the relative standard of living of single people at present in receipt of benefits amounting on a net basis to 70% of the minimum wage would remain roughly the same, while that of persons living together would improve. This difference is an almost inevitable result of individualization.

Those able to work would not be under any obligation to do so. The basic income would however be set sufficiently low to provide a financial incentive to participate in the labour market or alternatively to cohabit with somebody who was. If the ratio were set at 0.3, this would mean that in the early 1990s, when average primary income per adult was N.Fl. 30,000,

basic income would be equal to N.Fl. 9,000. This is a little under half the present minimum wage excluding national insurance contributions and would not be a great deal in relative terms in the early 1990s.

The levy base would now be the weighted average of the two ratios of 0.3 and 0.5, and would amount to 35% of primary household income. This percentage is independent of the number of people in employment or of income distribution. The transfers in the early 1990s would amount to N.Fl. 119 billion or 30% of net national product, including care of the elderly. The system would include a basic income for children, in that family allowances would continue to exist. This would require a further 2% increase in the levy. As noted before, health insurance contributions and taxation for conventional purposes would still have to be added. These must therefore first be estimated before the payability of the system can be discussed. The method of collecting the tax will also be examined later.

Under a system of negative income tax student grants and the like would disappear and national assistance would consist only of incidental items. The original intention of the National Assistance Act, which relied significantly on the sense of responsibility of individual citizens to exercise their right to assistance in close cooperation with civil servants free to act on their own authority, would thus be restored. This would be required because the rapid transition from the present system of social security to a new system of negative income tax would bear more heavily than intended on certain people. Such people might include residents in redevelopment districts, members of minority groups, one-parent families with children and single elderly women who were physically able to work but lacked experience. In terms of present expenditure, several billion guilders would be involved.

Consequences for the labour market. Under a system of negative income tax the minimum wage would lose its social justification, or else one would have to defend the fact that somebody whose existence was assured and who was anxious to work would be better off without a job on the minimum wage than with a job on a lower wage. Because the basic income would also be extended to people who were working, the minimum wage would no longer be brought in through the back door of the social security system. The labour market would further be liberalized by the abolition or relaxation of much of the centralized legislation concerning hours of work, dismissal procedures, shopping hours, temporary employment agencies and so on.

Because a minimum existence would be guaranteed, a considerable number of people would welcome shorter working hours, particularly in those cases where both partners in a family were working. For employers the radical simplification of the social security system and legislation would mean that many of the disadvantages associated with staggered working hours would disappear, the benefits of which could then be fully exploited. Breaking the link between working and operating hours would be particularly attractive, enabling the usage of machinery and buildings to be geared more effectively to need. There would also be more demand for temporary part-time jobs, thus promoting the placement of labour and keeping wage costs within bounds. The small self-employed would obtain greater certainty, so that young people would be encouraged to strike out on their own – factors which should not be under-estimated. Work would also become available which is not at present taken up on account of the high minimum wage and which might help meet the demand for work at irregular hours on the part of those who want to earn a little extra. The generation of such work has not been allowed for in the technical-economic model calculations, so that its scale remains a matter of conjecture.

All in all it is anticipated that a labour market would be created in which the great variety in the demand and supply of labour would be better

managed than under the present system and the available work distributed over a greater number of jobs than under any other social and labour market policy. Unemployment registration would no longer serve any purpose. The scale of unemployment could no longer be pinned down and would cease to be a meaningful concept.

In the above, the ratio of 0.3 between the basic income of those able to work and average primary income was based more on social considerations than on labour market factors. If the number of people seeking employment at this ratio were to remain small it could indicate that the basic income was too high. It could, however, also be that people were not properly qualified, that the quality of the work on offer left something to be desired or that, in the absence of a minimum wage, entrepreneurs tried to drive a hard bargain. Whatever the reason, jobs would remain unfilled, which would pose a threat to economic growth. While a basic income of 30% of average income would remain assured, this would be of little comfort if average income grew only sluggishly or actually declined. It is therefore in the interests of those forced to make do with a basic income that its level should also be determined on the basis of economic factors. A large number of people seeking employment could indicate that the basic income had been set too low. It is, however, also conceivable that closed shops could be formed within which those who had jobs jealously safeguarded their position. This point will be returned to in the discussion of company organization.

2.3.5 Income transfers in kind

Under this perspective people are assumed to be able to articulate their individual needs. Government interference in the expenditure patterns of individual citizens should therefore be avoided as far as possible. As long as a minimum existence for all is guaranteed by the system of negative income tax, the justification is removed for most government interference in tertiary income distribution – quite apart from the fact that many of the assumed benefits of this system flow to those who are not the worst off.

Rent rebates and all kinds of subsidies to non-profit making organizations would be abolished, as would the grants paid until recently out of general revenues towards health care and loss-of-earnings and demographic insurance. This also applies to subsidies to cultural activities, the point being that the provision of a basic income would leave writers, artists and theatre companies at liberty to pursue their interests. The fact that the desire for a higher standard of living might make them more responsive to market forces could do no harm.

Similarly control over market prices by means of cost-reducing subsidies would be kept to a minimum. This applies particularly to the abolition of wage subsidies, public transport grants and the reduction of government grants to housing associations and municipal building companies. The provincial and municipal governments would to a greater extent than at present have to bear the financial consequences of their actions. The size of the construction industry in this technical-economic perspective is comparatively modest because the maximalization of employment is not a primary aim. Over the course of the years, however, the free housing market has been so distorted that non-personal 'bricks and mortar' subsidies could not be fully phased out by the early 1990s. In the case of subsidies and price-support levies on foodstuffs the Netherlands is so tied to EEC regulations that few changes can be made. Taken as a whole, government expenditure on tied subsidies would be reduced from N.Fl. 14.4 billion in 1980 to an estimated N.Fl. 6 billion a year (table 2.2). If the abolition of subsidies should place the lowest incomes under greater pressure than intended, the basic income under the system of negative income tax would have to be increased. In no circumstances would it provide an argument for government interference in expenditure.

Similarly in the case of health care, individual citizens would have the security of a basic safety net provided by the government. Efforts would therefore be made in the direction of a minimum basic package for each citizen funded out of taxation. The obligatory nature of the package would ensure that no charges were diverted to the public sector as the result of under-insurance. Funding through taxation does not imply nationalization of the health system. On the contrary: citizens would be free to choose between insurance companies or health funds evolving in that direction and which provided competitive basic packages, possibly in association with doctors and hospitals. Provided these satisfied the minimum requirements as regards the level of care and eligibility to take part, the tax contributions would be passed on in proportion to the number of members. In this way substantive interference by the government with the insurance package would be kept to a minimum and the operation of market forces given full rein.

Under the perspective the size of the health sector would grow by only little to N.Fl. 29 to 30 billion. This control would be partly achieved by limiting the public share (i.e. the provision of basic facilities) to 70%. The remaining 30% would be built up by excluding from the basic package 15% of the facilities currently provided by the health funds. This is roughly the maximum attainable. The remaining 15% would come from patient co-payments, which would often be required in the case of first contacts and where a choice of various routes would be available. In this respect the insurance companies would be able to establish distinctive competitive images.

In this way the public share of health care would be reduced to 5% of net national product. The levy base for health-care taxation would consist of all forms of household income, i.e. including basic income. This would ensure that a change in this item would not result in an undesired shift in the ratio discussed earlier between basic and average income and that those forced to rely primarily on a basic income would remain cost-conscious. Given a level of primary household income of N.Fl. 337 billion and transfers in the framework of negative income tax of nearly N.Fl. 120 billion, this would make the levy base N.Fl. 457 billion, which would make for a tax rate of 4.5%. This is so low that the size of the health sector might as the result of supplementary insurance turn out larger than envisaged under this perspective. In this respect the supply of medical, paramedical and nursing staff need not form an insuperable obstacle.

2.3.6 Government activities

Under this perspective the production of goods and services that can be managed by the market would in principle be left to private enterprise and government participation kept to a minimum. In comparison with the present situation this would entail a marked switch in the direction of free enterprise and cutting back the role of the government as a producer. Apart from the traditional government area of education and public administration, there would be a far-reaching process of privatization.

On the basis of the technical-economic model calculations the size of the education and administration sectors would increase by only 9% between 1980 and the early 1990s. This would be a break with the past, when the complementary nature of many government activities meant that the growth of these government sectors generally kept pace with that of the economy in general. Even under this perspective such complementarity would remain inevitable in the case of the traditional responsibilities of public administration, justice and defence, meaning that other areas of government responsibility would have to decline in absolute terms and putting an end to the growth in state commercial monopolies.

Privatization and where possible the application of the user-pays principle within the education and administration sector would not go far enough

unless education were to be reorganized along commercial lines. Like all other adults, students in higher and university education would be receiving a basic income, but this would only be sufficient for personal maintenance. The studies themselves would to a much greater extent than at present have to be financed by taking out commercial loans or entering into contractual obligations with future employers. This development would also mean that universities and institutes of higher education would become more detached from the government and thus be able to realize their present claims to independence.

On account of the limited growth of the government sector, the complementary government expenditure on goods and services also increases by only a few billion guilders to approximately N.Fl. 64 billion. A further consequence of this limited growth is that public investment would amount to only N.Fl. 4 billion, i.e. half the level in 1980.

2.3.7 Taxes, savings and disposable income

Taking the situation in 1980 as the starting point, and on the basis of the above discussion, a general survey may now be provided of government transactions in the early 1990s (Table 2.2). As noted in the discussion of the distribution of primary income, indirect taxes at N.Fl. 45 billion will lag somewhat behind the trend in domestic expenditure. This means that, apart from covering the system of negative income tax and the basic health package and family allowances, a further N.Fl. 27 billion would have to be raised by means of direct taxation. This figure includes the provision for net investment. In 1980 nearly a fifth of total direct taxes was raised by corporation tax, but in order to improve the climate for free enterprise, this share would only be retained under this perspective in relation to the N.Fl. 27 billion. Funding of the system of negative income tax, family allowances and the basic health package would devolve entirely onto the households sector. As in the case of the fiscalization of health care, the tax base would be formed by all forms of primary income plus total transfers in the context of negative income tax, which together come to around N.Fl. 457 billion. This would make for a tax rate for ordinary government expenditure of a little under 5%. In the case of basic incomes, some 10% would be retained in order to cover these outlays and to fund the public component of health care.

The tax contributions required to fund the system of negative income tax, family allowances, the public component of health care and traditional government activities would amount to 50% of household primary income. This would seem on the high side for a perspective that sought to curb the importance of the public sector. Negative income tax, however, is concerned with redistribution on strictly objective grounds, in which respect the government has no control whatever over expenditure. In assessing the level of the tax rate it should also be borne in mind that, as it is, 46% of the pay of a modal worker is deducted in the form of national insurance contributions and direct taxes. The 50% level would furthermore be the marginal rate, whereas for many employees the marginal rate is already well above that.

