Explaining the production of European Austerity: A Critical Political Economy Approach

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***Abstract**. Since the signing of the Maastricht Treaty and the formation of the EMU, the Eurozone has progressively transformed into a political economic regime characterised by stringent fiscal discipline and the legalised enforcement of austerity on its member states. Within the literature on the political economy of austerity various competing explanations have been given for this transformation. This thesis will explore the limits of these accounts through a case study of the political economy of the Netherlands over the past decade. Based on the findings of this case, it will argue that current accounts on the rise of austerity fail to properly account for its emergence because they do not properly account for the political elements of its implementation and execution. Consequently, this thesis will explain the rise of austerity by combining a critical political economy approach with a state-centric perspective. In order to so, it will demonstrate the historically politicised nature of austerity through a historiography of one of its most ardent supporters, the Netherlands. Finally, it will explain this Dutch position by arguing that the production of austerity has historically been a political strategy employed by certain state actors within the context of a Weberian market struggle over the structure of the European Monetary Union.*

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Chapter 1 – Introduction

As the global financial crisis erupted, European officials initially hoped that the European banking sector would be spared from the financial turmoil around the world (Heipertz and Verdun, 2010, p. 181). However, as the crisis struck Europe it became apparent that certain European banks as well as states, most notably Greece, ran the risk of succumbing to their increasing debt. In order to prevent a Greek state default, the Troika, a group of officials representing the European Commission, the ECB and the IMF, organised three consecutive bailouts which refinanced the Greek government (Bilefsky and Thomas, 2010; "Eurozone seals second Greek bailout", 2012; Peeperkorn, 2015). However, similar to other Troika bailouts, the Greek bailouts were conditional and accompanying them was a series of austerity waves which forced the Greek government to 'credibly commit' to repaying its debt through harsh austerity measures ("Eurozone Approves, 2010). While the Greek government initially accepted these conditions, the anti-austerity Syriza came to power in 2015 and demanded both unconditional debt relief and the end to austerity (Alderman, 2015; "Greece's debt", 2018). However, despite Syriza's bold rhetoric, the Troika would not budge and Greece was forced to agree to a third wave of austerity measures accompanying its bailout (Peeperkorn, 2015; "Greece debt crisis", 2015). As of writing, the Greek economy has officially completed the terms of this final bailout programme following a historically unprecedented economic recession ("Greece Emerges from Bailout", 2018). While the European state debt crisis is therefore seemingly resolved, two important questions remain: why was the European Commission unwilling to provide debt relief to Greece or any other country during the crisis and why was instead the continued production and legal encoding of austerity preferred during the crisis?

This thesis is interested in exploring the structural processes and state motivations underpinning these questions. It is concerned with the reasons and rationale behind the implementation of a political economic regime of austerity within the Eurozone. However, while austerity is undoubtedly a popular and much debated concept, there is little academic consensus on what it precisely entails. One account is offered by Blyth who argues that "austerity is a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices and public spending to restore competitiveness, which is (supposedly) best achieved by cutting the state's budgets, debts and deficits" (Blyth, 2013, p. 2). Other writers however have instead linked austerity to the question of public debt rather than economic performance. Kinsella and Kinsella for example write that "austerity generally refers to the implementation of economic policies with the aim of correcting a country's public finances" (Kinsella and Kinsella, 2018, p. 85). Correcting a country's public finances could be accomplished through increasing taxation on it citizens, but as Streeck argues, in practice austerity usually entails "lowering [public spending] instead of raising taxes" (Streeck, 2016, p. 69). Consequently, while austerity's ultimate goal is therefore debated, there consists a consensus that austerity is a macro-economic policy which involves a decrease in public spending in the economy.

However, when considering austerity's track record, austerity has historically both led to increases in public debt and the worsening of economic conditions in countries in which it has been implemented (Harvey, 2005; Blyth, 2013; Hunt and Lautzenheiser, 2011, p. 398-426). For example, since the implementation of austerity, Greek public debt has ballooned and questions have been raised as to whether Greece will be capable of repaying its newly incurred debts in the future (IMF, 2019, p.11). Furthermore, while austerity is said to be a form of voluntary deflation, the anti-austerity Syriza was forced to accept a third austerity wave in what then Syriza minister of finance Varoufakis has referred to as "a thuggish imposition" by the Troika (Varoufakis, 2016). The European experience with austerity therefore opens the door to a very important paradox. If a macro-economic policy which is meant to correct public finances and increase economic efficiency fails to deliver on both of these aspects, then why has it continued to be actively endorsed and produced within the Eurozone? Furthermore, if austerity is meant to be a voluntary economic policy, then why has its execution been so rife with conflict and have anti-austerity voices been categorically rejected in the European Commission? The answer to these paradoxes lay in the political dimension behind austerity. In order to therefore explain and understand why austerity has been produced in the Eurozone this thesis will ask the following question: "What role and motivations have certain European states had in producing a political economic regime of austerity in the Eurozone?"

This thesis will answer this question by exploring the political dynamics of austerity through a case study of one its most prominent supporters in the Eurozone, the Netherlands. It will do so by first demonstrating the limits of the current understandings of austerity by examining the political economic regime of the Netherlands during the past decade. Afterwards, by outlining the Dutch state role in the international production of austerity, this thesis will then reveal how the production and reproduction of the European austerity regime has been inexorably tied to a broader political-economic conflict over the nature of European production. It will do so by combining a state-centric analytical framework with a critical political economy approach as represented by Weber and Streeck. Through a combination of these two approaches, this thesis will demonstrate the politicised power dynamics underpinning the European insistence on austerity by placing it within a broader framework of a market struggle for the economic production model of the Eurozone.

In arguing the above this thesis will have the following structure. First, it will review various political economy literatures on the production of austerity and broadly divide them into two perspectives, structural accounts and core-periphery accounts. Second, it will explore and demonstrate the limits of these perspectives by comparing their observations and predictions to the political economic regime of the Netherlands. Finally, based on these findings, this thesis will then explain the production of austerity by combining a critical political economy approach with a state-centred argument. Specifically, it will provide a historiography of the Dutch role in the production of austerity on a European level and situate this process within a wider political conflict over the role and function of the EMU and the character of the European production regime.

Chapter 2 – Literature Review

The literature on the political economic regime of austerity within the Eurozone can roughly be divided into two main categories. One subgroup of explanations employs a structural approach. According to authors writing in this category, austerity is the logical or necessary by-product of larger structural transformations of macro-economic thinking, policy-making and state function within the Western world. Authors in the second category however instead situate the rise of austerity within the context of the Eurocrisis. For this subgroup of explanations austerity is inexorably tied to and the product of the processes, circumstances and developments that accompanied the European sovereign debt crisis and Global Financial crisis of 2008. In outlining these competing perspectives this thesis will first review several arguments fitting within the structural category.

A structural account by Blyth argues that austerity is inexorably tied into the intellectual history and foundational elements of liberal economic theory. Blyth outlines that while both the global financial crisis and the European sovereign debt crisis can be traced back to gross malpractice on the part of financial institutions, the narrative surrounding the crisis and its aftermath have shifted the blame towards the very governments that saved them (Blyth, 2013, p. 21-96). According to Blyth this outcome has been the effect of the inherently ambivalent relationship between liberal economic theory and the state. Starting with the foundational texts of Smith and Locke, Blyth identifies the antagonistic relationship within these works between the market, which is pure, and the state, which is corrupt. While this antagonistic conceptualisation is informed by the historical period in which these authors wrote, the inherent distrust of the state underpinning their economic theorisation has since been transposed into modern liberal economic theory Blyth argues (Blyth, 2013, p.104-131). Consequently, this bias leads to an economic doctrine in which the blame for economic crises is laid at the feet of government instead of the market. This is evidenced for example by the economic experience of the 1929 and 2008 economic crises in which the economic and institutional response to both has been a harsh curtailing of the state through austerity policy (Blyth, 2013, p. 178-226). The intellectual bias underpinning these works therefore inevitably leads to policy formulations and recommendations which try to limit the role of the state and blame the state for any economic misgivings, regardless of actual circumstances. As a result, Blyth argues that a political economy arrangement of austerity is inevitable in a liberal economic theory dominated institutional framework.

However, Blyth's argument runs into trouble when accounting for the Keynesian economic orthodoxy which structured economic policy making in the post-war era. According to Blyth, macro-economic thinking functions as an 'instruction sheet' based on which policy-makers formulate policy decisions. However, if they fail to deliver the desired result these instructions sheets will be abandoned by policy-makers, a process not unlike what Karl Popper referred to as a paradigm shift. This is what Blyth argues that occurred during the world economic crisis of the 1930's, when the liberal economic paradigm was replaced with Keynesian macro-economic intervention. Furthermore, the failure of the till then dominant Keynesian instruction sheet to deal with the problem of stagflation in the 1980's led to a similar situation from which liberal economic ideas re-emerged. Consequently, one would logically expect that following the 2008 financial crisis, Keynesian ideas would come back into vogue, something that Blyth himself refers to as "the return of the master" (Blyth, 2013, p. 56). However, since then, austerity and liberal economic ideas have continued to dominate political economic decision making; a development that Crouch has famously called the strange non-death of neoliberalism (Crouch, 2011). While outlining the ideological dimension of austerity, Blyth's account is therefore ultimately unable to provide a compelling answer to the question of why austerity has continued to be produced and reproduced by states. However, other authors have avoided this problem by instead situating the production of austerity within the broader transformation of the welfare state. Within this category there are two competing perspectives on state transformation and its relation to the production of austerity, the consolidation state and the competition state, to which this literature review now turns.

According to Streeck, the consolidation state is the next evolution in the relationship between capitalism, the nation-state and democracy. In order to understand the appearance of the consolidation state, Streeck introduces the concept of the consolidation state's predecessors, the debt state and the taxation state. The author argues that democratic governance and capitalism have coexisted in an uneasy marriage which has been facilitated by the state's ability to transform itself and adapt to the challenges of international capitalism. Accordingly, the welfare state has undergone a transformation from the taxation state, to the debt state and finally to its current form, the consolidation state. In Streeck's typology, the taxation state financed its welfare spending and market intervention through the taxation of its citizens, however the increased capital mobility of the 1970's undermined its ability to do so. As a result, the political economy of the taxation state was rearranged into a debt state, which substituted state welfare provision through taxation for debt based spending and the increased financialisation of private assets (Streeck, 2016, p. 119-121). However, while the debt state managed to temporarily solve the financial issues of the taxation state, the resulting increase in public and private debt lead to financial questions and pressures being asked of the debt state. Consequently, the consolidation state emerged as a political-institutional response to this new political economic reality (Streeck, 2016, p. 122; Streeck 2013, p. 154). The ultimate goal of the consolidation state stands in stark contrast to the traditional welfare state. According to Esping-Andersen’s influential conceptualisation, a welfare state aims at decommodification of the labour market regime in a process which is contingent on the class character of the state (Esping-Andersen, 1990, p.33). Streeck however argues that the new political economy arrangement of the consolidation state instead revolves around the reconfiguration of previously existing political interests, institutions and policy arrangements towards public austerity as the fundamental principle governing the relationship between state and society (Streeck, 2016, p. 133; Streeck, 2014, p. 127; Streeck, 2013, p.154-157). These politics of consolidation include tying the hands of national governments in dealing with international credit, the disciplining of national governments by international organisations and most importantly, the enforcement of strict austerity measures (Streeck, 2016, p. 125-126).

Streeck’s argument for the rise of austerity has not been left unchallenged however, as authors supporting the competition state argument instead see austerity as an economic strategy pursued by efficiency maximising states. According to this perspective, the welfare state has transformed into a quasi market actor that actively reproduces the conditions for its transformation. What we see therefore is not state retrenchment, but instead the reconfiguring and reproduction of neoliberalism by the state (Celik, 2016, p. 109-133; Cerny, 1997, p. 251). As a result, the competition state stands in stark contrast to the welfare state by pursuing increased marketisation in order to create the conditions for efficient and competitive activities within its national territory (Cerny, 1997, p. 259; Cerny, 2010, p. 8-9). The competition state has several characteristics, the first of which is its demand side focus. According to its supporters, the competition state abstains from market intervention and instead aims at creating the conditions for efficiency. In addition, the competition state is concerned with introducing market function to previously non-market environments such as healthcare, public transport and education. Finally, the competition state is constrained in its actions by both international institutions and by capital mobility. As result of this mobility, the competition state thesis argues that states are always in competition with other states in attracting foreign footloose capital (Genschel and Seelkopf, 2015, p. 239-240). In order to attract this capital the competition state needs to make a credible commitment to international financiers and transnational capital, consequently the competition state produces a political economic regime of austerity in order to fulfil its goal of remaining competitive within in an international world economy (Cerny, 1997, p. 266-267).

Consequently, despite their differences, both perspectives on state transformation and Blyth consider austerity as situated within a larger structural transformation. However, other authors instead argue that austerity needs to be understood specifically within the context of the European sovereign debt crisis. One of these explanations is the so called "immaturity thesis" (Dooley, 2018, p. 64). The immaturity narrative on austerity, which was primarily produced by Northern European politicians and news outlets during the crisis, framed the Eurocrisis as a "normative morality tale of Southern profligacy vs. Northern thrift" in which "Northern Saints" had to pay for the sins of "Southern Sinners" (Matthijs and McNamara, 2015, p. 230). According to this narrative the Eurocrisis has been the result of reckless borrowing and spending on the part of 'immature' Southern European states which carelessly risked the entire European financial system through their selfish behaviour. This line of reasoning was clearly articulated by Dutch prime minister Mark Rutte for example, when he argued that "the main cause of the current [financial] problems is that some countries played fast and loose with the rules" (Rutte and de Jager, 2011). According this explanation the policy of austerity was therefore produced and enforced on Southern economies as a way to discipline these states and ensure the repayment of their 'reckless' borrowing to the Northern economies. That this explanation has strong normative and culturally chauvinistic elements became clear for example when Dutch Eurogroup president Jeroen Dijsselbloem accused the Southern European economies of having wasted their money on "drinks and women" and expecting the North to happily foot the bill (Khan and McClean, 2017).