Apart from the possibility of a super-tax on high incomes, the tax would be levied on a proportional basis. Tax could therefore be collected at source across the full range of wages, salaries, dividends, interest and the like paid to private households by companies and the government. It would therefore appear that this tax could be collected without much scope for avoidance. This, to a much greater extent than the level of the tariff, would determine the payability of the system.

Under this system of collection the sources from which a citizen obtained his or her income would be a matter of indifference to the government:

privacy could therefore be broadly respected. Only in those instances in which a citizen wished to make use of the few taxation concessions available under this perspective would privacy be breached, but that would then be a matter of deliberate choice. The method of collection would also mean that each Dutch adult, irrespective of income, would have the basic income credited to his or her account each month. Those earning below-average earnings – who form the majority – would find that in net terms, they came out on top when comparing the basic income with the deductions made from their pay to finance the scheme. They would therefore see what their taxes are being paid for.

In the constellation of money flows as presented above, the primary income of the enterprises sector of N.Fl. 14 billion is easily the lowest of any of the perspectives. Only N.Fl. 9 billion is left by way of disposable income or own savings after deduction of direct taxes. This is because enterprises are not envisaged as self-financing under this perspective. Profits are largely distributed and new activities set up with the aid of new venture capital. It would therefore even be conceivable for primary income and own savings to be negative and the corporate sector nevertheless to be in a healthy state. The required level of net investment by enterprises would be N.Fl. 37 billion. Since it is assumed that the government would fund its own investments of N.Fl. 4 billion out of taxation, households would have to save a total of N.Fl. 28 billion for recycling to the business sector. Considerable reliance is therefore placed on the preparedness of private households to generate the necessary level of risk-bearing savings.

This comes down to the fact that of their disposable income of N.Fl. 320 billion, households would retain N.Fl. 292 billion for consumption purposes. In 1980 the figure was N.Fl. 205 billion, so that consumer expenditure would rise by over 40% in the period in question. This is more the result of privatization and the virtual stagnation of net investment compared with 1980 rather than of the rise in net national product. At the same time, it should be noted that a greater number of payments have to be made.

As far as the personal distribution of disposable income is concerned, the system of negative income tax would set a bottom limit. The reduction in the progressiveness of direct taxation would in the first instance be to the net benefit of high-income earners. Over time, however, it is anticipated that an adjustment of gross salaries would take place in the light of the new tax structure. Given the fact that wage negotiations would be conducted at company level and also that there was no central incomes policy, relative scarcities would be likely to be reflected in the pay structure so that a reasonable spread in disposable income would still be achieved despite the introduction of a basic income. Functional income differentials are required not just in terms of the allocation of labour but also in order to secure the required level of macro-economic savings, since a high propensity to save is assumed on the part of private households. The latter can only be achieved if the distribution of income is not excessively compressed. Under this perspective the allocation and savings aspects of the distribution of income thus broadly operate in parallel.

In the same way that the allocation of labour is handled by market forces, price formation would play an important part in the distribution of capital between enterprises and industries. In this respect the government should seek to promote the operation of the capital market. The demand for venture capital will have to be satisfied by the encouragement of savings for such investment purposes, either directly or through life assurance companies and pension funds. There would be no question of detailed intervention by the government, for which reason general purpose tax concessions should be used instead of all sorts of rules and regulations.

The effective operation of the capital market would depend on corporate profits not being automatically reinvested at source. Corporate self-financing on a large scale would interfere with the recycling of savings. For this reason it would be desirable as far as possible for profits to be distributed

to shareholders and then to be reinvested. In order to promote the recycling process double taxation should at least be eased by a reduction in corporation tax. On the one hand this would help prevent the payment of dividends from being held back for tax reasons while on the other tax concessions on dividends would make it more attractive to invest in shares than in gilt-edged securities. The attractiveness of equity investment could be further enhanced by exempting dividends from income tax. This would also have the effect that investment in shares would be encouraged throughout the community. Stimulation of the willingness to take financial risks by the investment of savings in private companies would also promote a sense of appreciation in society for the system of private enterprise. This in turn provides the basis for the confidence in the operation of the market economy which characterizes the sociocratic-liberal view. In order to restore such confidence close supervision of the activities of the stock exchange would be essential along the lines of the Security and Exchange Commission in the United States. Enterprises would have to be made to provide periodic and detailed information, attested by independent bodies, on their affairs.

2.3.8 *The structure of control*

This perspective attaches great importance to the privatization of production. This entails not only the transfer of production from the government to the private sector, but also the creation of the right conditions for the market to act as an effective instrument of coordination and allocation. These form essential preconditions for responsible entrepreneurship. The keynote of government policy would be minimal substantive but adequate procedural regulation. Apart from consumer protection, liability procedures and the like, procedural regulation would be primarily concerned with bringing about an effective structure of competition. In those areas where the Netherlands has effective competition legislation, the need remains for the web of directives and prohibitions with which private enterprise has been surrounded in recent decades to be cut back. Although, as in the United States, there is a growing academic interest in the Netherlands in deregulation, and certain proposals have in fact been worked up at bureaucratic level, no definite steps in this direction have so far been taken in policy terms. So that the private sector knows where it stands, some swift political decision-making will be required on the content of the deregulation programme. Implementation of the programme is likely to take the whole of the next decade, since care will have to be taken to ensure that new distortions of competition are not brought about in the process. A start can be made by relaxing or abolishing those regulations that bear on relatively few parties.

The deregulation programme would be concerned with unblocking the various markets. In particular, rigidities will have to be eliminated in the labour market. The regulations introduced in recent decades have centred on industrial relations and welfare entitlements and have tended consistently to strengthen the position of the opponents of the entrepreneur: employees (both individually and collectively), users, consumers, tenants, local residents. In this respect trade unions and other groups have often acted in concert with the government. The displacement of responsibility for economic activity from the government to private enterprise would therefore simultaneously involve a shift in power in favour of the entrepreneur. Under this approach, such a shift is considered indispensable for the revitalization of the economy.

This view is based on the starting point that the limiting conditions within which an enterprise should operate should not be imposed from inside by groups of employees or a specially appointed commissioner but from outside by the responsible organs of society. This applies also to the environment, consumers, local residents and the national economy. A high measure of openness to the public is a prerequisite for external controls in

these fields to work properly. Apart from environmental impact statements, social and innovation impact statements can play an important part, as can reports on research and activities in the Third World.

In addition to ensuring that the interests of all groups involved in a particular company are equitably handled, the supervisory board should be charged with a special responsibility for the maintenance of open channels of communication to the outside world. This does not eliminate the fact that management should remain the central body within the company, so that it can respond promptly to changing circumstances and profit-making opportunities. For both shareholders and employees, co-determination should take the form not of co-administration but of well-developed advisory powers and consultative rights. Shareholders' powers have been seriously eroded, but their contribution in the form of the provision of venture capital has remained unchanged. It is reasonable that employees should be enabled to share in the profits achieved by their efforts. At the same time, however, the provision of a basic income means that the financial risks should not be automatically passed on in their entirety to shareholders.

Consultations leading to binding agreements between the parties in question concerning conditions of employment should be confined to company level, where the costs stemming from those negotiations have to be borne. It is also at this level that the specific circumstances and prospects can best be assessed. This does not mean that consultations at national or industry level are of no utility. Exploratory consultations between the social partners and between them and the government are of major importance for the exchange of information and mutual interaction. But counter-pressures are required in order to resist the in themselves understandable efforts by government to make organized industry accept responsibility for the agreements reached. Statutory bodies such as the Socio-Economic Council should therefore be converted into organizations governed by private law. Collective bargaining should be rejected since it interferes excessively with the operation of market forces. This might mean that relations between the works council and company management became more subject to conflict. On the other hand, however, the very fact of negotiations at company level means that aspects other than those laid down by statute can also be regulated. In addition the two parties are too dependent on one another not to seek some means of conflict resolution.

This perspective would see a marked change in the position of the trade union movement. Conditions of employment would now be bargained at company level, and the works council would assume greater importance in the context of industrial relations. This would not render the union movement redundant; influence could still be exerted on the operation of the works council through union-management consultations.

The strengthening of decision-making powers at company level with respect to conditions of employment could result in employees giving in more easily to the tendency to withdraw from the operation of the market at times of high unemployment. This could result in a system of closed shops and a fatal division, in terms of this perspective, between those fortunate enough to have found entrenched employment and those able to count only on the basic income. The government would therefore retain a major responsibility for the promotion of effective competition in the labour market.

A marked switch of emphasis in favour of the functioning of individual companies would at the same time mean that greater social and economic inequalities would be allowed to arise in certain areas. These would not be reduced by ensuring that the government introduced measures to promote competition in all areas of economic activity: greater income, wealth and power differentials are an inescapable part of an efficiently operating market economy. A trend towards greater inequalities is the price that has to be paid for the decentralization of the socio-economic process.

2.4 Towards a sustainable society

2.4.1 Introduction

Under this perspective it is assumed that the current economic stagnation is structural in nature and can only be overcome by the creation of conditions in which citizens are able to play their part in giving shape to a sustainable and just society. This requires the establishment by the government of a new framework for economic activity with the emphasis on the decreased consumption of energy and raw materials, the renovation of durable consumer goods and recycling of what is now regarded as waste. An important step in this direction would be a selective and substantial increase in indirect taxes on energy, raw materials and products manufactured or processed in the industrial sector. In Chapter 4 of the report a technical-economic perspective of voluntary austerity was outlined in terms of the sociocratic Christian Democratic view. Taken together with the policy perspectives from Chapter 3, this perspective will be elaborated in this section into a socio-economic perspective, with the types of policies and behaviour being examined that would be required in order to convert the various possibilities of the technical-economic perspective into reality.

Under this perspective the growth in national product would no longer be used for consumption purposes but to achieve a structural export surplus to be used for development aid, and to raise the level of investment required in order to achieve the objectives in relation to the environment, energy and employment. Net investment, which in 1980 was 12% of net national product and declining, would have to rise in the next few years to over 20%. The energy conservation and pollution control industries would require a high level of investment. Among other things this would be stimulated by a substantial increase in the price of energy. The economic restraint this would bring about could eventually lead to changes in the system of production in the direction of more labour-intensive production, but would have an adverse effect on employment in the monetarized section of the economy during the comparatively long transitional period. The increase in investment would ensure that despite the lower growth pattern, employment stayed at the same level. Per capita consumption would decline by approximately 1% per annum, and there would also be a radical change in the pattern of consumption. Consumption in the energy sector would decline by 4% per annum, while in the agriculture and foodstuffs industries and in the service industries such as commerce, the hotel and restaurant trade and maintenance there would also be an above-average decline in consumption.

While employment in the formal, paid sector of the economy would be squeezed, there would be a stimulus for indispensable activities in the 'autonomous' sphere and in the grey area between formal and informal production. The government would give expression to the importance attached to unpaid work in the form of a basic benefit paid to those not in paid employment but who were performing useful activities of some other kind. The link between work and income would not therefore be abandoned but placed in a wider context. The intrinsic need for a meaningful existence and the factor of social control would together ensure that any citizen participating in society would be able to make him or herself useful in some manner or other. The most important category in receipt of such a basic income would be formed by those performing various kinds of care. Recognition of such work would strengthen the family and encourage the development of new social units based on the solidarity provided by role differentiation. Care could also relate for example to elderly persons in the same neighbourhood or to one's own parents in a three-generation family.

In this way unbridled economic growth in the 'heteronomous' sphere of the economy would be reined in while at the same time room would be created for the performance of more autonomous productive activities. The

participants in the two economies would supplement each other's needs, and there would be no question of the sort of levelling that occurs when everybody is forced to seek work in the monetarized economy upon the compulsory introduction of shorter working hours.

2.4.2 The distribution of primary income

In order to achieve the shifts in production and consumption characteristic of voluntary austerity, an important instrument would consist of an increase in indirect taxes (especially VAT and excise) and a simultaneous shift of these taxes towards energy and other raw materials that cannot be competitively produced in the autonomous sphere. The existence of numerous adjustment mechanisms in the economy means that considerable burden shifting would be required in order to achieve the desired effects.

In 1980 government revenue from investments and holdings plus indirect taxes amounted to nearly N.Fl. 60 billion, or 20% of net national product (Table 2.2). After deducting cost-price reducing subsidies and interest on the national debt, this left 12% of net national product as primary income. On account of the openness of the economy (which also forms an implicit part of this perspective), there are limits to the extent to which indirect taxes could be increased. While a system of countervailing import duties could be introduced, the border can always be circumvented or traversed. Moreover, the countries surrounding the Netherlands place greater stress on indirect taxation and it would not – in terms of this perspective – be inconceivable for them to counter the same structural problems by means of a selective increase in indirect taxes.

Under this perspective it is assumed that indirect taxes would double, resulting on balance in an increase in the share of government in primary income to 23% of net national product of N.Fl. 357 billion in the early 1990s. Because an increase in the share of enterprises in primary income would be required on account of the large investment requirement, it has been assumed that the share of private households would decline to 65%. Given the fact that the number of Dutch persons aged 18 and over would at the same time increase by 73.5%, and that net national product would rise by only N.Fl. 55 billion to N.Fl. 357 billion, primary income per Dutch adult would decline from approximately N.Fl. 25 to 20 thousand a year. Against this, part of the extra primary income of the government would flow back to households in the form of basic benefits. Part of the informal transfers within families would thus be switched to the formal part of the economy.

Given the allocation of primary income between households, government and enterprises, it needs next to be examined how primary income would be distributed within the households sector. In the early 1990s primary income would have to be distributed over 4.8 million people with an average working week of 40 hours. This would put average primary income from employment at N.Fl. 43,300 per man-year.

A system of selective basic incomes means at least that those who have undertaken caring responsibilities in a family or other social unit would have an independent right to income. The old, Christian-inspired principle of a 'just wage' would thereby be realized in the secondary sphere. The view that the legal minimum wage should be sufficient to maintain a family with a child would thus be abandoned, so that the minimum wage could be geared to the needs of the individual. It could then be placed at 50% of average income from employment, as against the ratio of 0.63 in 1980. Under a system of decentralized wage negotiations, the increasing scope for income differentials, particularly at lower income levels, could be exploited in varying ways. Full use could be made of the scope for differentiation; the actual minimum could be set above the legal level; or income equalization could be pursued by setting up company or industry funds. This would not however be a matter for the government.

The system of decentralized wage negotiations envisaged under this perspective means that government involvement in wage formation would decline. It would instead be sufficient for the government to establish a foundation in the form of minimum wages and basic incomes. The government would also be free to deal separately with its own employees. As it is, the government, by acting as a trend-follower, tends to become the victim of wage increases in other industries where productivity has risen more rapidly than in the quaternary sector. The comparatively large supply of labour in this sector makes it possible for civil servant salaries to be unlinked. It means, however, that the government would have to allow for strikes in vital public services as an instrument in wage negotiations.

There would be no place in this austerity perspective for excessively high incomes associated with conspicuous consumption. Given the lack of a centrally-directed incomes policy, such incomes would be controlled as best as possible by a highly progressive tax structure and/or higher wealth tax.

2.4.3 *Unemployment*

Under this perspective, three radical policy measures would serve to keep employment at a reasonable level despite the emphasis on lower consumption. In the first place, the increase in labour productivity would be diminished by the creation of 120,000 jobs designed to enlarge the potential for creative development, communication, collegiality and participation in the work-place. Secondly, a high level of investment would be achieved by switching to alternative forms of energy and to energy conservation techniques, even where these were not profitable in a strict economic sense. Relatively capital-intensive forms of pollution control would also find a place. Finally, a trade surplus of 5% of net national product would be aimed at in the interests of the Third World. This is a great deal for development aid, but the blade would cut on three sides: the aid itself, the actual economic restraint and the domestic creation of satisfying work.

Despite these measures the policy of voluntary austerity would result in a slight drop in employment. This perspective too, therefore, would be faced with a major unemployment problem. As it is, unemployment in 1983 stands at 800,000. To this may be added a secular increase of 450,000 up to 1990, with the possibility of an even greater rise on account of the squeeze on household incomes. This squeeze will also mean that voluntary reductions in working hours would offer little hope.

The solution under this perspective would consist of a basic income for those who withdrew or did not enter the labour market. This would then give expression to the value attached to unpaid work, while the incentive to enter the labour market would be significantly reduced; in contrast to the basic income paid under a system of negative income tax, this form of basic income would not be payable to those in receipt of income from paid employment.

2.4.4 *Transfer incomes*

Insurance against loss of earnings. Under the socialist perspective, government policy would be directed towards bringing and maintaining as many people as possible under the coverage of a universal form of insurance against loss of earnings as part of the goal of distributing the available volume of employment as effectively as possible among all those able to work. Under the perspective of a sustainable society, however, this policy aim would not have primacy, with the result that loss-of-earnings insurance would be closely related to an individual's employment history. The duration of benefits would also be limited. The loss-of-earnings insurance

would provide for benefits to be set at the level of the minimum wage. Anything over and above that would be a matter for the particular company, industry or individual but not for the government, and would therefore fall outside the scope of the public sector.

The contributions payable for such insurance may be worked out on the basis of the formula elaborated elsewhere⁴. Setting benefits at the level of the minimum wage would mean that parameters a and b in the formula would be equal to 1 and 0 respectively. The size of the active labour force in this perspective would be 4.8 million. The number of benefit recipients would depend closely on the limits chosen for transferring the long-term unemployed and incapacitated to national assistance or onto the basic income. In this respect, therefore, the situation differs markedly from that at present. In the calculations made for this section it has been assumed that the number of people under the loss-of-earnings regulations in the early 1990s would be half a million. (Sick persons are again not taken into account.) Contributions towards this type of insurance would be less than 5% of earnings plus benefits. This is low, but then the system is confined to basic coverage for a limited group and for a limited period.

Selective basic incomes. The basic incomes are designed for those who do not enter or who withdraw from the labour market in order to undertake unpaid activities. Since these incomes would not be subject to any form of control, they would in fact amount to individual benefits which were not subject to registration for employment or to a means test. For purposes of analysis, a basic income of N.Fl. 10,000 a year has been assumed, of which some 18% would however be deductible in the form of old age pension and health contributions. The minimum plus the basic income would thus amount in gross terms to over N.Fl. 31,000 a year, so that it could not be claimed that the poor were being made to bear the burden of economic austerity. The lowest income categories would in fact find that their incomes rose slightly. One form of a selective basic income that did not discriminate in terms of marital/family status would be a basic hourly wage for each hour less than the normal working week of 40 hours that a household worked for income. In this way families would be enabled to opt for the traditional pattern but experiments could also be made with other forms of work sharing.

A selective basic income of this kind would also be attractive for school-leavers, students and young adults who still had to make their way in society. It would also be perfectly conceivable under this perspective for the basic income for young people to be subject to an age-related deduction. In addition the basic income could be of relevance to small self-employed persons without any employees and who were engaged in activities in the handicrafts field, maintenance, repairs and renovation, and who fell short of a given income threshold. The same would apply to artists. Depending on the level of their income, such people would receive a (partial) basic income. Another aspect would be that organizations of recognized social utility would be enabled to appoint volunteers from the category of basic-income recipients. In order to make this attractive to single people, the basic income of N.Fl. 10,000 could be supplemented by a fee. In this way, in the grey area between the 'heterogeneous' or formal sector and the 'autonomous' or unpaid sector, work would be created that was both satisfying and socially relevant.

The number of people who would avail themselves of the basic income will be returned to in the discussion of national assistance.

Demographic insurance. This is taken as including family allowances as well as state old age pensions and the general widows' and orphans' provisions. Under this perspective family allowances would continue to apply for children aged under 18. Beyond that age the basic income would in principle apply in the absence of paid employment. The limitation of

⁴ See footnote 3.

family allowances to children under 18 and the low number of children in the early 1990s would mean that family allowances would take up no more than 1.5% of net national product.

Basic incomes and family allowances combined would be insufficient for widows required to bring up dependent children. The widows' and orphans' benefit provisions would therefore continue to apply instead of the basic income. The distinction with incomplete families brought about by divorce and which come under the national assistance regulations would be justified in terms of the difference in the controllability of the risks.

Under this perspective benefits payable under the General Old Age Pensions Act (AOW) to unmarried persons would be subject to a 'net-net' linkage to the minimum wage. The ratio between married and unmarried persons' state pensions would remain at 1:0.7. For married people this would mean a pension of nearly N.Fl. 30,000 a year, possibly payable in the form of two equal parts of N.Fl. 15,000 per person. These figures include a restitution for loss-of-earnings insurance contributions. The total cost of these old age provisions would be around N.Fl. 32 billion. The funding of state pensions through the tax system would not be consistent with this perspective since the link between sacrifice and benefit would become too obscured and industrial organizations would be left too little scope to distribute the burden internally. Assuming that the levy base for contributions to the AOW Fund was formed by the sum of basic incomes, national assistance and unemployment benefits, primary income from employment and the AOW payments themselves, average contributions would then amount to 11.1%.

National assistance. In contrast to the original intention, national assistance would become a facility for the long-term unemployed, long-term incapacitated and people without previous employment. Because insurance against loss of earnings would be conceived in a highly restrictive sense, national assistance would necessarily be on a large scale. National assistance would be higher than the basic income, but would also be tied to special conditions. Those able to work would, as at present, be required to register for employment. In addition there would be a means test, under which, in each household, exempt income would be confined to the national assistance benefits plus the basic income of the partner. If these benefits are set at 80% of the minimum wage this would bring the exempt level to N.Fl. 17,500 a year. This would, however, be subject to the payment of income tax. In a family in which the partner also performed no paid employment, the benefits would be accompanied by a basic income, so that minimum family income would come to approximately N.Fl. 27,500 a year.