However, other authors have challenged this particular explanation while remaining within the broader framework that situates austerity as the direct result of the Eurocrisis. As opposed to having been the result of the immaturity of Southern economies, Kinsella and Kinsella for example argue that austerity has been produced as a result of the inherently flawed institutional configuration of the EMU and the EPU. According to these authors, the production of European-wide austerity has been the result of the EMU's inability to effectively off-set economic shocks. They argue that when the global financial crisis hit Europe, European policy makers were unable to properly react due to the institutional design of the EMU. Consequently, instead of effectively treating the root of the problem, an effort was made to "firewall the crisis" and the Troika was designed and empowered to stop the European economic crisis from spreading throughout the entire continent (Kinsella and Kinsella, 2018, p. 59-81, p. 85). While alternative methods for resolving the European crisis would have been possible in theory, Kinsella and Kinsella argue that the institutional configuration of the European Union made increased cooperation practically impossible and instead lead to a beggar-thy-neighbour reaction to the crisis. According to the authors this was the reason that instead of providing debt-relief, the Troika insisted on reorganising and ensuring the payment of foreign debt to the European core. Consequently, by becoming the fiscal enforcer of the EMU, the Troika was able to save the European banks and prevent total fiscal contagion of the sector. However, as Kinsella and Kinsella argue, the manner in which this has been achieved has damaged the social fabric of the EU beyond repair and they predict that in saving the Euro the Troika has in fact ensured its long-term decline (Kinsella and Kinsella, 2018, 83-107).

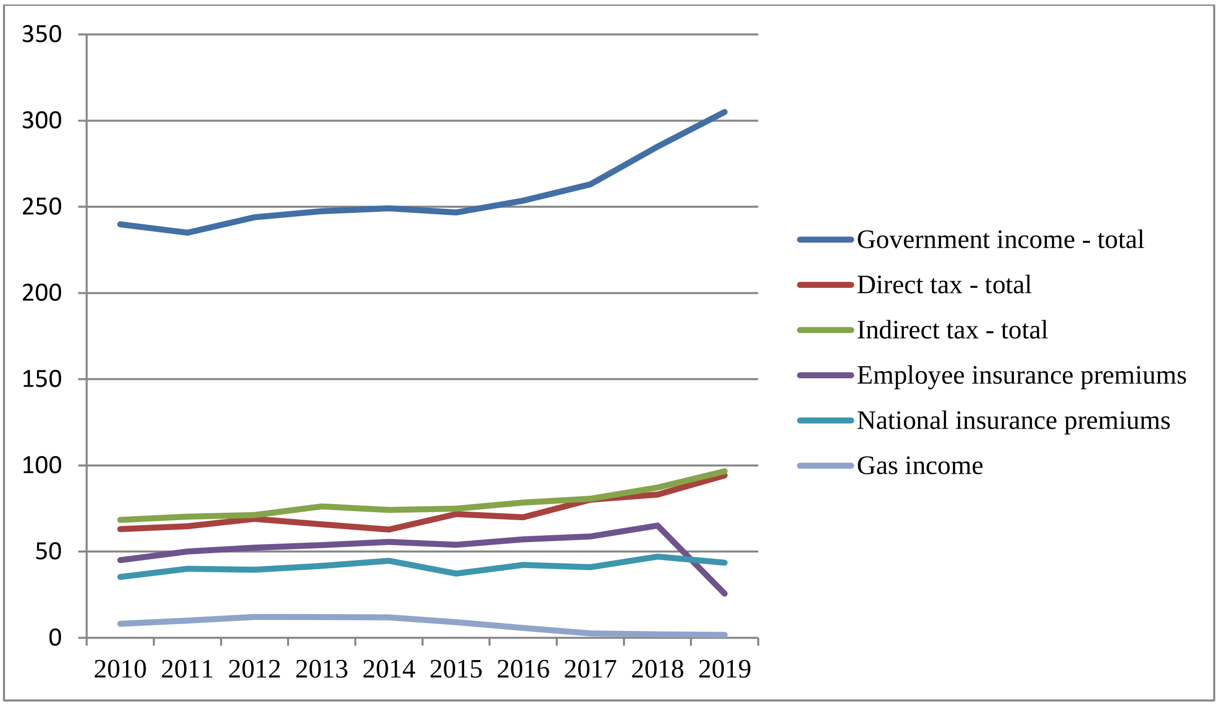
Finally, Flassbeck and Lapavitsas take Kinsella and Kinsella's argument one step further as they instead argue that core-periphery structures within the EMU are the direct cause of austerity. Their argument is that the institutional organisation of the EMU and the ECB serves to legitimise and strengthen the core-periphery power structure in the EU. According to Flassbeck and Lapavitsas, the ECB's focus on monetary supply is an ideological one that disregards the clear effects that the price of labour inputs has on the competitiveness of national industries. Consequently, by simply managing the money supply rather than managing the wage level of the EMU, the authors argue that the ECB has enabled Germany to leverage its relatively low-wages and high productivity to create export surpluses to the European periphery. While this policy has benefited German industry at the expense of other European countries it has simultaneously had the effect of creating and amplifying the current account deficits in the European South. Furthermore, even though the monetarist structure of the ECB has caused the crisis, the institutional arrangement of the EMU has forced policy makers to adapt austerity in order to resolve the crisis. As the authors argue, with its own independent currency a European country with a current account deficit would devaluate, thereby pushing down wages relative to its competition and ameliorating the competitive wage advantage of Germany in this case. However, the structure of the EMU and the mandate of the ECB prevent this option and leave only harsh austerity as a method to push down wages in the periphery and solve its trade deficit (Flassbeck and Lapavitsas, 2015, p.1-84).

Consequently, the authors argue that under the current German political and institutional domination of the Eurozone, there is no choice for the other member states to enact harsh austerity measures to lower their wage-levels and counter German "wage dumping" (Flassbeck and Lapavitsas, 2015, p. 28).

As becomes apparent from the above literature review there is no consensus on why austerity has become the dominant political economic force in Europe. Authors such as Streeck and Cerny, while disagreeing on its precise nature, see the rise of austerity as endemic of a broader neo-liberal transformation of state functioning. Blyth on the other hand argues that austerity is intrinsically and ideologically tied to liberal economic thinking and policy. Finally, the immaturity thesis and the work done by Kinsella and Kinsella and Flassbeck and Lapavitsas instead situate austerity within the Eurocrisis and the EMU. According to these latter authors, austerity is first and foremost a macroeconomic policy that is enforced on the European periphery by a group of European core economies. While all these analyses touch upon some parts of the answer as to why austerity has been produced, their divergent and mutually exclusive answers to the paradox outlined in the beginning raise more questions than they answer. This is evidenced for example by the mutually exclusive observation that while the structural accounts argue that austerity exists in all developed economies, the Eurocrisis arguments instead view austerity as a uniquely Southern European phenomenon. Consequently, in order explore to the limits of these arguments this thesis will now turn to an analysis of the political economy of the Netherlands. In doing so this thesis will demonstrate that the Dutch political economy has transformed into a regime of austerity, thereby indicating the limits of the Eurocrisis and core-periphery accounts. Moreover, it will reveal that while structural accounts may more accurately reflect the realities of the Dutch political economy arrangement, they too fail at providing a compelling argument explaining the rise of austerity.

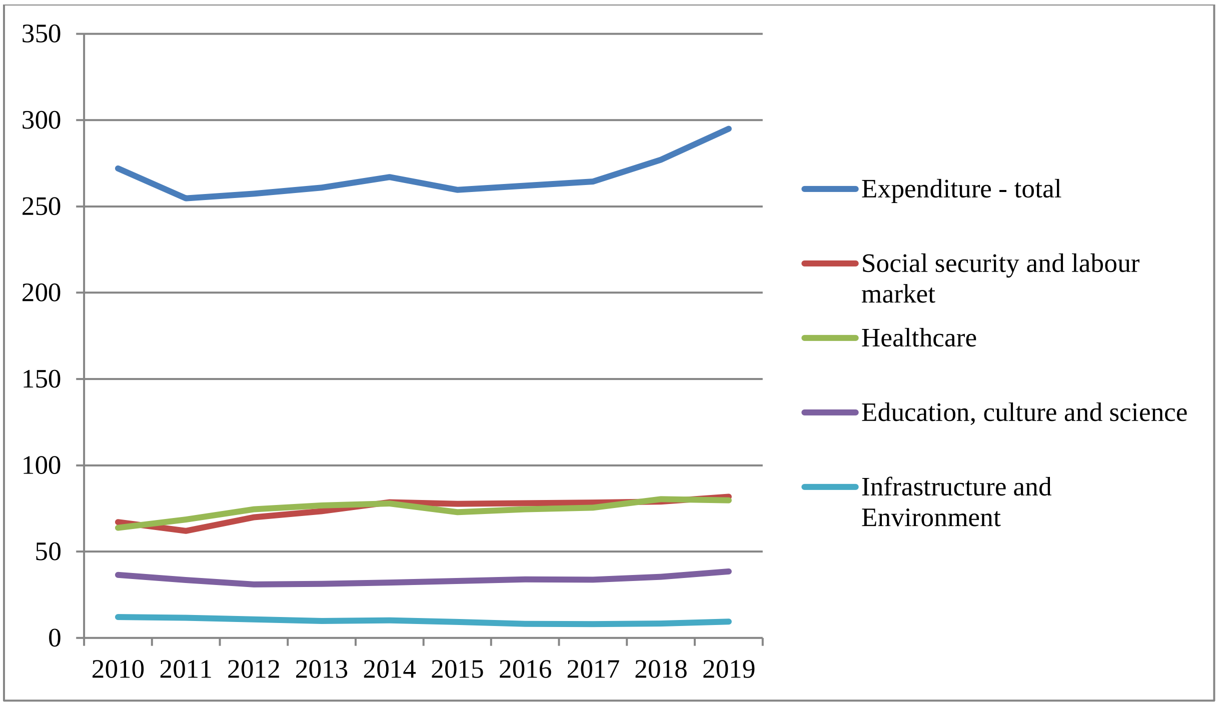
Chapter 3 – Exploring Austerity in the Netherlands

Figure 1: Central government income according to Miljoenennota, in billion Euros, the Netherlands, 2010-2019; selected variables.



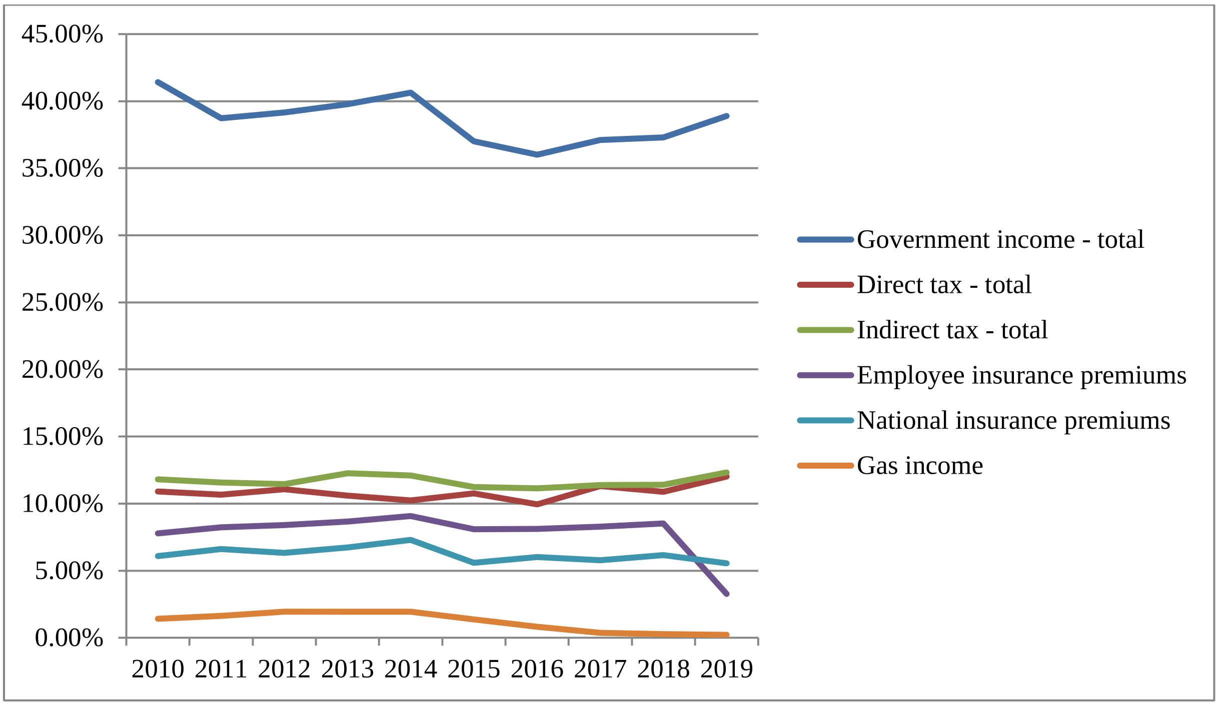
Source: Miljoenennota 2010 to 2019 – See Appendix A

Figure 2: Central government expenditure according to Miljoennota, in billion Euros, the Netherlands, 2010-2019; selected variables.