Of the 9.6 million people aged between 18 and 65 in the early 1990s some 5.3 million would be participating in the labour market or in compulsory loss-of-earnings insurance arrangements. This would therefore leave 4.3 million potential candidates for basic incomes or national assistance. At a rough estimate approximately one million people would make no use of these facilities, for example because they fell under early retirement benefit provisions, were in receipt of benefits from private loss-of-earnings insurance schemes or because their joint earnings with their partners were so high that it was no longer worth applying for a basic income in net terms. National assistance recipients would include those unable to work, one of the partners in families in which both had no work, and a proportion of single people. This would readily amount to 750,000 people, bringing the level of national assistance to N.Fl. 13 billion. The level of basic incomes payable would then be N.Fl. 25 billion. The sum of these two would not be particularly sensitive to shifts in their respective importance.

It may be argued that the above system of income transfers would require the government to act in a way that did not fit easily into a perspective based on non-intervention by government. This may be regarded as the

price that has to be paid for bringing about the desired social changes. If this should be too high, a system of basic incomes for all, as under a negative income tax, could be adopted instead, except that funding would preferably take the form of indirect taxes. In abandoning the element of selectivity, however, the system of basic incomes would lose its value as an instrument for controlling the supply of labour.

2.4.5 *Income transfers in kind*

Under this third form of income distribution, health care would once again play an important role. At N.Fl. 27 billion, the scale of the health sector in the early 1990s would be somewhat smaller than in 1980. This would in part be due to the re-appraisal of the concept of health, as a result of which there would be a greater measure of integration into daily life of the mentally handicapped, the elderly would spend a longer period in familiar surroundings, and there would be a shift in welfare activities towards voluntary services, and so on. In social terms these changes could make a major difference, but in financial terms the consequences would be limited.

As under the liberal perspective, the aim would be to work towards a basic health package for all covering 70% of the cost of health care. The remaining 30% would consist partly of additional facilities covered by voluntary insurance and partly of patient co-payments. The size of the public health sector would then be reduced to N.Fl. 19 billion. The particularly large supply of labour in the medical sector would mean that the consequences of the relatively small rise in labour productivity would to a large extent be reflected in the remuneration of the factor of labour. This would be accentuated by the fact that the trend-following nature of civil servant salaries would no longer apply.

In implementing the new arrangements, the health funds would play an important part, being left free, within certain limits, to decide on the content of the basic package. Public health insurance would be funded by a contributions system. The contributions base would be formed by the sum of private household income, i.e. primary incomes, benefits, basic incomes and old age pensions, thus limiting the average contribution rate to a maximum of 6.5%. Nor would these contributions necessarily be paid by wage and salary earners alone; contributions by employers would also be conceivable under this perspective, in terms of their responsibility for the welfare of their employees. Similarly government contributions would not necessarily be ruled out.

Only limited value is attached under this perspective to selective subsidies as a redistribution mechanism; the further socialization of demand would not be an obvious course of action. This would have a particular effect on the volume of subsidies paid to non-profit making organizations operating in the welfare, social, cultural and recreational fields. Such cuts would not imply that no importance were attached to work in these fields but would reflect the flexibility these organizations had obtained in being able to appoint volunteer workers without loss of their basic incomes. The deprofessionalization this would entail would be viewed positively.

The necessary restructuring of the housing stock would render the 'bricks and mortar' subsidies payable on dwellings and housing association grants indispensable. In view of the fact that renovation and urban redevelopment would primarily concern rental accommodation, individual rent rebates would also remain required for the time being. In very general terms, total estimated expenditure in this field would be unlikely to alter a great deal. The instrument of individual rent rebates would not be particularly consistent with the emphasis placed under this perspective on personal responsibility and the protection of individual privacy, but would be outweighed by the importance of stimulating the construction industry.

Public transport is regarded as a facility of particular benefit to the weaker members of society and also as a good deal more environmentally acceptable than private motor transport. Although great importance is attached under this perspective to the integration of living and working, thus reducing the need for mobility, the division between living, working and recreation brought about by the policies of recent decades could not be suddenly reversed. Large-scale subsidization of public transport would therefore be justified. Finally wage subsidies would be required in order to create 120,000 jobs with improved job-content, particularly in enterprises competing in the international market.

Taken as a whole, the level of selective subsidies and tied transfers would end up a little higher than the level of just over N.FI. 14 billion in 1980 (see Table 2.2).

2.4.6 *Government activities*

Under this perspective the volume of government production in education and administration (including defence) would rise by a quarter, i.e. slightly more than proportionately than net national product. The increase in expenditure on education is related to a far-reaching process of decentralization, under which a wide range of existing and new social movements would be encouraged to make their own particular demands on education facilities. In particular, considerable resources would be required to expand the adult education system. So much weight is attached to this objective within this perspective that the socialization of demand is in order. In addition the preference for the conventional defence of Dutch territory means that allowance would have to be made for a possible increase in defence expenditure. Objectives in the defence field are considered in Chapter 8 of the report.

Current government expenditure on goods and services would grow in sympathy with government production by N.FI. 5 billion to N.FI. 22 billion. Net government investment would however rise more quickly by N.FI. 7 billion to N.FI. 16 billion a year. Of this, it is assumed that N.FI. 10 billion would be raised out of own savings. This comparatively large rise in net investment would ensure that, despite the policies of voluntary austerity, enough jobs would still be created. In so far as this investment is directed towards housing construction this would form part of the aim under this perspective of a thorough restructuring of the infrastructure and housing stock, thus making it possible for the community to adopt a more restrained life-style in which there was less need for transport, a greater housing density and lower energy consumption. A vigorous approach would help ensure that people were not forced to adopt a life-style for any length of time that conflicted with the need to husband finite resources.

2.4.7 *Taxes, savings and disposable income*

The total level of taxation would rise from 31% to 46% of net national product (Table 2.1). A large part of this rise would be result of the introduction of a system of basic incomes, whereby income transfers now located in the informal sphere would be transferred to the formal part of the economy. The rise in taxation could not, therefore, in itself be taken as a reduction in personal disposable income.

As noted earlier, the extra financial resources required would under this perspective be raised by a selective increase in indirect taxes (VAT and excise) aimed at guiding consumption in the direction of economic restraint. By this means the input of labour could for example be favoured over the input of energy. The collection of indirect taxes is, moreover, considerably more straightforward than that of individualized direct taxes. Consumption could be directed towards more everyday needs by means of higher excise duties and a super VAT rate. The purchase of boats, expensive

cars, video-recorders and other luxury goods would be discouraged. The shift in the pattern of consumption would moreover mean that indirect taxes would take over from direct taxes the task of compressing income and wealth differentials. Such a compression would be required since the need for simplified administration would mean that taxes would have to be universal in nature instead of based on individual capacity to pay. Furthermore, the need to generate private savings would make it important for these savings to be exempt from tax. By gearing taxes towards the need for austerity they could be freed of their present emphasis on achieving a more equal distribution of income. This would not rule out the possibility of super taxes to discourage conspicuous consumption. For the rest there would still remain appreciable income differentials under this perspective.

The technical-economic perspective indicated a high level of investment to be required in order to bring about the desired changes in the structure of production. A matching level of savings would of course have to be generated. Under this constellation of money flows, the level of disposable income of households, government and enterprises in the early 1990s would be N.FI. 226, N.FI. 83 and N.FI. 30 billion respectively. In comparison with 1980, this marks a shift away from households in favour of enterprises. The financial deficit of the government and of enterprises respectively would be N.FI. 6 and N.FI. 25 billion and would have to be covered by savings by private households. Despite the growth in national income and the size of the Dutch population, the level of private consumption would decline to under N.FI. 200 billion in the early 1990s. This may be compared with N.FI. 205 billion in 1980.

The government can fund its financial deficit by borrowing in the capital market, since government stocks are always attractive during times of sluggish growth. This would, however, make it more difficult to raise the required level of venture capital. One relieving feature in this respect is the possible opening-up of income differentials resulting from the system of decentralized wage negotiations, which would help since higher income groups have a higher propensity to save. Private savings could be further encouraged by the exemption of savings from income tax and additional taxes on luxury consumption expenditure. If, however, the volume of savings should prove inadequate, the government would then have to devise other means of stimulating household savings (although there would be limits to the use of government powers under this perspective). Another issue would concern the allocation of savings, since it is questionable whether individual citizens would be prepared to invest in energy and environmental-safeguarding projects in preference to high-yield investment projects. Similarly institutional investors are required to minimise their investment risks. These factors form important stumbling blocks.

One point deserving special attention is the high level of expenditure on development aid of 5% of net national product under this perspective. A proportion of Dutch production capacity would be reserved for expenditure by Third World countries. Given the scale of the necessary investment, this means that the claims of the household sector on that productive capacity would have to be kept limited. Whatever the level of private involvement, it appears unlikely that the sums in question could be raised by voluntary savings, for which reason development aid has been included under government expenditure.

2.4.8 The structure of control

This perspective places greater practical emphasis on the principles of subsidiarity and the devolution of sovereignty. The principle of subsidiarity relates to the distribution of powers between the various levels of administration within given spheres of life, while the principle of the devolution of sovereignty concerns the distribution of powers between the

various levels of society. Both principles are concerned with the concept of shared responsibility. The possibility of transferring managerial responsibility for dwellings to housing corporations may be cited as an example. Given the emphasis under this perspective on the expansion of housing construction, renovation and urban redevelopment, it is important that this sector should not be left in the hands of private investors concerned only with obtaining a high rate of return. Corporations are much better placed than the government to supervise the way in which investments are handled.

Under this perspective the system of pay negotiations at branch level is seen as the main instrument for changing the distribution of primary income. This approach has its origin in the emphasis placed on the wider distribution of responsibility. The primary responsibility for the distribution of the jointly achieved company profits is a matter for management and labour, with government assuming no more than a background role. This perspective places a great deal of reliance on the responsibility and hence solidarity of management and labour. In those cases where a minimum wage has been laid down by statute agreement on any payments over and above that can to a large extent be left to those directly concerned. The spirit of stewardship and solidarity calls under this perspective for a pattern of social behaviour on the part of citizens and groups in which the keynote is selfrestraint. Supervision of the observance of such selfrestraint is essentially a matter for those directly concerned, with corrective government action only being required if such social control proves inadequate.

In the case of investments, particularly those made with funds generated by wage restraint, control must be vested at company level, since it is here the real risks are borne. Consultations at this level create a greater possibility of being able to exploit the particular opportunity in each individual case than do the imposition from above of government policies or agreements reached as a result of collective bargaining. Direct consultations at company level can for example exploit the available incentives for keeping up the level of employment by means of wage restraint. This approach would also require the government to introduce new rules with a view to adjusting the structure of control at company level in such a way that responsibilities and hence risks would be more evenly shared. Such democratization would be required to ensure that there was no imbalance of power between management and labour in an enterprise, however different their responsibilities might be. Only in this way can the essential sense of involvement be created for responsible conduct. Where necessary, efficiency considerations would have to take second place. Job consultation in the workplace occupies a very important place. Management, the works council and the supervisory board would each play a separate role in policy formulation, but these bodies would at the same time be inter-linked through the supervisory board, in which both labour and management would be represented or at least have an identifiable say. The representation of all groups concerned would mean that the supervisory board would become a key consultative body at company level in which decisions were taken that were of vital importance to the concern as a whole.