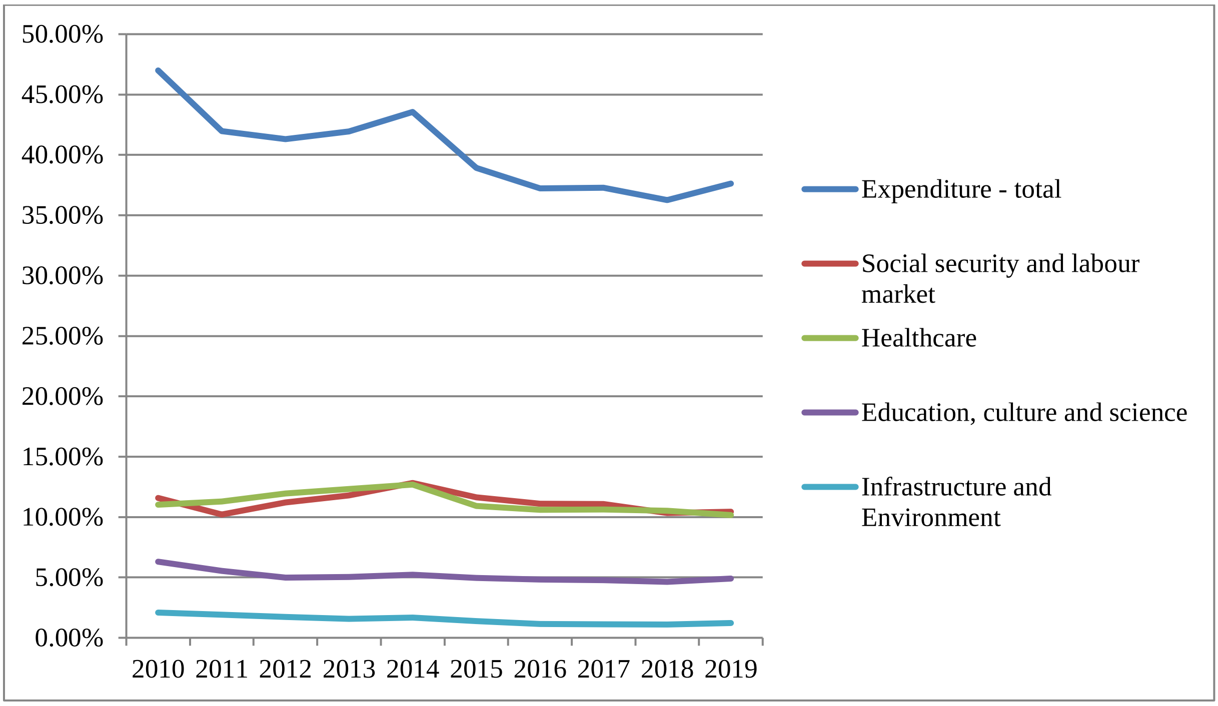
Source: Miljoenennota 2010 to 2019 – See Appendix A

Figure 3: Central government income according to Miljoenennota, as percentage of that year's GDP prediction, the Netherlands, 2010-2019; selected variables.



Source: Miljoenennota 2010 to 2019 – See Appendix A

Figure 4: Central government expenditure according to Miljoennota, as percentage of that year's GDP prediction, the Netherlands, 2010-2019; selected variables.



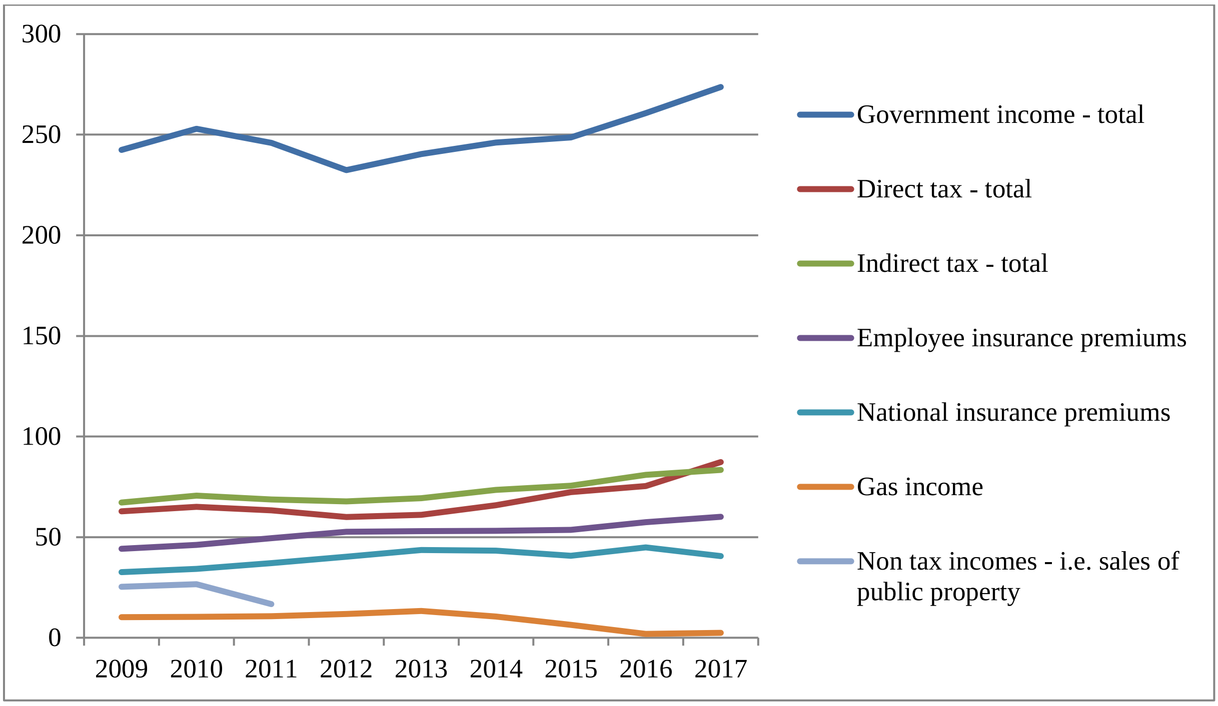
Source: Miljoenennota 2010 to 2019 – See Appendix A

In order to assess the congruency of the claims of both the Eurocrisis and structural accounts on the rise of austerity, this thesis will now explore the nature of the political economic regime in the Netherlands over the past decade. Figure 1 to 4 outline Dutch central government income and expenditure according to the data predictions included within the yearly Miljoenennota[1] from the period 2010 to 2019[2]. As can be seen in figure 1 and 2, government income and expenditure have not risen at the same speed over this period with the increase of central government income outpacing government expenditure over this time. Furthermore, figure 2 reveals that over this period social security and labour market and healthcare expenditure have slowly increased, while education, culture and science spending have declined over the years before recovering to 2010 levels of spending in 2018. However, figure 1 and 2 only represent the nominal spending of the government over this period and therefore do not provide a complete account of the share of government in the economy. This data is presented in figure 3 and 4 which takes the data from figure 1 and 2 but instead represents them as the percentage of GDP for that particular year. The figures demonstrate that while in nominal terms government income and expenditure have increased over time, as a percentage of that year's GDP central both government income and expenditure have declined by as much as 10 percent. Furthermore, as figure 4 demonstrates, over the period of scrutiny we can see a decline of all expenditure posts when compared to their 2010 levels, indicating relatively high levels of state retrenchment. Before reflecting further on the implications of these figures however, it is important to consider a second grouping of related figures; figures 5 to 8.

[1] The Miljoenennota is a document published every year on the 3rd Tuesday of September. On this date the nota is presented to the King and within it is an outline of the major policy, government expenditure- and government income-predictions for that year.

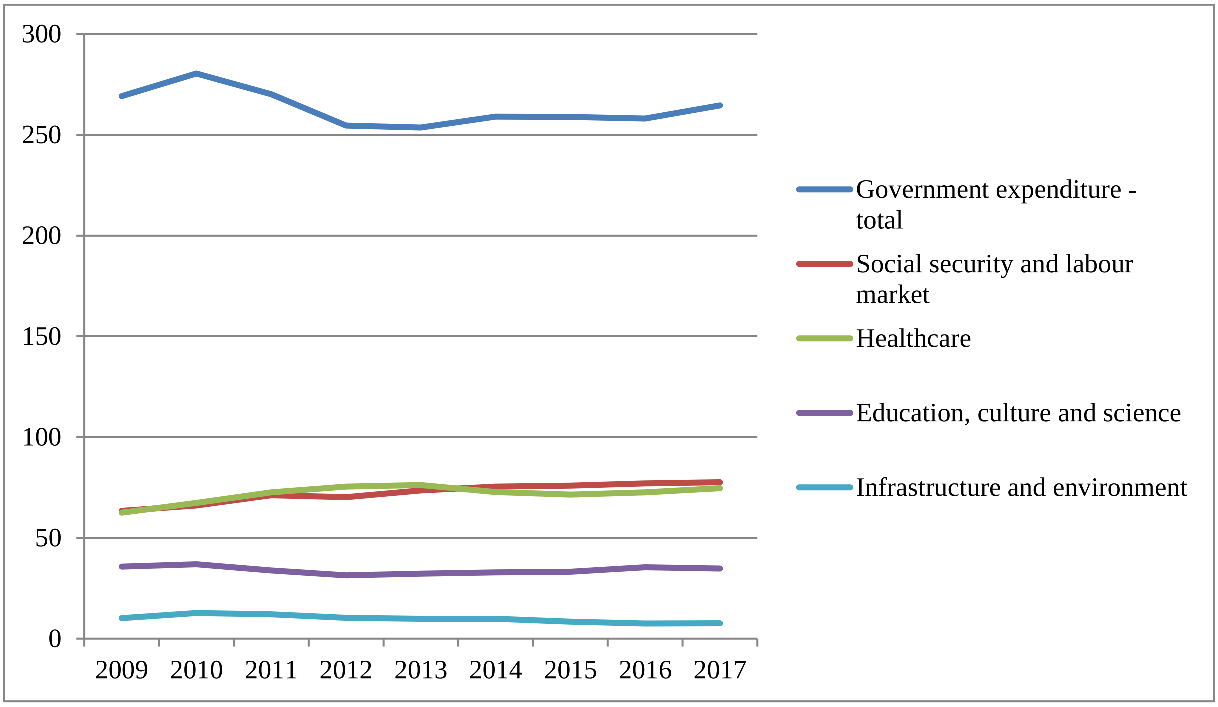
[2] The timeframe is chosen due to the accounting method used in the Miljoenennota. From 2010 onwards, a different accounting system was implemented for expressing government income and expenditure within these documents than before. In the post-2010 Miljoenennota subsidies and social security payments relating to a particular expenditure category are represented within their corresponding category. For example, unemployment entitlements are counted as expenditure for the category Social Security and Labour Market. In the pre-2010 Miljoenennota these forms of expenditure were not counted as being part of that particular category. In this form of accounting, only direct forms expenditure are counted in the measuring of the categories while indirect welfare payments are included within a separate and aggregated category. As a result, it is impossible to compare the pre-2010 and post-2010 numbers accurately without creating large distortions.

Figure 5: Central government income according to Financieel Jaarverslag, in billion Euros, the Netherlands, 2009-2017; selected variables.



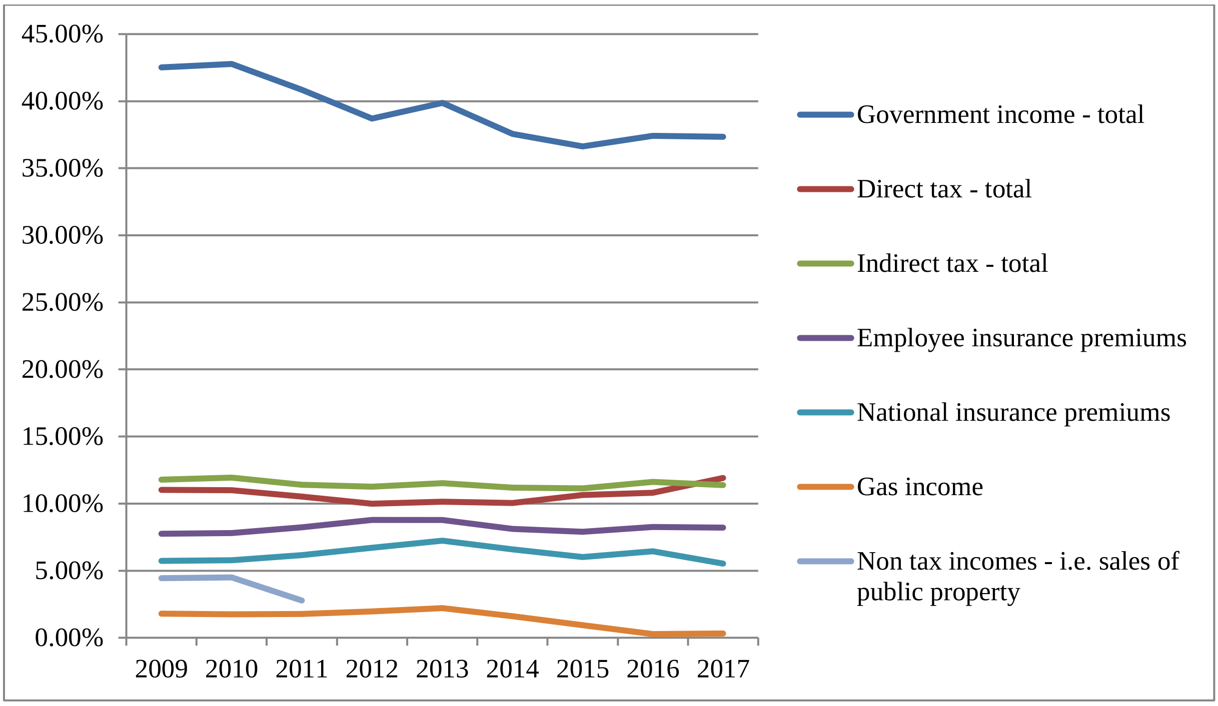
Source: Financieel Jaarverslag Rijk, 2009-2017 – See Appendix B

Figure 6: Central government expenditure according to Financieel Jaarverslag, in billion Euros, the Netherlands, 2009-2017; selected variables.



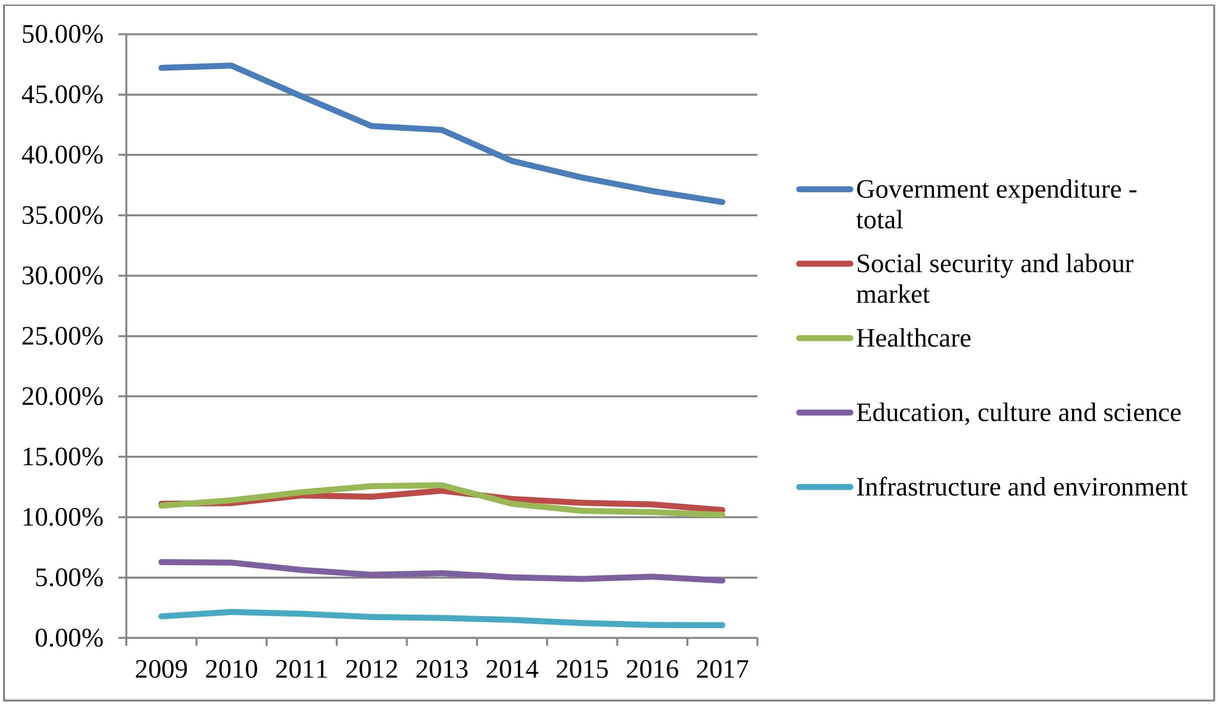
Source: Financieel Jaarverslag Rijk, 2009-2017 – See Appendix B

Figure 7: Central government income according to Financieel Jaarverslag, as percentage of that year's recorded GDP, the Netherlands, 2009-2017; selected variables.



Source: Financieel Jaarverslag Rijk, 2009-2017 – See Appendix B

Figure 8: Central government expenditure according to Financieel Jaarverslag, as percentage of that year's recorded GDP, the Netherlands, 2009-2017; selected variables.



Source: Financieel Jaarverslag Rijk, 2009-2017 – See Appendix B

Figures 5 to 8 outline the central government income and expenditure according to the data observations included within the Financieel Jaarverslag Rijk[3] from the period 2009 to 2017[4]. As expected, the data from figures 5 to 8 largely mirrors the data from figure 2 to 5. However, there are a few key differences which evidence the nature of the political economic regime of the Netherlands. First, whereas figure 5 shows proximately the same central government income increase as figure 1, figure 6 shows a decline in government expenditure in contrast to figure 2. This means that over this period, planned expenditure has generally been higher than realised expenditure. Furthermore, figure 5 contains a category which is missing from the Miljoenennota, non-tax income, which represents the sale of previously public property; a measure which was used during the financial crisis to bolster government funds, as opposed to increasing government debt, and was not predicted to occur during the calculation of that year's budget.

Based on the income and expenditure data in figure 1 to 8, it becomes obvious that during the period under scrutiny some level of state retrenchment has taken place with government income declining by 5 percent and expenditure declining by 10 percent as a percentage of GDP. While this in and of itself could provide evidence for the existence of an austerity regime, all four coalitions during this period have contained the neo-liberal VVD which has historically championed lowering government involvement in the economy while simultaneously lowering taxes. Consequently, even though state retrenchment occurred during this period, this in and of itself does not necessarily indicate a political economic regime of austerity as these policies might not have been implemented in order to balance the budget. However, by paying close attention to the difference between the Financieel Jaarverslag and Miljoenennota, a particular pattern starts to emerge which does indicate this transformation[5]. Over the directly comparable period on which accounting data is commensurable, from 2010 to 2017, actual government expenditure has both exceeded the planned expenditure of the Miljoenennota for that year four times and has been under planned expenditure for that year four times[6]. However, in two out the four cases of realised expenditure being smaller than

[3] The Financieel Jaarverslag Rijk is the counterpart of the Miljoenennota. The document is published yearly and presented to parliament on the 3rd Wednesday of May. It outlines the major policy, government expenditure and income undertaken for that year as reported by the ministry of Finance. The data within the Financieel Jaarverslag Rijk is therefore the realised government income and expenditure for the previous year.

[4] The reason for the selection of this timeframe is due to the same accountancy discrepancy within the Miljoenennota. However, whereas the Miljoenennota data starts in 2010, the Jaarverslag data starts in 2009 due to the particularities of the Jaarverslag, i.e. it being a review as opposed to a prediction. Furthermore, the data ends in 2017 because the Jaarverslag for 2018 has yet to be published as of writing.

[5] See Appendix D

[6] On why only this data is commensurable, refer to footnote 2 and 4 respectively.

planned expenditure this difference did not exceed three hundred million Euros, or 0.1% of that year's total expenditure, and is therefore considered negligible. Consequently effectively realised expenditure has not exceeded expected expenditure for six out of the eight years under scrutiny. In addition, during this period the instances that realised government income was lower than the expected income of the Miljoenennota overlap with the previously mentioned four cases and the two 0.1% outliers. The patterns that thus starts to emerge is that over the period of 2010 to 2017 every time that realised government income has been lower than the figure predicted in the Miljoenennota, the realised government expenditure has followed suit and similarly declined.

The explanation for this trend lies in the budget stabilisation mechanism in which Dutch government expenditure is linked to government income through a system of automatic budget stabilisers. Simply put, the automatic stabilisation system causes government expenditure to either 'growth with' or 'decline with' government income trends. In practice this means that when realised government income for a period exceeds planned income for that period, government expenditure is allowed to rise by the same percentage. Alternatively, when realised income is beneath the initial estimate, government expenditure declines by the same difference as well. The crux however is the nature of the spending and cuts that this system causes. When government income falls short of expectations, the decline in government spending is 'spread' out over the other categories as planned government expenditure across the board is decreased through short-term measures to balance the budget. However, when government income exceeds expectations the opposite does not apply. While such a financial windfall could theoretically be used to invest in ongoing projects, deepen existing spending over several categories or expand social services, this is legally not allowed and it instead mandated that the extra-income is used to pay-off outstanding government debt. As a result, it is impossible to use a potential financial windfall to increase government spending in the short-term.

The implication of this stabilisation regime is twofold. First, although previously agreed upon policy commitments and arrangements for that year are the result of democratic elections and political processes they are ultimately subservient to the budget. While all governing parties might be in agreement on the funding, expenditure and implications of a certain policy it will only be fulfilled as long as the realised government income for that period exceeds or equals the planned income. Second, the room for policy makers to radically restructure and expand on pre-existing policy commitments is extremely limited. While any decrease in expenditure is legally allowed, the legal anchoring of the stabilisation regime means that potential new expenses, even when temporary, have to be financed through increased income, rather than debt-based spending. As a result, both policy and policy makers are ultimately subservient to budgetary rules which are anchored within legal parameters.

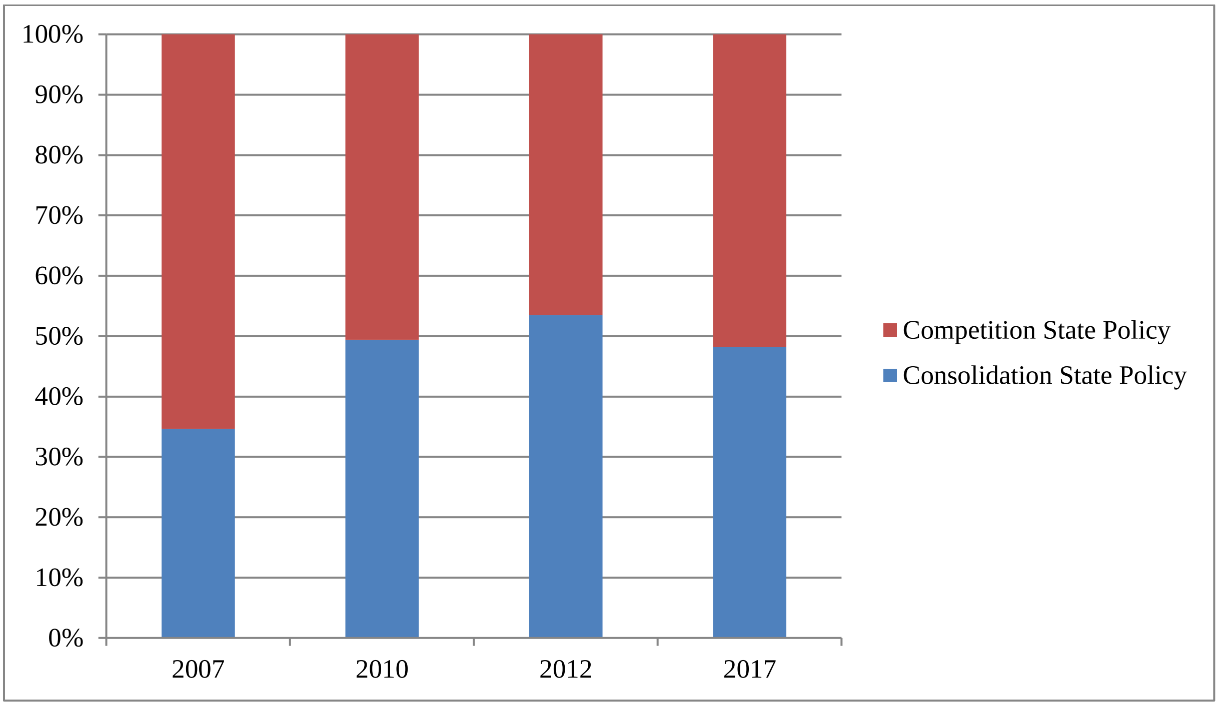
Taking these observations and data into account, approaches which argue that austerity is produced by the European core economies and enforced onto the periphery fail to acknowledge that austerity is not limited to just the European South. Nevertheless, one could argue that the Netherlands is an outlying case and does therefore not necessarily falsify the core-periphery argument. However while this case study has demonstrated the empirical limits of core-periphery arguments from a core perspective, Dooley has demonstrated that core-periphery analyses are not supported by empirical data on a international level either. Through an examination of European country-specific trade and capital flows, Dooley reveals that the current account imbalances in the European core and periphery economies are not related in the ways that core-periphery arguments portray them to be. First, Dooley finds that the trade deficits in the European periphery are largely the result of extra-European and inter-periphery trade, rather than core-periphery imbalances (Dooley, 2019, p. 67-73). Furthermore, while the core-periphery claims regarding financing do hold when aggregated, the part that Germany plays in these figures is not overwhelming either despite Germany having being described as the chief-instigator of austerity in core-periphery literatures (Dooley, 2019, p. 73-77). Consequently, the core-periphery argument, while outlining important political and power dynamics in the Eurocrisis, does not hold empirically. However, the other major framework explaining austerity, state transformation, runs into problems as well as this thesis will now demonstrate.

As was demonstrated in the above, the current Dutch political economic regime is characterised by austerity as both the consolidation state and competition state theses would predict. However, while both theoretical frameworks agree on the existence of an austerity regime, they have divergent explanations for its appearance and the nature of its complementing political economic arrangement. Consequently, in order to evaluate the congruency of both theories, this thesis will now compare actual realised government policy over the past decade with the policy predicted by the two theories.[7]. In order to do so this thesis has performed a close reading of the four *Regeerakkoorden* published by the four ruling

[7] The tested for variables are outlined and elaborated upon in Appendix C

coalitions[8]. In representing the findings of this analysis this thesis employs the following method. Every time a policy is mentioned within the *Regeerakkoord* which corresponds to one of the particular theories, one point is attributed to that theory. Furthermore, all of the documents start with a summary in which the coalition outlines those policies and decisions it considers the most important for the coming term. As a consequence, these policies are counted twice, once when they are mentioned in the introduction and once when they are mentioned in the actual document, thereby accounting for political salience. In doing so this method therefore creates a comprehensive overview of the direction of policy, while also accounting for the political gravitas of the policy. The results of this analysis are represented in figure 9.

Figure 9: Percentage of government policy matching policy predicted by the two theoretical frameworks, the Netherlands, 2007-2017.

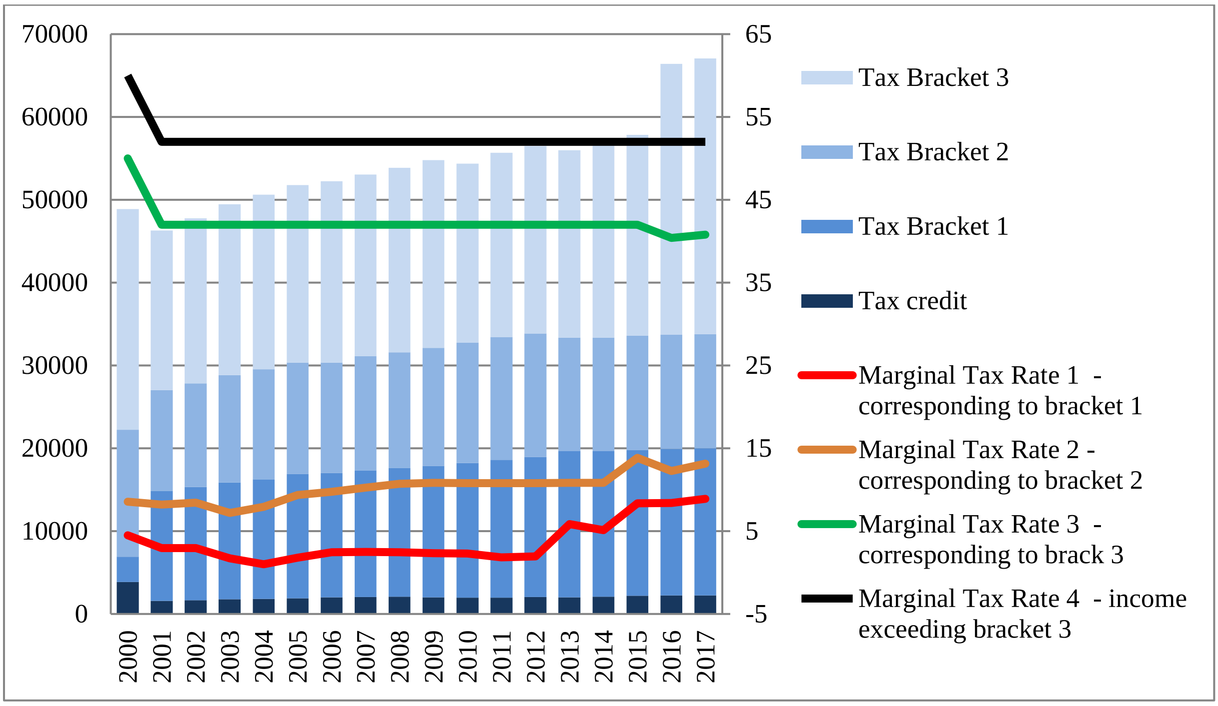


Source: Regeerakkoord 2007, Regeerakkoord 2010, Regeerakkoord 2012, Regeerakkoord 2017

[8] The *Regeerakkoord* is the cornerstone document of every Dutch coalition and outlines the agreed-upon policy for the coming mandate. Due to the highly fractured political landscape in the Netherlands the negotiation of this document involves multiple competing parties and often takes several months. Consequently, the final policy outlined in the *Regeerakkoord* is meticulously designed and almost always enforced to the letter. Furthermore, due to the pre-determined and rigid nature of the document it is often difficult for coalitions to form coherent policy responses to unplanned exogenous shocks, often causing the dissolution of the cabinet as a result, such as in 2010 and 2012 for example. Because of these factors, the policy outlined in the *Regeerakkoord* serves as a useful proxy and effective summary of government policy for that period.