The fact that individual enterprises operate within an industry and within the national economic structure means that responsibilities would become more stratified. Consultations at industry level, based on cooperation and solidarity, would reach agreement on the framework within which companies had to operate. To take a leading example, the high priority attached to development aid under this perspective means that the actual process whereby this was to be tackled would have to be worked out at industry level. The same applies to the social harm that particular kinds of production (e.g. weapons manufacture) or methods of production can bring about, the point being that labour and management also share a certain responsibility for such matters.

Because responsibility for the economy as a whole extends beyond the scope of individual industries, consultative bodies at national and international level would also be indispensable. This will in turn require some form of contact with the consultative bodies at branch level, since the system as a whole and its individual components are in a state of interaction. The result would be an over-arching body at both national and international level in which consultations were held concerning the main lines of socio-economic developments. Devising a many-layered consultative structure of this kind would be a delicate matter.

3. SUMMARIES PER VIEW OF THE POLICY PERSPECTIVES

In this chapter the policy perspectives are grouped together in terms of each of the views. It should be stressed that the interpretation of the problems, and the policy perspectives, do not reflect the Council's thinking but are portrayed in line with each of the characteristic views of society. In addition the six overviews do not each cover the entire field since it was not always possible or meaningful to formulate six separate perspectives in relation to each field.

The table below provides a survey of the links between the various perspectives and views. Where section numbers have been entered beneath the six views against one of the sixteen specialized fields, this indicates that the view has been elaborated in relation to that subject (section numbers refer to the original report in Dutch). Where a similar elaboration would also have been possible for another view but has not been attempted, or only in passing, this has been indicated by an asterisk.

Schematic overview of the policy perspectives examined

| Aspect | Field | Perspective | Liberalism | | Socialism | | Christian Democratic | |
|--|--|--|-------------------|------------------|-------------------|------------------|----------------------|------------------|
| | | | techno- cratic | socio- cratic | techno- cratic | socio- cratic | techno- cratic | socio- cratic |
| DISTRIBUTION ISSUES | Employment | Part-time work General reduction in working hours | 3.3.1.1. | | 3.3.1.2 | | * | |
| | Income transfers | Breadwinning principle | * | | | | 3.3.2.1 | * |
| | | Differentiated social security | * | * | | 3.2.2.2 | * | * |
| | | Negative income tax Selective basic incomes and levies | * | 3.3.2.3 | * | | * | 3.3.2.4 |
| Relat. public/ private sector | Socialization of demand Privatization | * | 3.3.3.2 | 3.3.3.1 | | * | * | |
| PRODUCTION OF GOODS AND SERVICES | | Consumption-oriented growth Export-led growth Vol. austerity and stewardship | 4.3.3 | 4.3.3 | 4.3.4 | * | * | 4.3.5 |
| SOCIO- ECONOMIC POLICY | | Towards a strengthening of the welfare state Towards a guarantor state Towards a sustainable society | | 5.3 | 5.2 | | | 5.4 |
| ENVIRONMENT | Environment policy | Central standards Strengthened market forces Decentralization Participation | 6.2.3.1 | | 6.2.3.1 | | | |
| | | | * | 6.2.3.2 | | 6.2.3.4 | 6.2.3.3 | 6.2.3.4 |
| | Physical planning | Free development Urbanization Regional development | * | 6.2.4.1 | 6.2.4.2 | * | 6.2.4.3 | * |

| Aspect | Field | Perspective | Liberalism | | Socialism | | Christian Democratic | |
|-----------------------|-------------------------------------|---|-------------------|------------------|-------------------|--------------------|----------------------|--------------------|
| | | | techno- cratic | socio- cratic | techno- cratic | socio- cratic | techno- cratic | socio- cratic |
| | Common Agricultural Policy | Market forces Co-responsibility Quota system | 6.2.5.2.1 | * | 6.2.5.2.3 | * | 6.2.5.2.2. | * |
| | Agriculture, nature and environment | Separation of functions Integration of functions | * | | * | 6.2.5.3.2 | 6.2.5.3.1. | * |
| CULTURAL POLICY | Arts | Public Maecenaism Promotion of diversity Sovereign cultural experience | * | | 7.3.2 | 7.3.3 | * | 7.3.3 |
| | Media | Institutionalized diversity Small-scale public broadcasting Commercial system | * | 7.3.4 | 7.4.2 | 7.4.3 | 7.4.2 | 7.4.3 |
| | Education | Integration through education Repillarization Self-regulated education Education consumption | * | 7.4.4 | 7.5.2 | 7.5.4 | 7.5.3 | 7.5.4 |
| | Research and development | The accountable entrepreneur Government direction The responsible employee Research impact, statements and technical flexibility | 7.6.2 | 7.6.2 | 7.6.3 | * 7.6.4 | * * | * 7.6.5 |
| FOREIGN POLICY | Peace and security | Atlantic perspective W. European independence Non-nuclear 'little Europe' National and social defence | 8.2.2.1 | | * 8.2.2.2 | 8.2.2.3 8.2.2.4 | 8.2.2.1 | 8.2.2.3 8.2.2.4 |
| | EC | Further integration Towards a federation of regions Inter-governmental cooperation (a) | 8.3.2.1 | | 8.3.2.1 | | * | 8.3.2.2 |
| | Development Cooperation | Collective growth Dev. coop. as a power problem Econ. austerity in the rich North Decoupling | 8.4.2.1 | | 8.4.2.2 | 8.4.2.4 | * * | 8.4.2.3. |
| PUBLIC ADMINISTRATION | | The interventionist state The constitutive state | 9.3.1 | 9.3.2 | 9.3.1 | 9.3.2 | 9.3.1 | 9.3.2 |

* Elaboration of this view fully possible, but not attempted, or only in passing, in the report.

(a) Not elaborated in terms of a particular view.

Developments along technocratic Christian Democratic lines

The essence of this view comes out most clearly in policies in the socio-cultural field and in the institutional framework. It is in these fields that policy perspectives particularly characteristic of the technocratic Christian Democratic view may be found.

Thus the re-appraisal of the breadwinner principle in social security is an expression of the belief that the 'family' fulfills an indispensable function in society as a cohesive element. By re-establishing the breadwinner as the point of reference in the social security system, a stance is taken against the growth of individualization that threatens to undermine social solidarity. The breadwinner principle will, however, have to be adapted to modern society, i.e. it will have to be formulated in a sexually neutral way and to allow for social units other than the traditional family. Because this would mark a return to the original conception of social security, namely the provision of benefits in lieu of earnings on a sufficient scale to support an adult plus family, the costs of this system would also be more controllable. Under this perspective there would be no place for a minimum wage for young people, or for claims by single people to benefits based on the level of household wages.

In the field of the mass media and education, the policy perspectives arising under this view are characterized by the aim of institutionalized diversity. In the case of broadcasting this takes the form of protecting the system of religiously and ideologically based vertical divisions characteristic of the Netherlands. A 'pillarized' structure of this kind affords the best security under this perspective against the cultural levelling resulting from the increasing range of domestic and foreign entertainment and commercial programmes. The diversity of education would best be served by the protection of denominational education. In this respect a process of 'repillarization' would be the most appropriate policy perspective for resisting nationalization on the one hand and individualization on the other. In order to counter the process of social fragmentation in an age in which primacy is attached to the individual, the socio-cultural element in society will have to be re-discovered. Private educational institutions, which have traditionally performed this function, form a spearhead in this process of cultural reorientation. For this reason steps should be taken to arrest the way in which the special nature of private education is being undermined. This means that fresh life will have to be infused into the freedom of education enshrined in the Constitution. In this respect a delicate balance will have to be struck in order to keep government intervention – which should be confined to setting the parameters – at a safe distance.

Scientific knowledge is not just a cultural good but also has a productive function. Developments in this field can be controlled more effectively by making the government, researchers and users jointly responsible for gearing the broad lines of research to social priorities. The idea of councils for individual disciplines or fields is a good one, but in practice too much responsibility has been assigned to the government.

At macro-economic level this view does not call for a perspective of voluntary austerity. In addition priority would be given within any growth perspective to variants that promoted employment. For the rest this view is not concerned with any specific economic objectives, so that no separate economic perspective has been worked up for it. Characteristic perspectives have, however, been elaborated in relation to environmental policy, agricultural policy and town and country planning policies.

In the case of town and country or 'physical' planning policies, the emphasis is on balanced regional development. For the purposes of the policy perspective it is assumed that the biggest cities have already reached their critical limits in relation to size. Greater stress is placed on rural development centres and, in the case of urban planning, to city regions.

In the case of environmental policy the stress is placed on decentralization, with a view to promoting the assessment of local compatibility. A system of wide-ranging consultation at low level would be designed to improve the assessment of responsibility for environmental protection and economic activity in the light of local circumstances. With respect to the relationship between agriculture and nature a perspective of separate functions has been elaborated in which each of these sectors is able to optimize its objectives with the particular resources at its disposal. In this respect it is suggested that modern business methods are perfectly compatible with responsible landscape management, provided that nature conservation values are not smuggled in under the guise of landscape management. Such values should instead come into their own in nature reserves.

With respect to EEC dairy policy the consequences have been examined of a co-responsibility perspective. On account of the regressive nature of the subsidy regulations, growing surpluses appear unavoidable. This places a heavy burden on the EC budget and hence on European cooperation in general.

This view takes a positive attitude towards the belief that poor countries should be given greater decision-making powers in international organizations. In addition the work of humanitarian organizations and the private sector should be strengthened in relation to development cooperation in order to promote the sense of personal responsibility on the part of individual citizens and the social units in which they operate. In the field of peace and security a continuation of present policies is advocated. NATO would, however, be urged to make greater efforts to secure a reduction in the level of nuclear weapons. This would require intensified links between Western Europe and North America.

In the field of public administration an interventionist perspective has been elaborated on the basis of the technocratic Christian Democratic view. In doing so the stress would come to lie on arrangements that facilitated cooperation between the state and voluntary initiative on an equal footing. In the field of socio-economic policy, statutory corporations would be given an independent place with respect to the formulation and implementation of planned policies ('the consultative economy'). The substance of structural policies would as far as possible be left to management and labour. The coordination required for overall economic policy would be achieved by ensuring that the government issued timely statement about the main lines of its economic policies. These would then act as a guideline for decision-making at industry level. With respect to administrative organization and the statutory regulation of socio-cultural activity, primacy would be attached to voluntary initiative, with government intervention typically being complementary in nature.