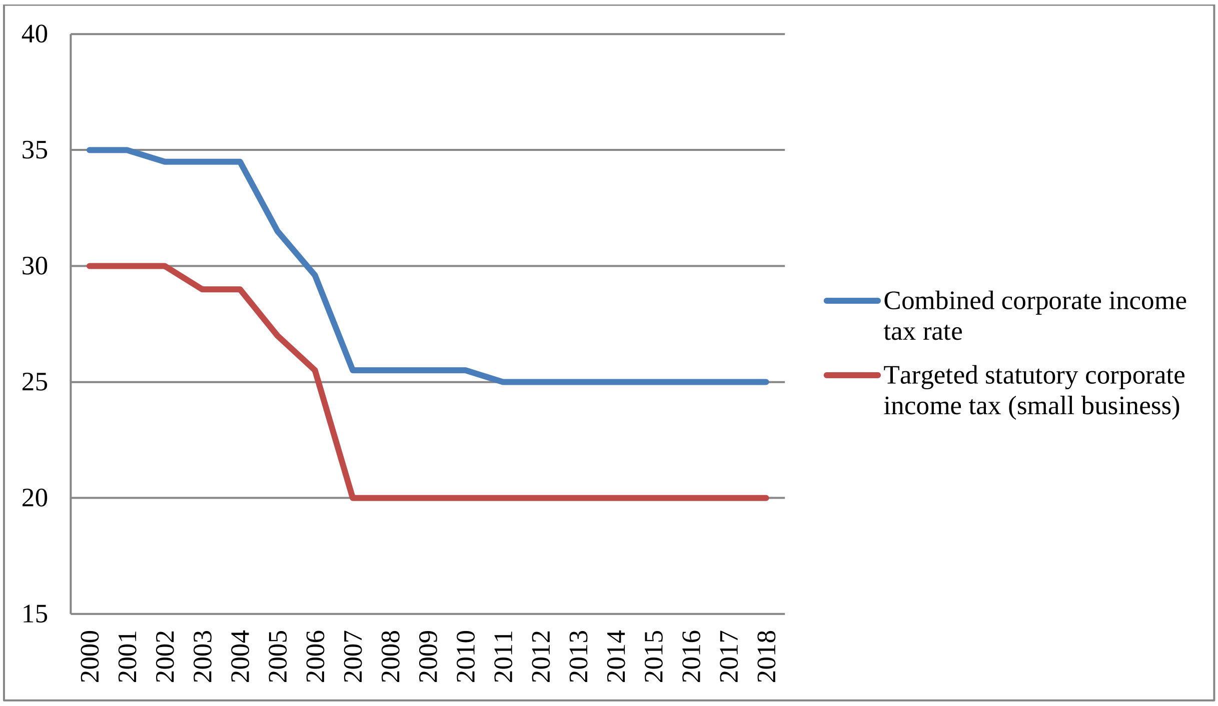
As becomes apparent from figure 9, there has been a transition over time from government policy largely matching the competition state theory to a more even distribution between competition state policy and consolidation state policy. This shift to consolidation state policy following the 2010 Regeerakkoord is primarily due to the increased attention and importance of budgetary policy and expansion of austerity programs within these documents. Furthermore, apart form its relative decline in 2010, policy matching the competition state theory has been relatively stable over this period, as reflected in practice by the continuing attention to infrastructural development, education and business related investment within the documents. While the data from figure 9 is therefore revealing, it is important to note that the data presented in figure 9 is a proxy of the actual policy implemented and serves to indicate overall trends, rather than precise inter-comparisons. In order to more comprehensively review the exact financial impacts of these policies, explore the political economy of the Dutch state and demonstrate some of the limits of the state transformation framework, this thesis thus returns to figure 1 to 8 and introduces figures 10 to 12.

Figure 10: Personal income tax brackets in Euros and corresponding marginal tax rates in percentages, the Netherlands, 2000-2017.



Source: OECD tax data base

Figure 11: Combined corporate income tax rate and targeted statutory income tax rate in percentages, the Netherlands, 2000-2018.



Source: OECD tax data base

Figure 10 outlines the development of the marginal tax rates and tack brackets in the Netherlands from 2000 to 2017. As figure 10 demonstrates, top end marginal tax rates have remained stable over this period, while marginal tax rates for tax bracket one and two have slowly increased over the years. Of particular important here however is not the marginal tax rate, but the development of the tax brackets as well. As becomes apparent from figure 10, tax bracket three has increased at a faster rate than the other brackets, the result of which has been that the relative amount of income earned over which the highest marginal rate of 52% is paid has effectively decreased over this period. Consequently, over the period under scrutiny, lower incomes have seen increased taxation pressures while higher income groups have been the recipient of decreased taxation pressures. In addition, with regards to corporate income tax there has been no meaningful decrease or increase in corporate income tax rate; as the rates have been around 25% for larger businesses and 20% for smaller businesses for the past decade. However, it is important to note here that this decrease did take place in the years before 2007 as can be seen in figure 11. Based on these observations we can therefore conclude that the increase in government income over this period has mostly come from GDP growth rather than increased taxation; an observation that is consistent with the trends outlined in figure 3 and 5.

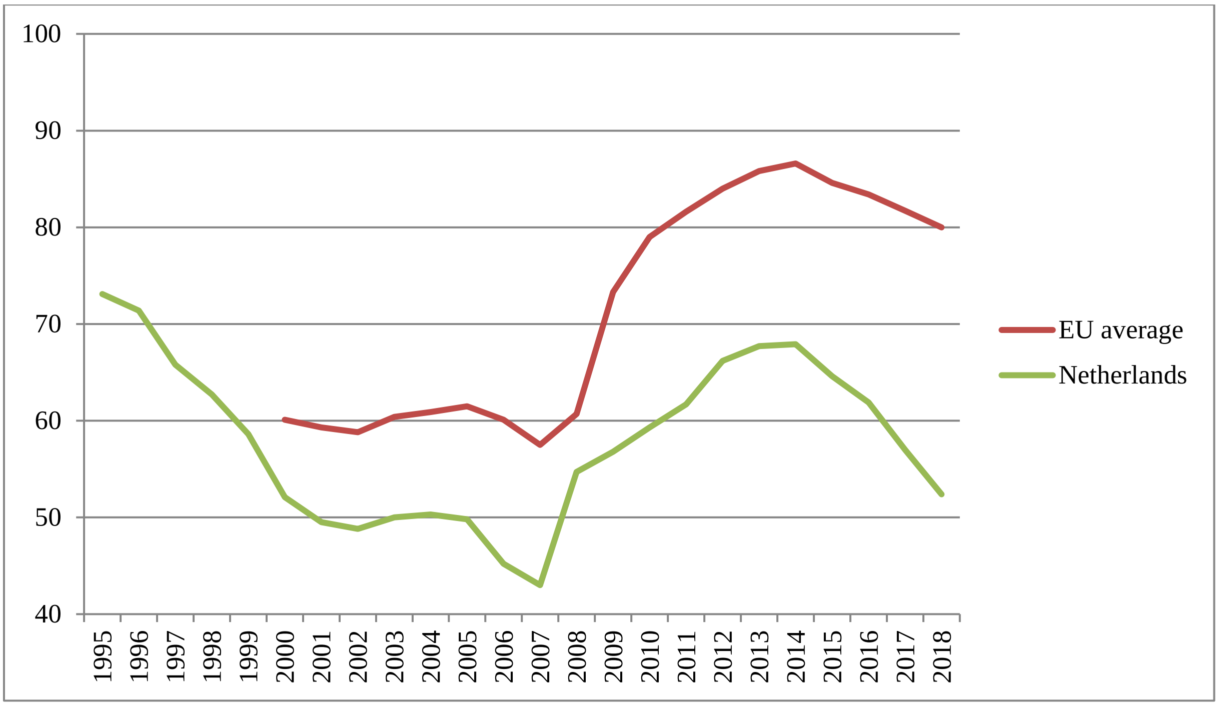
These taxation trends are both consistent with the consolidation state and competition state thesis, albeit for different reasons. The competition state thesis argues that taxation pressures on incomes will go down in order to encourage participation in the workforce, a process which occurred for higher income groups but not as much for lower income groups as becomes apparent from figure 10. The consolidation state thesis on the other hand argues that states fearful of capital mobility will aim to increase taxation on immobile tax bases and decrease it on mobile; this argument is also consistent with the relative increase of lower income tax rates and the decrease of effective higher income tax. Consequently, in order to convincingly test the congruency of both approaches a reconsidering of the data from figures 1 to 8 is required.

The competition state prediction that investment and infrastructure will increase is incongruent with the findings of figures 1 to 8 as they reveal that both these categories have in fact seen decreasing spending over the last decade. This might seem like a paradox considering the findings of figure 9; however the explanation for this discrepancy is twofold. First, while the government was investing in parts of education and infrastructure, it was simultaneously decreasing spending in other parts of these categories, thereby allowing it to ‘invest’ into these sectors while keeping spending patterns low or even decreasing. An example of this can be found in the Regeerakkoord of 2012, in which government entitlements for students were cut and used to invest in other aspects of education (“Bruggen Slaan”, 2012, p. 17). The second part of the reason is the increasing prevalence of public-private partnerships within infrastructure. While government policy has stressed the development of infrastructural conditions over this period, a policy predicted by the competition state, the actual financing of these projects has often come from private firms such as was the case in the expansion of Schiphol and the Rotterdam Harbour (“Bruggen Slaan”, 2012, p.37). Both these observations lend credibility to the consolidation state thesis, which argues that governments lack the economic agency to truly influence spending and are increasingly reliant on private capital to finance their projects

Furthermore, as becomes apparent from figures 1 to 8 and Appendixes A and B, while most central government expenditure over this period has either decreased nominally or as a percentage of GDP, the expense categories social security and labour market, healthcare and security and justice have seen large increases over time. This development is predicted by Streeck’s consolidation state argument. Streeck makes the distinction between mandatory spending, which includes politically entrenched patterns of spending such as entitlements, and discretionary spending which largely concerns public investment. According to the consolidation state thesis public spending will continue to grow in politically entrenched categories, such as healthcare and social security, albeit at a slower rate, while stagnating in less politically contested arenas; a prediction that is consistent with the empirical data on the Netherlands.

In sum therefore, while the policy and tax analysis conducted suggested a relatively equal split between the consolidation state and the competition state, figures 1 to 8 instead point to a political economy arrangement reminiscent of Streeck’s consolidation state when considering the characteristics outlined in Appendix C. First, as figures 1 to 8 demonstrated government income and expenditure when measured as a percentage of GDP have seen a relatively steep decline over this period; pointing to high levels of state retrenchment and low, or decreasing, levels of public expenditure. Furthermore, as the previous analysis of expected and realised expenditure revealed, actual policy making and implementation has largely been constructed by legally ordained stabilisers; thereby indicating a both low level of economic agency of the state and high levels of fiscal austerity. Moreover, as demonstrated by the Dutch state’s increasing reliance on public private partnerships it can be argued that the state is beholden to the market to a certain extent. Based on these observations it can thus be concluded that the primary function of the political economy arrangement in the Netherlands has become the enforcement of austerity and fiscal consolidation.

Figure 12: Central government debt expressed as percentage of that year's GDP, the Netherlands 1995-2018, average rate of the European Union, 2000-2018.



Source: Eurostat - Government deficit/surplus

Nevertheless, an important complication to this observation remains. While it is true that the current political economic regime of the Netherlands most closely mirrors the consolidation state thesis, it is questionable whether Streeck's explanation for the rise of austerity actually holds across all cases. In Streeck's argument the consolidation state is the necessary response to increases in public debt, however, as figure 12 demonstrates, it is questionable whether the Dutch consolidation state in fact arose from a situation of ballooning public debt. As evidenced by figure 12, the Dutch debt to GDP ratio has been consistently below the European average and in fact greatly decline during the late 1990's, a period that Streeck argues laid the foundation for the consolidation state. Moreover, his explanation does not work for several high-profile states either. The United States for example, while having a massive government debt and current account imbalance, currently has higher government expenditure than pre-crisis levels; not to mention the large Keynesian fiscal spending undertaken during the crisis ("Central Government Total Expenditure", 2019). Furthermore, despite having being hit hard by both the global financial crisis and the Eurocrisis, Italy has retained stable levels of government expenditure over this period while shouldering a massive public debt to GDP ratio as well. While Streeck therefore correctly identifies the nature of the current austerity regime in the Netherlands, his structuralist framework is both unable to account for the divergences between individual countries and convincingly explain the rise or lack of austerity across different states.

Consequently, as this case study of the Netherlands has found, none of the theoretical frameworks explored in the literature review are able to provide a comprehensive account on the rise of austerity in the Netherlands and Europe as a whole. While the state transformation approach correctly identifies the nature of the Dutch austerity regime, Streeck's explanation for its rise is not congruent with the empirical reality and crucially fails to take into account the legalised dynamics of the European austerity regime as well. Moreover, while the core-periphery accounts do consider the role of the EMU and EPU in the production of austerity, its conclusions are incongruent with the empirical data as demonstrated by the case and Dooley's work on the subject. In order to explain the rise of austerity in the Eurozone a perspective is thus required which combines elements of both these approaches while avoiding their individual pitfalls. What is therefore needed is a conceptualisation of austerity which accounts for the macro-economic reality and political dynamics of the Eurozone, while simultaneously putting state-agency at the forefront of its analysis.

Chapter Four: Section One –A Historiography of European Austerity

As was demonstrated in the previous chapter, none of the approaches outlined in the literature review are able to provide an empirically congruent explanation for why austerity has been produced in the Eurozone. Nevertheless, despite their shortcomings each individual approach does outline part of the dynamics that have led to the production of austerity in Europe. For example, while Streeck’s explanation for the appearance of austerity does not hold across all cases he does reveal that austerity is not a uniquely Southern phenomenon and correctly identifies the current nature of the Dutch austerity regime. Moreover, even though the core-periphery approach’s macro-economic foundation does not hold empirically, by arguing from a core-periphery perspective these approaches do explore and outline the international power dynamics and politics underpinning the production of European austerity. Consequently, in order to explore and explain why a political economic regime of austerity has arisen in the Eurozone, an approach is required which both acknowledges that austerity is not limited to the European South and that its production cannot be separated from the political realities of the Eurozone. As this thesis will now demonstrate, one way of doing so is by politicising the implementation and effects of austerity itself, by going beyond the macro-economic effects and motivations behind austerity and instead asking what the political effects and motivations of austerity are. In other words, in order to explain austerity, this thesis will stress the political part of the political economy of austerity and put the relationship between states in the Eurozone at the forefront of its analysis.

A state-centred political economic approach such as this is not without precedent either as other authors have previously outlined the active role and motivations that states have had in producing certain political-economic processes. Panitch and Gindin for example argue that instead of being the outcome of economic sensibilities and inherently expansionist growth patterns, the spread of global capitalism has been dependent on the American state in facilitating its expansion. According to these authors, the spread of global capitalism has been in the interest of the USA by allowing its capital market to absorb surpluses from other states and create systems of dependency (Panitch and Gindin, 2012, p. 1-24). Consequently, these authors go beyond structuralist thinking and instead explore and outline the role and interests that one state in particular has had in facilitating worldwide capitalist integration. Similarly, Germann links the rise of neo-liberalism to the interests of the West-German state as part of a historical German ‘grand strategy’. The author argues that West-Germany championed neo-liberalism during the 1980’s in order to pre-empt left-wing policy from being enacted within Europe and force the United State’s to more actively manage the status of the dollar; two developments which would aid to the development of the German economy (Germann, 2014, p. 704-713). Consequently, similarly to the arguments made by Panitch and Gindin, Germann’s argument rejects structuralist approaches that view neo-liberalism as a paradigm switch in economic thinking which ‘happened’ to states and instead outlines the active role that Germany has had in producing it (Germann, 2014, p. 713). Building from these works, a state-centred approach can therefore help to broaden and challenge prevailing wisdoms on the rise of austerity in Europe.

Consequently, this thesis will proceed as follows. In section one of this chapter, it will outline the politicised history of the production of European austerity through a historiography of the EMU from the perspective of one of austerity’s most ardent supporters, the Netherlands. It will do so by examining the Dutch position and role in the formation of the two treaties that together have created the circumstances for the implementation of a European austerity regime, the Treaty of Maastricht and the Stability and Growth Pact. Following this historiography, in section two of this chapter, this thesis will then situate the production and reproduction of austerity within the political context of the EMU. It will do so by combining Weberian political economy with a state-centred perspective in order to argue that the production of austerity has been a political tool for certain European states in ensuring the continued existence of their particular production regime.

In designing the current form of the European Monetary Union, the negotiation and execution of two treaties has been essential; the Treaty of Maastricht and the Stability and Growth Pact. The Treaty of Maastricht was signed in 1992 and facilitated the creation of two political projects, the European Political Union and the European Monetary Union. The negotiations for the nature of these two projects were highly contested by the participating states and the Netherlands had a relatively radical supranational position within these negotiations. This position was evidenced for example by the Dutch position in the run up to the signing of Maastricht. During this period, the Netherlands had taken over the Presidency of the European Community from Luxembourg in 1991 and through the agenda setting power of the presidency, the Dutch government attempted to radically rework Luxembourg’s EPU proposal. While the Luxembourg proposal involved relatively low levels of political integration and a focus on national sovereignty, the reworked Dutch proposal instead proposed a strong role for the EU parliament and commission. The Luxembourg proposal therefore favoured an intergovernmental approach while the Dutch proposal proposed the creation of a supranational, almost federal, Europe. Nevertheless, despite extensive lobbying on the part of the Netherlands, the Dutch proposal was defeated and the final design of Maastricht would be based on the Luxembourg proposal (Van den Bos, 2008, p. 65-115; Van Run, 2004; Kuijk, 2012)[9]. However, even though the Dutch position on the EPU was soundly rejected by the other member states, the Dutch supranational position on the EMU proved to be much more successful.

While the Treaty of Maastricht had laid the groundwork for the creation of the Euro in the so called Maastricht Convergence Criteria, the signing of the Stability and Growth pact in 1997 clearly outlined and defined the future direction of the European monetary project. From its original formulation, the SGP has had the goal of directing member states towards a balanced budget. In order to do so the SGP has historically consisted of a corrective arm and a preventive arm. The preventive arm of the SGP constitutes the need for member states to submit yearly budgetary reports to the European Commission indicating that government deficits will not exceed three percent of that years GDP prediction. The corrective arm is exercised if a member state fails at doing so and can ultimately lead to an Excessive Deficit Procedure in which Commission mandated structural reforms to the economy are implemented. Nevertheless, while the SGP was therefore designed as a rigid judicial framework in order to enforce budget balancing and austerity if needed, the actual implementation of the both the EDP and the enforcement of the limits outlined in the SGP have been mired in political conflict (Heipertz and Verdun, 2010, p. 6-78, p. 133).

During the formative and initial years of the commitment to the SGP, the macro-economic outlook for Europe was positive and as a result most member states expanded public spending while simultaneously managing to stay within the three percent budget commitment. However, as the macro-economic circumstances started to decline in the early 2000's and with France, Germany and Italy slipping into recession, the political commitment to upholding the SGP met its first real test as formal EDP's were to be implemented by the Commission. However, unwilling to undergo the necessary reforms, Germany, France and Italy instead demanded the renegotiation and reformulation of the terms of the SGP and the European Court of Justice eventually ruled that the corrective arm of the SGP could not be

[9] For complete and extensive historiography of the different actors, strategies and errors involved in the making of this diplomatic blunder refer to Van den Bos, 2008.

enforced on unwilling member states. However, suspending the EDP and the subsequent negotiation towards a more lenient interpretation of the pact met with great Dutch resistance, as the Netherlands and several smaller member states previously had sent strong signals to the commission that it expected them to enforce the pact (Heipertz and Verdun, 2010, p. 113-141). This position was further reiterated in a speech by then director of the Dutch national, Henk Brouwers, who called to "improve [the SGP's] enforceability" and "make the current pact more effective" ("The Stability and Growth Pact"). In particular the position of Germany was seen as a great betrayal; with one Dutch official going so far as to say "We have lost our ally" (qtd. Heipertz and Verdun, 2010, p.146). In the end the Dutch position proved to be unattainable however, as a coalition headed by Dutch finance Minister Zalm failed to persuade the other member states to defy the Franco-German position (Heipterz and Verdun, 2010, p. 165). As a result, the SGP was amended to allow for future violations and more flexibility in government spending. The Franco-German victory of 2005 would prove to be short-lived however, as with the advent of Eurocrisis the enforcement and content of the SGP would again spark a political crisis.

As the global financial crisis transitioned into the European sovereign debt crisis in 2008, the voices to reform and expand the SGP gained a renewed impetus, with the Netherlands rediscovering its traditional ally Germany in the quest for fiscal discipline. Within the EU a heated debate emerged on how to resolve the crisis, with a German-Dutch axis championing harsher and stricter implantation of the SGP, and a French led alliance arguing for the implementation of Eurobonds to create liquidity (Volkery, 2012). This Dutch position was reiterated in an article by Prime Minister Rutte and minister of Finance de Jager who argued that the solution to the Eurocrisis involved the strict enforcement and re-anchoring of the SGP rules as opposed to the introduction of Eurobonds (Rutte and de Jager, 2011, Reiermann 2011). Furthermore, in his comments to the Dutch press, de Jager argued that while bailouts were possible under the SGP there "would be no chance that [bailout induced] debt would be forgiven" (Boverhuis and Rademaker, 2011). After several weeks of negotiations, the Dutch-German position of fiscal discipline and strict enforcement was accepted (Boverhuis and Rademaker, 2011). The result of this was the creation of the 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union', commonly known as the Fiscal Compact, whose primary stipulation is the introduction of the 'golden-rule' into the national legislatures of the EU member states. The golden-rule is the transposition of the SGP budget requirements into national legalisation; it therefore constitutes the legal enshrinement of fiscal balance as the organising principle within the political-economy of the EU member states.

As has become apparent from the above historiography, the Dutch position vis-à-vis the EMU and EPU has remained consistent throughout the history of the Eurozone. First and foremost, the Netherlands has actively lobbied for and pursued deeper European integration within both the context of the EMU and the EPU. Nevertheless, while the Netherlands has consistently pursued a supranational course in both the EMU and EPU, it has been much more successful at achieving this goal within the context of the EMU. This historical track record is somewhat therefore somewhat paradoxical. While it is perhaps unsurprising that other European states have been averse to the Dutch supranational position within the EPU, considering the loss of sovereignty that this would entail, the Dutch supranational position for harsh fiscal and budgetary consolidation within the EMU has been far more successful. The question is therefore, what explains this divergence of outcomes? The key to understanding this paradox lies in the way that supranationalisation of the EMU and resulting production of European austerity has served the political economic interests of a relatively small group of states.

Chapter Four: Section Two - The Market Struggle over the Eurozone

Part of the answer to the paradox identified in the previous section becomes apparent by understanding the internal power dynamics of the Eurozone and the position of the Netherlands within these. While paradoxical at first sight, the limiting of national sovereignty through the active pursuit of increased supranationalisation within the EU is a relative gain for the Netherlands. In exploring this claim, a comparison with the Dutch experience during the first SGP crisis and the Dutch position in Maastricht is particularly enlightening. As outlined in section one of this chapter, during the first SGP crisis it became apparent that the European executive and judiciary arms lacked the required capacity to enforce the EDP on unwilling member states. This behaviour represented a harsh affront to the Dutch state as it itself had recently cut public spending in order to prevent an EDP (Heipertz and Verdun, 2010, p. 144). While this episode was therefore somewhat of a shock to the Netherlands, it also confirmed that the Dutch reservations about Maastricht's EPU were correct. After all, the defeated Dutch proposal for Maastricht was specifically designed as to avoid a situation that occurred during the SGP enforcement crisis. In the Dutch proposal the European Commission and Parliament would have been able to overrule the decisions made by national governments and therefore could have forced France and Germany to undergo structural adjustment. However, owing to the intergovernmental structure of the EPU, Germany and France were able to pressure the Commission into reforming the SGP in such a way that they would avoid its corrective arm.

Consequently, while the supranationalisation of the European Union would have involved a loss of sovereignty to the overarching European institutions, at the same time it would have allowed the Netherlands to avoid a situation such as the above. It is therefore unsurprising that such as strategy has historically been preferred by the Netherlands, as it has some clear advantages over inter-governmental approaches for the Dutch state. First, through supranationalisation an institutional setup can be designed in which the divergence of power between states is relatively marginalised. This would have been realised in the Dutch EPU proposal in which a strong role for the Commission and EU parliament would have made it impossible for national governments to overrule decisions made by the Commission. Moreover, by setting the rules of the game this approach allows small states to exercise political power beyond their national capabilities. That it to say, by structuring the playing field small states can create structures that favour their capabilities or undermine the advantage that larger states have. For example, in the Dutch EPU proposal the strengthened role of the Commission, in which every member state has one seat, would have underrepresented the strength that large states have and overrepresented the power of small states.

In many ways, the production of austerity is a continuation of this political strategy of supranationalisation but within the context of the EMU. Throughout the history of the EMU the Netherlands has pursued increasingly strict and legalised budgetary limits. While this legal encoding of strict budgetary limits and fiscal consolidation has had the effect of producing austerity in most European member states it has also served the Dutch state by limiting the political playing field and setting the rules of the game. As a relatively small member state of the Eurozone the Netherlands lacks the necessary political capital to heavily influence common European industrial policy and therefore runs the risk of succumbing to wills of its larger member states. However, by producing austerity and anchoring it within a legalised framework this disadvantage is partly offset as other member states can only manoeuvre within a relatively rigid and small set of policies under austerity. Consequently, because fiscal limits and legislation apply equally to all states, the Dutch state loses relatively less autonomy when compared to its European neighbours. It is therefore unsurprising that the traditional advocates of austerity, the Netherlands, Finland and Austria, have been joined by a group of other small states consisting of Romania, Estonia, Bulgaria, Latvia and Lithuania following the European Union’s eastward expansion (Blyth, 2013, p. 179). However, while relative gains point to part of the answer this still leaves open a very important complication, namely the role of Germany. While it is true that austerity is mostly supported by small states, it impossible to disregard the role that Germany has played in facilitating and producing austerity on a European level. Limiting the extent to which European member states can engage in economic policy therefore has a different reason than just power maximisation for small states. Instead, as will become apparent by examining the relationship between the Euro as one unifying monetary system and the Eurozone as a disjointed production regime, austerity is a political tool used in the struggle over the future characteristics of European production.

Going back to its founding fathers, economics has historically regarded the monetary system as a neutral and self-explanatory category. Within the Smithian conceptualisation for example, money is considered to be a neutral unit of exchange and denominator of value that exists ‘outside’ actual systems of exchange and markets (Hunt and Lautzenheiser, 2011, pp.