The administrative framework associated with this view runs into a number of problems. European integration, which is supported particularly on cultural grounds, can conflict with institutions designed to promote integration at home. Thus, for example, the compatibility of strengthening the role of statutory corporations on the one hand and European competition legislation on the other is debatable. Similarly the position of the government towards interest groups is a difficult issue in political and administrative terms. If agreements reached with such organizations are recognized as having a certain binding force on the parliamentary decision-making process, the role of parliamentary representatives is reduced to that of ratification. If on the other hand the government enters into such agreements subject to the express reservation that they can be amended by parliament, this will necessarily weaken its negotiating position with interest groups.

Developments along technocratic-liberal lines

In the socio-economic arena, the technocratic-liberal view advocates a kind of social market economy in which the government would fulfil a number of important tasks. Among other things, it would be required to

provide a high level of facilities and welfare as a basis for individual development. In relation to new problems, such as the responsible management of the natural environment, raw materials and energy, substantive official policies would be expected with the emphasis on legal equality and 'transparency'.

In the case of environmental policy this would take the form of centralized standards, in which the central government and experts from private industry would jointly decide on environmental limits and standards. These standards would be determined on the basis of scientific methods, e.g. cost-benefit analysis and international comparisons in relation to the case for protecting natural areas. The application of specific-purpose levies and funds can also enhance policy transparency. Following the example, particularly in the United States, of the institution of procedures for assessing physical risks, such as Good laboratory procedures, a system of Good social innovation procedures might be applied in the case of social impact. The way in which this might be worked out in practice has been elaborated in the perspective the Accountable entrepreneur.

The technical-economic scenario worked out in line with this view is that of the perspective of consumption-oriented growth, in which the expansion of consumption is regarded as the ultimate goal. Influencing the pattern of consumption in the interests of other socio-economic objectives is not viewed favourably. Given a growth of production and consumption of over 3% per year, the calculations suggest that the volume of employment in man-hours would remain roughly constant. On the basis of the technocratic-liberal view, a policy has been elaborated aimed at promoting employment by means of voluntary part-time employment. In this respect the government, as the leading employer, can act as a pace-setter. The creation of parttime work in private industry is regarded under this perspective as a matter for consultation between employers and employees, with the government confining itself to the elimination of obstacles in the form of laws and regulations.

The calculations furthermore indicate that, in a technical sense, pollution can under this scenario be reduced to below present levels, even if output and consumption were to grow at 3%, while the growth in energy consumption can be confined to a little over 1% per year. Apart from greater efforts at energy conservation, this would be primarily brought about by modifying the structure of production in favour of lower energy consumption. The level of oil and coal imports, which may be deduced from the total demand for energy, would scarcely rise, partly as the result of accelerated domestic sales of natural gas. This would, however, render the diversification of energy consumption by the greater use of coal and nuclear energy more difficult; the same applies to the two other technical-economic scenarios considered.

In the case of physical planning policy, a perspective has been described in terms of this view which sets the stage for economic development. Allowance is as far as possible made for individual living preferences, and emphasis placed on private transport. The resultant picture is one of little development in the peripheral regions with a weak economic structure and of the further penetration of the western conurbation or 'Randstad' into the adjacent provinces, marked suburbanization and a powerful expansion of the road network. No perspective specifically based on this view has been worked out with respect to agriculture and the environment; there is however a greater affinity with the perspective calling for the separation rather than integration of functions in rural areas. With respect to EEC dairy policy a perspective has been outlined of greater conformity with market principles. This would keep surpluses within bounds, but at the expense of a heavy fall in employment, producer incomes and the price of milk. The burden on the EEC budget would, however, be eased considerably.

The policy perspective that has been attached to the technocratic-liberal view in relation to the European Community is characterized by active

support for initiatives designed to bring about further economic integration. Harmonization and coordination at political level form a logical corollary. This could mean that for the Netherlands certain traditional practices, e.g. in the social security and taxation systems, would have to be adjusted if they grew too far out of alignment with those in other EC member states. This perspective would also necessarily entail a coordinated approach towards inflation control. A potential sticking point arises in this respect: whereas national governments are increasingly formed on the basis of their standpoints with regard to socio-economic issues, their freedom of manoeuvre in these areas is increasingly circumscribed by EC policies.

In the case of development cooperation, a policy perspective has been formulated in terms of this view that is based on economic cooperation and integration, with growth in North and South going hand in hand. Economy recovery in the North would improve the export position of the South with respect to both raw materials and finished products. Conversely the economic improvement in the South would be expected to improve our own export position. In the field of peace and security a continuation of present policies has been assumed. In this respect the military security of Western Europe would ultimately be guaranteed by (i) the nuclear capacity of the U.S. to deny the Soviet Union military supremacy in the European battlefield, and (ii) the restoration and strengthening of the political ties between the United States and the countries of Western Europe.

The comparatively heavy stress placed on policy coordination at supra-national level can be a source of internal tensions, in that internationally accepted commitments can restrict the policy margins of national political bodies. If in its dealings with parliament the government is, on the basis of political or legal commitments entered into at supranational level, obliged consistently to reject policies parliament was elected to carry out, the democratic legitimation of national policies will be correspondingly narrowed. This could become a major obstacle if the policies coordinated at supra-national level fail to produce discernible results.

In the case of domestic public administration the liberal elaboration of the interventionist state perspective emerges at its clearest with respect to the broad lines of socio-economic policy. In technocratic-liberal terms, economic legislation should establish a framework within which the market can function in an orderly fashion and the price mechanism fulfil its coordinating function. Such legislation would then be supplemented by (preferably general) regulations providing the government with the powers to intervene by overall and indirect means for macro-economic policy purposes. If so required, overall price and income controls would not be unacceptable under this perspective, provided the intervention did not become permanent in nature, in which case there would be an excessive risk of rigidities in the labour market. Similarly there would be no objection towards selective controls over market processes provided these were supplementary and temporary. Once the imbalances in market allocation have been redressed the government should withdraw.

In order to ensure that such intervention would be only temporary, a form of 'sun-set legislation' could be introduced, under which the intervention would be assessed for its effectiveness after a pre-determined period. However, as in the case of the more efficient organization of the government service as advocated under this view, the central imposition of efficiency criteria can undermine the classical liberal concept of the constitutional state. A leaner and more efficiently organized state may have greater clout and regulative powers, but the question then arises as to whether and how these enhanced powers of intervention should be related to the prior controls by parliament and subsequent review by the courts. Similar dilemmas arise in respect of the perspective based on the technocratic-socialist view, although here these may be presented in a somewhat more neutral manner (i.e. not in terms of planning and state direction).

Developments along the technocratic-socialist lines

Under this view politics takes primacy over the economy. The further socialization of demand and selective structural policies would bring about export-led growth which, together with a general reduction in working hours and wage restraint, would keep down the level of unemployment.

In the chapter on socio-economic policies, a perspective was elaborated in which these matters were presented as a coordinated whole. Technically, an export-led rate of growth of production of over 3% per year appeared feasible within the parameters in question. Despite the priority attached to it, employment would in these circumstances grow by no more than 0.5% per year. In terms of this view, unemployment will therefore have to be tackled primarily by a reduction in working hours. If this were to be done, the right and obligation to paid employment could only be spread over the entire potential working population by a drastic reduction in the working week to 25 hours. If, as in the socio-economic perspective in question, it is assumed that the transition to such a working week would be half-completed by the early 1990s, households in receipt of the minimum income would then threaten to fall below what was regarded under this view as the minimal level. Although the number of households concerned would decline with the redistribution of employment, they would still constitute a genuine problem as long as the distribution of employment had not progressed to the point at which all those able to work would be enabled to do so. Unless these minimum incomes are to be regarded as a necessary price in the redistribution of employment, some form of family supplements would be required as a transitional measure. Supplements of this kind would, however, square uneasily with the individualization of social security proposed under this view.

Apart from various managerial and operational problems, a radical redistribution of employment would produce a number of potential sticking points with respect to labour market coordination. The higher incidence of households with two breadwinners could, for example, impede geographical mobility and lead to a rise in the volume of commuter traffic. The latter problem would have to be met by an increase in public transport. In addition heavy demands would be made on the education system, in relation to both initial education and retraining, in order to satisfy the demand for skilled labour. Under this perspective an active regulative role for government would be envisaged in order to achieve the required degree of coordination in this field.

Apart from a general reduction in working hours, two major policy instruments have been elaborated at socio-economic level in terms of the technocratic-socialist view in order to increase political control over economic activity. These are the socialization of demand and a centrally-directed incomes policy. The first of these is designed to combat poverty in the midst of affluence and to help achieve socio-economic objectives (especially employment) by influencing the pattern of consumption. In the case of health care, further nationalization would be required as well as the socialization of demand. A centrally-directed incomes policy is regarded not so much as desirable in itself under this view as an indispensable element for the government to achieve its objectives. It is in this achievement that much of the legitimacy for the often radical nature of government action will have to be found.

Although no assessment is made of the final outcome, an environmental control perspective has been described for this view in which primacy is attached to the setting of physical standards by the central government, and in which the protection of public health is taken as the principal criterion.

In the field of cultural policy three policy perspectives have been elaborated in terms of the technocratic-socialist view. With respect to policy on the arts, a form of public Maecenaism has been opted for under which the government would assume responsibility for a major part of the financing

and dissemination of cultural activity and participation. This approach would be based on the foundations of post-war cultural policy, without however simply taking it over as it stood. The government's responsibility would consist of rendering cultural activities accessible to the widest possible public. Substantial elements of the population are deprived not just in a material but also in a cultural sense. Cultural dissemination is, however, regarded as desirable not only from an emancipation viewpoint but also in the interests of social integration. The latter concept is also reflected in the education policy perspective, viz. Integration through education. In the case of the media, however, the technocratic-socialist view has been taken in this report as broadly supporting the perspective of institutionalized diversity. This affinity is above all determined by the scope this perspective affords for a certain degree of quality and cultural encounter to be achieved by means of government policy.

The foreign policy line formulated in terms of this view emphasizes the goal of greater European independence. At EC level this implies support for initiatives in favour of further political integration, and in the field of defence for greater European say within NATO. With respect to the latter it will probably have to be accepted that for the Netherlands any gains in policy freedom with respect to the United States will be nullified by the loss of freedom in relation to the major European partners. Further political integration of the EC would put a brake on neo-protectionist policies. The desire by Dutch industry and agriculture to continue to claim unrestricted access to markets in other member states places limits on the extent to which domestic industry can be favoured, e.g. through government procurement. The policy perspective worked out in relation to this view with respect to research and development – namely Government direction, e.g. by means of procurement policy – could run into these limits. Similarly the desire to create employment at home by the socialization of demand could conflict with intentions with respect to the EC. The rich-poor issue is seen in terms of this view as largely a political power problem, and the policy perspective associated with this view in relation to development cooperation centres on the notion of a New International Economic Order.

In administrative terms the socialist variant of the perspective of the interventionist state is marked by far-reaching planning integration, with the primary policy instruments consisting of legislation, procedures and plans. In elaborating this perspective, in which the executive is invested with extensive powers once the main policy lines have been laid down by parliament, the difficult problem arises of the extent to which (if at all) parliament can commit itself into the future. An inevitable consequence of the enlargement of the role of government in society is the further politicization of policy. Policies of this kind will stimulate the process of political opinion formation and debate in society. If this debate, centred as it is on issues of topical relevance, ceases to find a sounding-board in the parliamentary process because parliament has identified itself in advance with particular plans, the democratic legitimacy of those policies will be called into question. If parliament then decided in response to the political pressures of the day that it would nevertheless depart from its previous support for a particular policy plan or programme, the cohesion required for planning would be threatened. Striking an acceptable balance between these two is therefore particularly important under this view since the legitimation of government policy will to a significant extent depend on the suitability and effectiveness of those policies.

Developments along sociocratic Christian Democratic lines

This view envisages a trend towards the Economics of voluntary austerity, in which environmental protection and reduced consumption of finite resources and energy would be made more feasible. This would require a radical change in outlook. To bring it about, responsibility and authority for individual action would have to centre to a much greater extent than hitherto on the various contexts in which individuals operate in society.

In the case of physical planning this would mean greater emphasis on regional identity and greatly enhanced decision-making powers at local level. In an economic sense it would mean concentration on small-scale and craft industries. With respect to environmental policy a perspective has been outlined in terms of this view in which the focus is on participation by those directly involved (e.g. environmental action groups, those living in the immediate vicinity and interest groups). Similarly with respect to assessing the application of knowledge, the introduction of a system of research impact statements would be designed to extend the decision-making process beyond government, industry and experts alone. Finally, in respect of social security, the starting point would consist of the creation of conditions designed to bring about a change in mentality, taking the form of a system of selective basic incomes for those not engaged in paid employment.

The introduction of such a system would entail a re-evaluation of unpaid work, while at the same time putting a brake on the growth of the labour supply. On the levy-side the system of basic incomes would also be selective in nature. Taxes and levies on energy, raw materials and luxury consumer goods would be designed to steer the pattern of consumption in the desired direction and to reduce the burden of contributions paid by the factor of labour. The report examined the technical feasibility of substituting labour for energy and a redistribution of the tax burden among the various economic sectors by means of higher taxes on energy and lower national insurance contributions.

In a technical-economic sense a medium-term perspective was worked up in which pollution and energy consumption would be cut back significantly. The result would still permit a growth in output, but per capita consumption would decline by over 1% per year (the difference being explained by the high level of investment). The enlargement of technical flexibility and small-scale production methods could also increase the capital input requirements. In addition a structural increase in development aid is envisaged. Apart from this direct contribution it is assumed that economic restraint would reduce the excessive demands placed by the rich countries on raw materials, to the benefit of the poor countries. An elaboration of this line of thought was provided in the discussion of development cooperation policy perspectives.

The increase in production calculated under the Voluntary austerity and stewardship perspective is just sufficient to compensate for the rise in labour productivity: the number of man-hours would neither rise nor fall. Productivity gains are lower than in the other technical-economic perspectives since this scenario provides room for the employment of labour in activities that do not contribute directly to output but are aimed at improving the quality of working conditions.

At the same time, unemployment would under this view have to be primarily tackled by rendering unpaid work more attractive, with respect to both home management and voluntary work. The appropriate policy instrument in this respect would be the system of selective basic incomes for those not in paid employment referred to earlier. The right and obligation to useful employment would become detached from paid employment. This view would not therefore endorse the proposition that self-development and emancipation depend primarily on participation in paid employment. The basic income would be lower than the level of national assistance, but there would be no obligation to register for employment nor any means test. Those entitled to a basic income would include not just those responsible for household management (irrespective of the type of family situation) but also school-leavers, students, those pursuing independent, non-commercial activities, artists and the like. In this way conditions would be created for the development of a social and cultural life with a certain measure of independence vis-a-vis both government and commerce. In the arts scope would be created for the promotion of diversity, in which the dividing lines

between the various forms of cultural expression as well as between producers and consumers would be blurred. In the case of education the perspective is one of educational self-regulation and de-institutionalization in which both educational establishments and qualified teachers would lose their monopoly status. The provision of a basic income would enable individuals freely to pursue or provide education of their own choosing, and could also provide the material setting for the perspective of a small-scale, public broadcasting system that helped enhance community life. With regard to health care, there would be a package of basic facilities set at a somewhat lower level than at present in the interests of deprofessionalization and as the result of redefinition of the concept of 'sickness'.

In principle the Netherlands would be able to introduce a revised structure of taxes and levies independently, with a system of countervailing import duties as at present in the case of the VAT. The calculations in the report suggest, however, that a radical revision would be required in order to bring about the substantial changes envisaged under this view. If this were so, it could pose a threat to the unrestricted transfrontier movement of goods and thus constitute a problem in terms of the evolution of the European Community towards a federation of regions as advocated by this view.

With regard to the issue of peace and security, two possible policy perspectives have been described in terms of the sociocratic Christian Democratic view. The first of these centres on a non-nuclear, defensive weapons system at 'little' European level; the second variant, either pacifist or otherwise, would rely on the deterrent effect on a potential aggressor of a well-organized national or social defence system.

In an administrative sense the perspective is one of a constitutive state in which numerous public facilities are returned to the social units deemed competent to handle them. This view would take the line that decisions about the scale, quality, and price of facilities, as well as the definition of those entitled to them, could be much more closely geared to social needs than by means of mechanical and bureaucratic government administration. A responsible society would then be enabled to rise above the dilemma of choosing between a collectivized and a free market democracy. The aim of government restraint can however come into conflict with the ambitious nature of the government's concrete objectives in the socio-economic field. In order to realize these goals the government would have to retain the necessary powers and resources to bring them about. The government would be required not only to keep a close check on the parameters within which the Economics of voluntary austerity was required to operate but would also have to assume responsibility for a substantial redistribution of income. In a number of policy areas this could mean that conceptions of public administration would collide with the ambitions of the perspectives ascribed to this view.

Developments along sociocratic-liberal lines

In the perspectives elaborated in terms of this view, the enhancement of individual responsibility forms a recurrent theme. Individual responsibility has, according to this view, been undermined by the welfare state, which has gone far beyond its aims. The policy perspectives formulated in this context are marked by the withdrawal of government; the streamlining of the bureaucracy is regarded as holding out little hope. This would apply not just to public administration in the narrow sense but also to the network of statutory bodies using the powers delegated to or arrogated by them to stifle private enterprise.

A helpful step in this direction in the field of social security would consist of the replacement of the present complex system of loss-of-earnings insurance by a statutory basic income for the entire working population, supplemented by a system of national assistance for the long-term

unemployed and those unable to work. Financially such a scheme would be feasible but the fact that the family situation in question would remain a relevant factor in implementing the national assistance regulations would mean that the necessity of official interference with people's private life-styles would not be sufficiently eliminated. Nor is it reasonable to require large numbers of citizens consistently to reaffirm their right to a minimum existence by looking for jobs that are not there. And then there is the insoluble question of the level at which the basic-income safety net should be set. If, despite economic growth and a reduction in working hours, the number of jobs should continue to decline, setting the safety net too low might give rise to social unrest and instability. On the other hand, if set too high, it could interfere with the operation of the labour market and act more as a hammock than as a safety net.

This dilemma can be overcome by switching to a system of negative income tax. This would, on the one hand, guarantee a minimum standard of living, while simultaneously preserving the incentive to work. At the same time, various barriers in the labour market would have to be removed, such as the minimum wage, restrictions on working and operating hours, and the compulsory industry-wide extension of collective wage agreements. Such a system is widely regarded as unpayable in countries with a comprehensive social security system, but it tends in these instances to be regarded as something grafted onto the existing system rather than as a completely new system.

The instruments of social policy ascribed to this view have been elaborated in conjunction with the technical-economic perspective of consumption-oriented growth. As far as the structure of production is concerned, this economic scenario provides for a shift within the industrial sector towards lighter industries, whereas in the services sector the stress would be placed on the trading sector, the hotel and restaurant trade, maintenance and transport and communications. Within the limits imposed, production and consumption could grow by over 3% per year given a stabilization of the level of employment expressed in manhours.

With reference to the relationship between the public and private sectors, a 'privatization' perspective has been worked up in terms of this view. In major areas of government policy, such as housing, health care and education and culture the government has, according to this view, assumed a far too paternalistic role and there is room for executive government functions to be hived off and for greater confidence to be displayed in private enterprise. In the case of health care there would be compulsory insurance, under which a choice could be made between competing basic packages, so that quality and service would play a greater role. Privatization and, where possible, the application of the user-pays principle, would not go far enough unless education were to be reorganized along commercial lines, as outlined in the 'Education consumption' perspective. Like all other adults, students in higher and university education would be in receipt of a basic income, but this would only be sufficient for personal maintenance. The studies themselves would to a much greater extent than at present have to be financed by taking out commercial loans or entering into contractual obligations with future employers.

The perspective for media policy is based on the premise that the commercialization of the broadcasting system would enable the selection to be much more closely geared to demand. The national broadcasting system would then obtain the same character as the present press system. Editorial independence would thus be guaranteed, while the formation of a 'Broadcasting Fund' would protect cultural diversity in broadcasting.

Similarly the aim of privatization and, where possible, the introduction of the user-pays principle, form part of the arts policy perspective. The perspective is based on the notion of cultural heterogeneity, in which the cultural experience of artists and public alike is regarded as an inalienable element. Seen in this light, selection by the government on quality grounds

or on the basis of the function of cultural activities is an unnecessary and undesirable form of paternalism. The system of negative income tax removes the necessity for financial support to artists. The consequences of such a policy would vary considerably throughout the arts. In the field of literature there would be relatively little change since this is an area which has traditionally been carried by the earnings derived from bestsellers of all kinds and quality. The same may be expected in relation to the cinema. In the case of the performing arts, alternatives to government subsidies would have to be found, e.g. donations, sponsorship and private funds. Activities that failed to attract a wide public would not fare well under this perspective, as would ballet and opera, which are heavily dependent on public funds.

This view is characterized by the belief that the government should establish the framework within which social actors will be confronted with their individual responsibilities. In those instances where this is poorly developed, for example in assessing the social impact of the application of knowledge, instruments such as a Good social innovation procedure can be useful. Entrepreneurs would then be required to spell out potential socially harmful side-effects, and would be accountable for failure to do so. Similarly in the case of environmental policy responsibility for side effects can be largely delegated to the entrepreneur and thus be incorporated into corporate planning. In addition the government can set a ceiling for the discharge of environmentally harmful substances in a particular area by issuing a limited number of licences. By selling these licences to the highest bidder, the distribution of pollution among companies can be determined by market forces and the cost-effectiveness of environmental measures enlarged.

In the liberal elaboration of the perspective of the constitutive state, the problems of public administration may be largely sheeted home to the excessive responsibilities and ambitions that the government has taken on, to the point of becoming impotent. In terms of this elaboration deregulation is essentially a matter of redefining the mutual interrelationships between the collectivized and the free market democracy. These relationships need to be overhauled by means of a radical reduction and simplification of existing government regulations. In these terms the currently proposed reorganization and a greater degree of administrative planning do not constitute an adequate answer to the real problems. Even if these measures were to result in more rapid bureaucratic decision-making, any benefits would soon be lost since mistakes now made inefficiently would then simply be made more efficiently.