49-53). However, as demonstrated by Polanyi any economic system is thoroughly embedded within and simultaneously produced by a pre-existing social formation (Polanyi, 2001, p. 31-32). Money can therefore not be reduced to a neutral object within a system of exchange, because in doing so this conceptualisation disregards that systems of exchange themselves can never be disembedded from their specific socio-economical context. What is crucially absent within the Smithian conceptualisation of money therefore is an examination of the role that systems of monetary exchange play in facilitating and reproducing the socially-embedded system of production in which the monetary system operates. As opposed to being neutral therefore Weber argues that the money price of goods but also the monetary system itself is "the product of conflicts of interests and of compromises" the outcome of which represents the outcome of "a struggle of man against man" (Weber, 1978, pp. 108). Weber's observation is thus that while monetary systems are socially embedded, they are the result of a social struggle between social forces with competing aims and interests; a Weberian market struggle. Consequently, within any national political economic arrangement, it not just the nature of the production regime that is socially produced and reproduced, but its accompanying monetary regime as well. However, the result of this social formation on a national level becomes distorted and a site of international struggle when different national production regimes are joined together under one currency regime as occurs under the EMU.

As Streeck argues, the politics of the Eurozone can be conceptualised as a Weberian market struggle over the EMU fought between European governments. Building on Polanyi's critical observation, Streeck argues that the social production of a state's monetary system is distorted within the context of the European Monetary Union. In order to conceptualise this distortion Streeck distinguishes between two simplified models of production existing in the Eurozone; the Northern production model and the Southern production model (Streeck, 2016, p. 172). While both of these idealised models have a number of similarities such as large social welfare systems, high levels of economic development and a liberal democratic form of government, the relationship between their monetary system and mode of production is different. At its core, the Northern economic model is export-driven and reliant on a wage or productivity advantage in the international market. Consequently, this model produces a financially conservative system that suppresses domestic prices and wages. The Southern economic model however requires a different monetary system. Because the Southern production model is based on domestic demand and often extensive governmental intervention in the economy, it needs a monetary system that allows governments to write off their debt and boost domestic demand if needed through an inflationary currency (Streeck, 2016, p. 173). While neither of these two models is therefore objectively better than the other, what is clear is that the particular social relations and systems of production that define these models require two decidedly different systems of monetary governance .

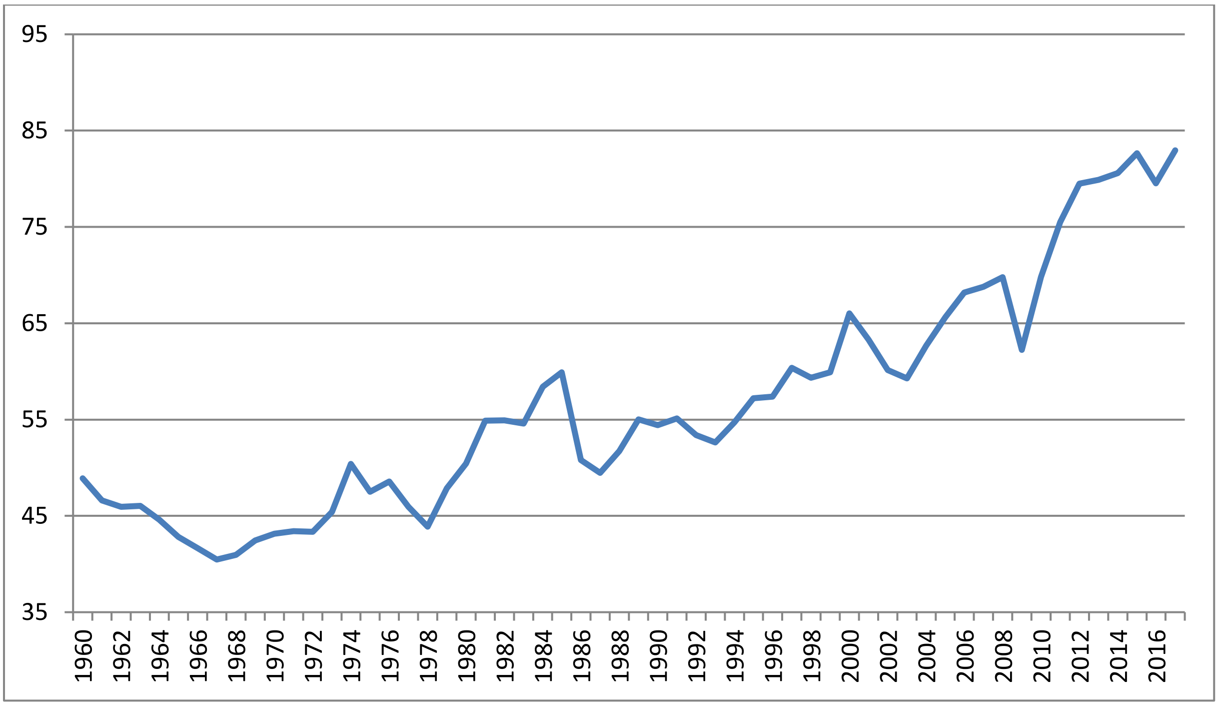
However, because any system of production exists in a symbiotic relationship with its currency regime both aspects mutually reinforce one another. Consequently, while it is possible to transform a production regime, as long as its monetary equivalent is not similarly transformed macro-economic distortions will appear. For example, while an export-oriented production model can function under an inflationary currency, the instable currency would increase transactions costs and lead to higher interests on that state's capital inflow and thereby undermine its overall economic performance. Similarly, in the Southern case, a non-inflationary currency limits the extent to which the government is able to boost domestic demand and write-off debt for its economic intervention. In order to therefore return to optimal economic performance, both of these particular production regimes need a monetary system which suits their particular interest. Consequently, within the Eurozone, the debate on what sort of currency the Euro should be becomes an economic issue in which national political interests are heavily intertwined and the economic interests of Northern and Southern member states clash.

This conceptualisation of the Euro as a site of political conflict over the future and content of the European production regime is instrumental in understanding why the Netherlands has historically argued for a European political economic regime of austerity. While the typology of Northern and Southern economies offered by Streeck is a simplification of the economies of the nineteen Eurozone members, the Netherlands in fact comes quite close to Streeck's Northern model. As demonstrated by figure 13, the Netherlands has historically been an export-led economy and with an export equal to 82 percent of its GDP the Dutch economy is heavily dependent on its export capabilities. Based on this model one would expect a monetary system to arise to match the export-led production capabilities of the economy by being inflationary averse and as demonstrated by figure 14 this has been the case in the Netherlands since the 1990's. Were the Netherlands to have retained its own currency, the formation of this particular monetary regime and system of production would have been the result of the interplay between different social forces[10]. However, the Dutch membership

[10] While a complete examination of these processes and actors is beyond the scope of this work, Van Apeldoorn has previously demonstrated the role that transnational firms and class-actors have had in negotiating

in the EMU complicates this picture and leads to a situation in which the Netherlands need to compete with other states for what kind of monetary regime the Euro will be. The creation of a non-inflationary Euro that matches the Dutch model of production could of course be achieved by transforming the Southern production model into a Northern model. However, due to the intergovernmental nature of the EPU doing so directly is politically impossible for any European country, let alone a small-state such as the Netherlands. Consequently, in order for the Netherlands to achieve a stable non-inflationary Euro it needs to pursue an alternative strategy where it indirectly creates the circumstances for the reproduction of a Northern production model and Northern Euro. One way of doing so is the continued production and reproduction of austerity on the European level.

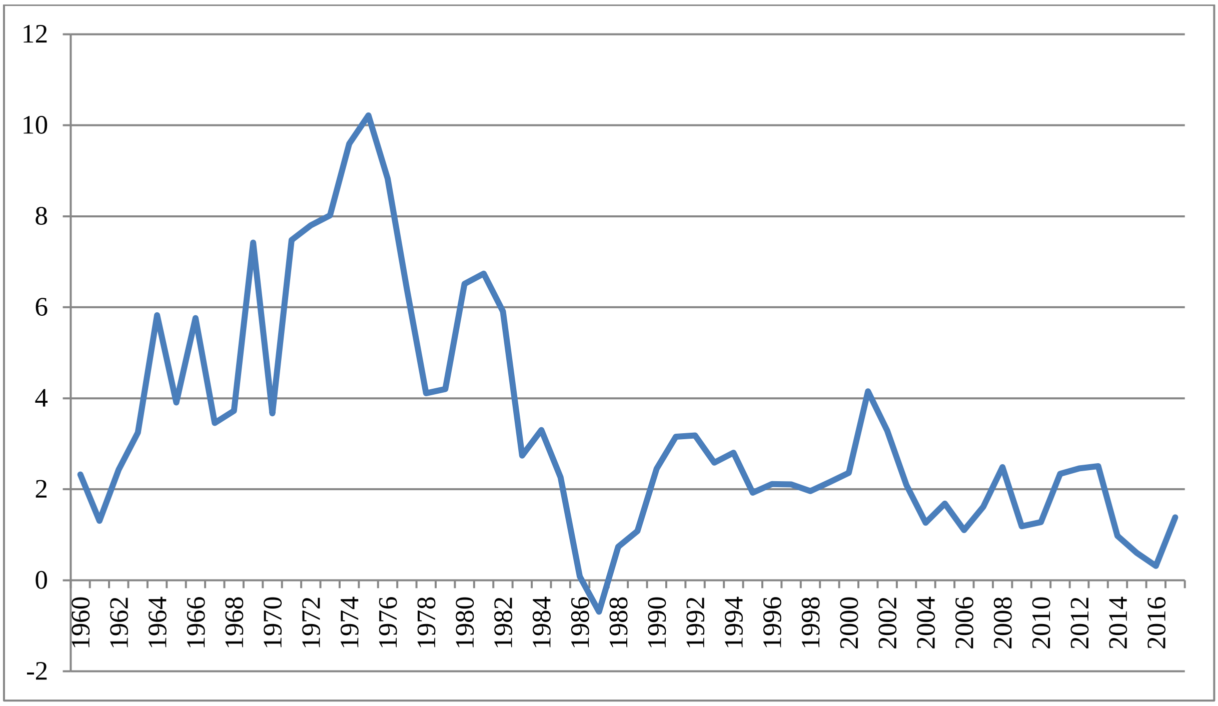
Figure 13: Export of goods and services as percentage of GDP, 1960-2017, the Netherlands



Source: World Bank – exports of goods and services

the production character of the Eurozone as a whole, and the Netherlands specifically. For the Eurozone as a whole see Van Apeldoorn in Bieler 2001 and Van Apeldoorn 2002. For the Netherlands specifically see Van Apeldoorn 2009.

Figure 14: Inflation rate of consumer prices, 1960-2017, the Netherlands



Source: World Bank – inflation consumer prices

As a strategy to secure the Northern production model, the production of austerity on a European level serves to enforce a non-inflationary Euro on states that require another production regime. On a foundational level, the creation of a European austerity regime undermines the ability and fiscal space in which all European states can engage in economic policy. However, the extent to which this undermines the successful maintenance of the Northern and Southern production regimes is not equal. While European enforced budget consolidation and fiscal discipline do handicap the extent to which Northern production models can engage in economic policy, their preference for a non-inflationary currency regime has historically enforced similar conditions on these economies. Contrastingly however, Southern production models which are reliant on state-led economic intervention suffer far more under the effects of fiscal consolidation and are undermined in their ability to do so. Consequently, as the states' ability to boost domestic demand declines, so does the structure of the affected economy change and gradually adjust towards a more Northern model of production which suits the existing currency regime of the Eurozone. When austerity is considered from this perspective it is therefore unsurprising why it has both been favoured by predominantly small European states and Germany despite the paradoxes outlined in the introduction. Countries such as the Netherlands, Austria, Latvia, Lithuania and Estonia are heavily reliant on their exports and in some cases lack the fiscal capacity to effectively stimulate domestic demand through far reaching economic policy. Therefore, by ensuring that the Eurozone has a Northern-style production regime, the production of austerity allows these states to compete on their relative advantages, a process that has led in the Dutch case to wage suppression and its status as an international tax haven. Contrastingly, while Germany does have the state capacity and political clout to enforce a domestic demand model both at home and in the Eurozone, it has historically chosen to instead pursue as strategy of aggressive exports as part of its own national interests as outlined by Germann in his work on West-Germany.

However, when one considers that apart from Germany, all of austerity's supporters are relatively small European member states, one could logically expect the states of the European South to band together and resist austerity's implementation. However, as a political strategy, the production of austerity has three qualities which have allowed it to effectively circumvent Southern resistance and fulfil the implementation of a European-wide austerity program.

First, through its anchoring in national and European law, the production and reproduction of austerity combines a strong legislative framework with a 'neutral' enforcement protocol by the European Commission. In doing so, austerity obscures the essentially social character of the market struggle for the monetary- and production-regime of the EMU. While it is impossible to objectively argue that one production model is superior to the other, by anchoring austerity and fiscally conservative policy within a legal framework, the normative and social character of this market struggle becomes obscured and instead is presented as a technocratic and neutral debate. Consequently, this process has enabled pro-austerity voices to situate themselves 'on the right side of the debate' and support, what are inherently normative claims, by reference to neutral legislation. In the Dutch case this became apparent for example by comments made by Mark Rutte that "an agreement is an agreement" and that countries "cannot systematically ignore the rules" without punishment (Rutte and de Jager, 2011). In doing so, Rutte thus effectively justified the continuation and expansion of austerity across the European South by evoking its law-based character.

Second, the pre-existing European political structure favours the countries in support of the production of austerity. The countries that have traditionally championed fiscal consolidation are all relatively small European nations safe for Germany, however, despite this they have dominated the European commission in recent times. This is seemingly paradoxical, as since most of austerity's advocates are lacking in traditional political capital one would expect their influence to be minor, however, the organisational form of the European Union alleviates this disadvantage. As every country has one seat in the European Commission, the organisational structure of the EPU allows small European states to exercise a relatively large amount of political influence when deciding on pan-European policy. Austerity, which occurs on a European level first and is later transposed into national legislature, therefore leverages the existing political structure of the EPU. Moreover, while this particular political arrangement already serves to increase the relative power of small states within the EPU and by extension allows them to heavily influence the structure of the EMU, the Netherlands has previously expressed interests to further depoliticise the execution of austerity's enforcement. During the height of the Eurocrisis in 2011, Rutte and de Jager proposed the formation of an independent commissioner for budgetary discipline who would have operated completely outside of the control of the European member states (Rutte and de Jager, 2011). While this proposal was ultimately rejected, it would have represented a complete victory for the supporters of austerity, as its execution would have been free from political interference.