The solution advocated by this view of society corresponds the most closely to the ideal construct of the minimal state. Although various efforts have been made over the last decade to provide the minimal state with a fresh theoretical foundation, the results have been generally unsatisfactory. The growth of the state to its present proportions and shape may be regarded as the outcome of the interaction between technical and economic developments and their far-reaching consequences for society on the one hand and, on the other, the democratic decision-making process which has forced the state to respond to these developments. If one wished to reduce the state to a regulative, reserve function, it would either be necessary to fashion social institutions in such a way that society itself would be able to absorb the shocks of economic and technical developments or, alternatively, the democratic state would have to be constitutionally prevented from responding to those shocks. In the former case the role of the state would remain considerable, in both legislative and executive terms. In the latter case the legitimation of the state and of state-regulated society would come under considerable pressure.

Developments along sociocratic-socialist lines

Militancy and emancipation form key concepts in the sociocratic-socialist view. In the case of the cultural policy perspective worked out for this view, this means that education and consciousness awakening play a central part. In the field of the arts this leads, as described under the Promotion of diversity perspective, to a cultural policy designed to enable groups to express themselves and to develop their identity by means of cultural expression. The separation between creative expressions of this kind and culture with a capital C thus no longer applies. This line of thought is also reflected in the perspectives for media and education policy as described in terms of this view. In the case of the media the focus is on a small-scale public broadcasting system which would encourage grass-roots democracy and act as an antidote to the 'consciousness industry' of the present mass media. The technical possibilities which cable opens up for minorities to express themselves should be exploited. Similarly the Self-regulated education perspective would facilitate a shift in the power structure in society and help under-privileged groups make their way. The extension of the concept of culture, coupled with more decentralized decision-making, would however intensify the competition between cultural subsidies at local level and other forms of public expenditure. This could form a real problem, particularly given the importance attached to the emancipation of groups that are almost by definition minorities.

A shift in the balance of power is equally as necessary in the economic sphere as in the socio-cultural arena. This is largely a matter of the structure of control and the establishment of conditions that would enable workers and consumers to defend themselves against the government bureaucracy and big capital. Drawing up a particular technical-economic perspective for the sociocratic-socialist view is not particularly illuminating. In principle both the Consumption-oriented and an Export-led growth perspective would be compatible with this view, while a low-growth variant would be possible as an outcome if not an aim.

By way of a counterweight to bureaucratization, a social security policy perspective has been elaborated in terms of this view in which the aim would be to convert the present system into one of universal basic facilities. Employees and the self-employed alike would be entitled to the same basic benefits upon loss of earnings and to a basic package of health cover. Supplementary insurance could then be taken out at company or private level. The position of the small self-employed would be improved by the introduction of universal basic facilities of this kind, while barriers would also be removed as far as cooperative enterprises were concerned. The elimination of major differences in social risks between employees and non-employees would render the establishment of such production cooperatives more attractive. A large proportion of the social insurance over and above the basic facilities would be taken out voluntarily on an individual or group basis. The risk would, however, arise of new uncontrolled concentrations of power in the financial and insurance sector.

As regards the social assessment of the application of knowledge, a perspective has been formulated in terms of this view in which scope would be created for innovation proposals rejected by one company to be taken up in another company. Ideas of this kind could be switched from one company to another by employees, with the union movement acting as the channel of communication.

In the case of physical planning policy a perspective has been outlined in which fresh life would be breathed into towns as an entity, i.e. combining their residential, employment and recreational functions. With respect to agriculture, nature and the environment, the Integration of functions perspective centres on the socio-economic causes of the present problems in agriculture and the despoliation of nature and the environment. Farmers are regarded not just as producers of agricultural commodities but also quite explicitly as producers of nature and the landscape. If, however,

excessive inroads are not to be made into the employment and income-generating functions of agriculture, the necessarily large-scale use of nitrogenous fertilizers will impose constraints on the scope for the integration of functions.

Two perspectives for security policy have been worked up for this view. These consist of military cooperation in a non-nuclear, 'little Europe' context, or forms of national and social defence, some with a pacifist slant. The first of these advocates cooperation with Benelux and West Germany in order to arrive at a non-provocative security system, such as barrier defence and territorial defence, that was exclusively defensive in nature. In another field of foreign policy, that of development cooperation, the policy perspective formulated for this view envisages a temporary de-coupling of a number of economic links between North and South.

In the sociocratic-socialist elaboration of the Regulative state perspective, the assumed over-regulation by government would be countered not just by deregulation but also, and simultaneously, by legislation designed to compensate for social inequalities. The selective withdrawal by government from the social conflict of interests would make it essential for legislative steps to be taken in these fields to provide under-privileged groups with the necessary power and freedom of action. In order to ensure equal access to the legal system the government would, for example, be obliged to provide expert and affordable legal aid on a large scale and to open up the possibility for legal action to be taken on a group basis. It should, however, be noted that this could place an excessive burden on the judicial system. If the resolution of conflicting interests in society is in principle to be left to the dynamics of social democracy and if, further, this is to be set within a legislative framework consisting of norms designed to compensate for imbalances in the structure of power in society, this then assumes that the legislator is able to stay abreast of developments in the structure of power and to assess them at their true worth. The elaboration of compensatory legislation of this kind is, however, technically complicated, and the legislator is frequently unable to overcome the controversies such legislation arouses in society. Apart from these problems, the distribution of power in a social democracy will often have to be preceded by a concentration of power.

APPENDIX Composition of the Project Group

At the time the report was completed the internal working group responsible for producing it was composed as follows:

Members of the Council

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I. J. Schoonenboom (secretary)
F. R. Veeneklaas

The Council has published the following Preliminary and Background Studies (in Dutch)

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- V 2. I. J. Schoonenboom en H. M. in 't Veld-Langeveld, De emancipatie van de vrouw (*Women's Emancipation*) (1976)
- V 3. G. R. Mustert, Van dubbeltjes en kwartjes, een literatuurstudie over ongelijkheid in de Nederlandse inkomensverdeling (*Dimes and Quarters: a Literature Study on Inequality in the Distribution of Income in the Netherlands*) (1976)
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- V 10. Vakgroep Planning en Beleid/Sociologisch Instituut Rijksuniversiteit Utrecht: Konsumptieverandering in maatschappelijk perspectief (*Shifts in Consumption in a Societal Perspective*) (1979)
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Third Term of Office

- V40. G. J. van Driel, C. van Ravenzwaaij, J. Spronk en F. R. Veeneklaas: *Grenzen en mogelijkheden van het economisch stelsel in Nederland (Limits and Potential of the Economic System in the Netherlands)* (1983)
- V41. *Adviesorganen in de politieke besluitvorming (Advisory Bodies in the Political Decision-Making Process); Report of a symposium by A. Th. van Delden and J. Kooiman* (1983)

The Council commissioned a number of experts to carry out preliminary studies for the report 'A Coherent Media Policy'. The following studies were published in an independent series entitled 'Media Policy Background and Preliminary Studies' (in Dutch):

- M1 J. M. de Meij: Overheid en uitingsvrijheid (*The Government and Freedom of Speech*) (1982)
- M2 E. H. Hollander: Kleinschalige massacommunicatie: lokale omroepvormen in West-Europa (*Small-scale Mass Communications: Local Broadcasting Forms in Western Europe*) (1982)
- M3 L. J. Heinsman/Nederlandse Omroep Stichting: De kulturele betekenis van de instroom van buitenlandse televisieprogramma's in Nederland – Een literatuurstudie (*The Cultural Significance of the Inflow of Foreign Television Programmes in the Netherlands – A Survey of the Literature*) (1982)
- M4 L. P. H. Schoonderwoerd, W. P. Knulst/Sociaal en Cultureel Planbureau: Mediagebruik bij verruiming van het aanbod (*Media Use and a Wider Media Range*) (1982)
- M5 N. Boerma, J. J. van Cuilenburg, E. Diemer, J. J. Oostenbrink, J. van Putten: De omroep: wet en beleid; een juridisch-politologische evaluatie van de Omroepwet (*Broadcasting – Legislation and Government Policy: A Legal and Political Evaluation of the Broadcasting Act*) (1982)
- M6 Intomart B.V.: Etherpiraten in Nederland (*Radio Pirates in the Netherlands*) (1982)
- M7 P. J. Kalff/Instituut voor Grafische Techniek TNO: Nieuwe technieken voor productie en distributie van dagbladen en tijdschriften (*New Techniques for the Production and Distribution of Newspapers and Magazines*) (1982)
- M8 J. J. van Cuilenburg, D. McQuail: Media en pluriformiteit; een beoordeling van de stand van zaken (*The Media and Diversity: An Assessment of the State of Affairs*) (1982)
- M9 K. J. Alsem, M. A. Boorman, G. J. van Helden, J. C. Hoekstra, P. S. H. Leeflang, H. H. M. Visser: De aanbodstructuur van de periodiek verschijnende pers in Nederland (*The Supply Structure of Regular Press Publications in the Netherlands*) (1982)
- M10 W. P. Knulst/Sociaal en Cultureel Planbureau: Mediabeleid en cultuurbeleid; Een studie over de samenhang tussen de twee beleidsvelden (*Media Policy and Cultural Policy: A Study of the Interrelationship between the two Fields of Policy*) (1982)
- M11 A. P. Bolle: Het gebruik van glasvezelkabel in lokale telecommunicatienetten (*The Use of Fibre Optic Cable in Local Telecommunications Networks*) (1982)
- M12 P. te Nuyl: Structuur en ontwikkeling van vraag en aanbod op de markt voor televisieproducties (*The Structure and Development of Demand and Supply in the Market for Television Productions*) (1982)
- M13 P. J. M. Wilms/Instituut voor Onderzoek van Overheidsuitgaven: Horen, zien en betalen; een inventariserende studie naar de toekomstige kosten en bekostigingen van de omroep (*Listening, Viewing and Paying: An Inventory Study of the Future Cost and Funding of Broadcasting*) (1982)
- M14 W. M. de Jong: Informatietechniek in beweging; consequenties en mogelijkheden voor Nederland (*Information Technology in Flux: Consequences and Possibilities for the Netherlands*) (1982)
- M15 J. C. van Ours: Mediaconsumptie; een analyse van het verleden, een verkenning van de toekomst (*Media Consumption: An Analysis of the Past and Survey of the Future*) (1982)

- M16 J. G. Stappers, A. D. Reijnders, W. A. J. Möller: De werking van massamedia; een overzicht van inzichten (*The operation of Mass Media: A Survey of the State of Understanding*) (1983)
- M17 F. J. Schrijver: De invoering van kabeltelevisie in Nederland (*The Introduction of Cable in the Netherlands*) (1983)