Finally, the implementation of austerity and fiscal consolidation works according to the strengths of the European Union's institutional design as well. It has been argued that the European Union is a regulatory entity whose main function is to regulate pre-existing political economic formations due its member state's unwillingness to pool resources (Caporaso et al., 2014, p. 890-891; Schelke, 2013, p. 106). As a vehicle for policy implementation the EU is therefore better suited to the introduction of new regulatory mechanisms than it is to other forms of governance. The importance of this institutional capability and specialisation becomes apparent for example through the debate over Eurobonds during the Eurocrisis. During the crisis, Eurobonds were proposed by Hollande as a way to create liquidity for the European South and prevent further financial contagion. However, Hollande's proposals were categorically rejected by both Rutte and Merkel due to concerns over the financial ramifications that such as project would have for interest rates and an unwillingness to commit to further fiscal commitment ("Rutte: Nederland kan Eurobonds tegenhouden", 2012; "Duitsland blijft tegen Eurobonds", 2012). Contrastingly, the production of austerity, which would not have required any increase in fiscal pooling and is a regulatory policy par excellence, was accepted and ultimately codified in the Fiscal Compact.

Furthermore, while the production of austerity is already suited to the EU's institutional design, its execution ensures its own future reproduction as well. First, as the result of tight budgetary control and fiscal discipline, governments around Europe have seen decreases in their public spending and their capacity to engage in economic policy. While austerity therefore does not directly undercut the financing of the European Union, it does decrease the total funding that national states have at their disposal, thereby limiting the chances for future fiscal pooling. Moreover, as austerities' economic effects have rippled through Europe, Euroscepticism has only become more widespread and politically mainstream, with member states such as Italy and Poland having openly Eurosceptic parties in power, and traditionally pro-European countries such as the Netherlands and Germany having large domestic far-right movements. Considering these development it seems therefore safe to assume that at the present time future European integration and capacity building are more of a far-sight than reality and as a result the position of the EU as a regulatory agency only capable of further regulating its internal market and member states is cemented for now.

Consequently, the question raised at the beginning of this thesis can now be answered. As evidenced by the prolonged continuation of the European economic crisis, the weak economic performance of both the Northern and Southern European economies and the ballooning public debt in the European South, the implementation of austerity has quite simply never been about improving economic efficiency or resolving public debt. Instead as this thesis has argued, the production of austerity has been informed by a political rationale and should be seen as the product of the market struggle over the future of the Eurozone. When considered from this perspective, the paradoxes that were identified earlier can be resolved as well. Austerity has been continued to be used as a macro-economic policy even though it has spectacularly failed in restoring economic growth and confidence, because that was never its aim to begin with. The legalised provision of fiscal consolidation and budgetary discipline was never about disciplining 'Southern Sinners' but rather it served to guarantee a particular currency regime; a non-inflationary Euro that would serve the economies of certain states. When considered from this perspective, it becomes clear why austerity has been produced in the Eurozone as it has been incredibly successful at transforming the European South and securing the European North.

As the macro-economic effects of austerity have mounted across the Eurozone, austerity has had the effect of both ensuring the continued existence of Northern production models in the North and is simultaneously in the process of transforming Southern models towards a Northern export model. With regards to the European North, while the European South was certainly hit the hardest by the Eurocrisis, at its height the Eurocrisis caused loss of employment, economic decline and wage stagnation in the European North as well. While it might be expected that under these circumstances the legitimacy of the Northern European export regime would have been highly contested, the opposite has occurred. For example, in the Netherlands the far-left Socialistische Partij, or Socialist Party, has steadily lost voters and public support over the course of the crisis and its aftermath, with voters preferring the neo-liberal VVD. Part of the explanation for this development is the relatively quick recovery that the Netherlands has had following the implementation of European austerity. Because austerity has retarded economic recovery in the European South over the course of the Eurocrisis this weak economic performance has caused the Euro to depreciate in value vis-à-vis other currencies. While this process has therefore been detrimental to the import-reliant economies of the European South, it has served the Atlantic-export minded Netherlands and Germany notably well. As a result, the economic decline in the European South has allowed these two countries to effectively dump their products on the world market and hasten their economic recovery (Schinkel en Tamminga, 2016).

However, while austerity has served to improve the comparative position of a select few states of the European North it has simultaneously caused a decline in inter-European exports by furthering the economic recession in the South. Consequently, though one of austerity successes has involved shifting macro-economic growth around within the Eurozone, it greatest economic success has instead been the macro-economic distortions which have sown the seeds for the future depoliticised reproduction of a Northern Euro and production model. Under the effects of austerity, and the structural reforms that accompanied it in some cases, the Southern European production model has effectively been destroyed and is currently in the progress of being transformed towards a Northern production model. This transformation becomes apparent by the wealth of reports and think-tank literature that has linked the return of economic growth in the European South to its increasing exports and internationally competitive wages. The Financial Times reported for example that in the case of Greece difficulties of business “have eased [as] labour costs are significantly lower” (Barber, 2019). Furthermore, as exports around the European South reach historic records, the emergence of economic growth in both Spain and Greece has been linked to their burgeoning export performance (Ballard, 2019; “Greece’s economic recovery”, 2017; “Greek exports reach record”, 2019). Moreover, while this transformation is often implicitly mentioned in the discourse surrounding the European South’s economic re-emergence, it has been explicitly articulated in various reports as well. In a report circulated by the Piraeus Banking

Group in Greece for example, it is argued that “one of the focal points … was the transformation of the economic growth paradigm of Greece from a “closed” consumption driven economy to an “open” investment and export driven one” (“Lekkos et al., 2019). Moreover, the report goes to argue that while this transformation has been difficult, the process has “slowly but steadily” gained traction (“Lekkos et al., 2019). Finally, this sentiment is shared by the IMF, which noted in a recent publication on the state of the Greek economy, that the IMF has welcomed “[Greece’s] commendable progress in implementing reforms” and linked the success of the Greek economy to increasing exports (IMF, 2019, p. B, p. 4).

Chapter 5 – Conclusion

In conclusion, this thesis has explored the state motivations and processes behind the production of austerity in the Eurozone. In answering the research question posed at the beginning, this thesis has argued that the production and continued reproduction of austerity at a European level has been the result of the broader market struggle over the future of the European Monetary Union. This thesis arrived at this conclusion by first reviewing various perspectives on the production of austerity and situating them within two distinct traditions, structural arguments and core-periphery arguments. In order to test the arguments of these two approaches, this thesis then compared their observations and predictions to the political economy of the Netherlands through a detailed case study of the Dutch political economy over the past decade. Based on the results of this case study this thesis has demonstrated that while both theoretical approaches outline some aspects of the production of austerity, they ultimately fail to convincingly explain its rise and increasing prevalence. With regards to the state transformation approach, even though the consolidation state description by Wolfgang Streeck holds up under empirical scrutiny in the case of the Netherlands, the explanation offered by Streeck for austerity does not. Most crucially, Streeck's argument fails to properly account for the divergence between states and their role in the formation of austerity. The core-periphery approach does place this role at the forefront of its argument, however as demonstrated by the empirical observations in the case study its conclusions are not concurrent. As a result, even though both approaches outline part of the rationale and motivations behind austerity they both fail to provide a compelling argument that holds across all cases and can explain the divergence between different states.

Consequently, based on the limitations of the existing explanations and the findings of its case study, this thesis has instead offered a competing explanation that avoids the trappings of the core-periphery and structural accounts by reconceptualising and re-exploring what the production of austerity constitutes. While conventional approaches and conceptualisations consider austerity as primarily a macro-economic policy, this thesis has instead argued that within the Eurozone the production of austerity is first a political consideration and only second of economic importance. In order to substantiate this claim this thesis has explored the political decision making and processes that have underpinned the production of a European austerity regime from the perspective of one of its most ardent supporters, the Netherlands. In order to explain this preference for austerity, and provide a convincing argument to the question set out in the introduction, this thesis then combined a Weberian political economic approach, Polanyi's observations on the social nature of systems of production and Streeck's writing on the competing production models of the Eurozone. Based on this theoretical framework, this thesis has argued that the Eurozone has been a site for political struggle because it combines two mutually exclusive production regimes, a Northern and a Southern model, under one comprehensive monetary regime, the Euro. While both of these production models need a particular Euro that is suited to their model of production, the political element of the Eurozone obstructs this and leads to one monetary regime for two distinct models. Consequently, the nature of the Euro becomes a site for political contestation between two different economic interests; a Weberian market struggle. It has been this thesis' contention that the production of austerity has been a key political tool for supporters of the Northern production model in this market struggle.

Under the production of austerity, a relatively small group of European states has ensured the continued production of a type of Euro that matches its production model, while simultaneously transforming the Southern model towards a Northern form. It has been successful at doing so for several reasons. First, through its anchoring in European and national law, the production of austerity has a 'neutral' enforcement protocol and effectively obscures the political market struggle that underpins its execution. This process has allowed its supporters to claim the high ground and reject alternative perspectives. Second, by being primarily dictated through European political institutions the production of austerity has allowed its supporters, a coalition of small countries including the Netherlands, to exert political power beyond their size through the Commission. Third and finally, the production of austerity takes advantage of the European Unions' regulatory nature and has therefore been easier to realise than alternatives which would require the expansion of EU integration and political power.

Nevertheless, one of the limits of this study and the drawn conclusions has been that it has only considered the Netherlands as both its case study and primary reference point for its analysis of the production of European austerity and its relationship to the European models of production. While this thesis has demonstrated the nature of the Dutch political economic arrangement and its exemplary relation to the general Northern European production model, it has been beyond the scope of this work to provide a similar overview for all of austerity's historical supporters. However, as a cursory examination of the trade to GDP and inflation ratio of these states demonstrates, all of austerity's supporters discussed in this thesis have historically had export-reliant and inflationary averse economic systems[11]; lending credence to the overall arguments made.

Furthermore, a second limit of this study has been its Northern European perspective. In explaining the production of austerity, this thesis has solely focussed on why states with a Northern production model have historically pursued austerity and has left proposals for monetary reforms by Southern European states underexplored. While such an endeavour would have been beyond the scope of this work, it would be interesting for future research to explore the Southern position using the theoretical concepts employed by this thesis. Particularly interesting in this regard would be to examine in what way the Southern production model influenced the policy proposals of the Southern states and an examination of why these were ultimately unsuccessful in the face of austerity. Finally, as this thesis has argued, austerity's ultimate goal has been to transform the Southern European production regime, however, as evidenced by the recent spat between Italy and the European Commission this transformation is still far from complete. Consequently, while it is too early to say for now, it would be interesting to explore the long-terms effects of Salvini's resistance on the continued existence and enforcement of European austerity in the future.

[11] Export to GDP ratio in 2018: Austria 54%, Bulgaria 64%, Romania 41%, Latvia 58%, Lithuania 82%, Estonia 75%, Finland 38% and Germany 46%. Inflation rate consumer prices in 2017: Austria 2%, Bulgaria, 2%, Romania 1.3%, Latvia 2.9%, Lithuania 3.7%, Estonia 3.4%, Finland 0.7% and Germany 1.7%. Source – World Bank Export to GDP and Inflation data.

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Appendix A: Full dataset Miljoenennota, 2010-2019, the Netherlands – data gathered and translated by author

English language data-set Miljoenennota	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP in billion Euros	**579**	**607**	**623**	**622**	**613**	**667**	**704**	**709**	**764**	**784**
Governmental balance	**-32,3**	**-19,7**	**-13,4**	**-13,5**	**-17,9**	**-12,8**	**-8,6**	**-1,3**	**8**	**10**
Central government income in billion Euros										
Government income - total	**239,8**	**235**	**244**	**247,4**	**249,1**	**246,8**	**253,5**	**263,1**	**285**	**305**
Direct tax - total	**63,1**	**64,7**	**68,9**	**65,9**	**62,8**	**71,8**	**70**	**80,2**	**83,1**	**94,2**
Wage and income tax	44,4	44,7	48,1	46,4	45,3	52,4	48,5	56,1	55,4	61,7
Corporate tax	13,6	14,2	15,9	14,9	12,9	14,6	16,1	18,5	21,8	25,3
Dividend taxation	2,9	3,2	2,5	2,6	2,4	2,6	3,1	3,2	3,2	5,6
Donate and inheritance tax	1,7	1,7	1,6	1,4	1,6	1,6	1,7	1,8	1,9	1,6
Others direct	0,6	0,9	0,8	0,6	0,6	0,7	0,7	0,7	0,7	n.d.
Indirect tax - total	**68,4**	**70,2**	**71,3**	**76,3**	**74,1**	**74,9**	**78,4**	**80,7**	**87,2**	**96,6**
Sales tax	41,1	41,2	42,3	46,2	44,1	44,7	45,7	47,8	52,8	59,6
Excise	10,7	11,2	11,5	12	11,7	11,4	11,3	11,6	11,9	12,3
Insurance tax	3,7	4,4	3,7	2,3	3,4	3,8	4,5	5,1	5,3	5,6
Environmental tax	4,6	4,8	4,4	4,7	4,7	5,1	4,1	4,9	5,2	5,9
Motor vehicles tax	3,7	3,8	3,6	3,6	3,8	3,9	4,1	4	4,1	4,3
Import duties	2	2,3	2,4	2,4	2,4	2,4	3,2	3,2	3,4	3,3
Personal motor vehicles tax	2	1,9	2,1	1,8	1,1	1,3	1,4	1,6	1,8	2,2
Landlord levy	n.d.	n.d.	n.d.	2,4	1,2	1,3	1,6	1,7	1,7	1,7
Bank tax	n.d.	n.d.	0,3	0,6	1,5	0,5	0,5	0,5	0,5	0,5
Others indirect	0,6	0,6	1	0,3	0,3	0,4	0,4	0,4	0,4	1,2
Employee insurance premiums	**45**	**50**	**52,3**	**53,8**	**55,6**	**53,9**	**57,1**	**58,7**	**65,1**	**25,6**
National insurance premiums	**35,3**	**40,1**	**39,4**	**41,8**	**44,7**	**37,2**	**42,3**	**41**	**47,1**	**43,5**
Health insurance premiums	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	**43,4**
Gas income	**8,3**	**9,9**	**12,1**	**12**	**11,9**	**9,1**	**5,7**	**2,6**	**2**	**1,7**
Non tax incomes - i.e. sales of public property	**21**	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.

Central government expenditure in billion Euros										
Government expenditure - Total	**272,1**	**254,7**	**257,4**	**260,9**	**267**	**259,6**	**262,1**	**264,4**	**277**	**295**
Social security and labour market	67,1	62	69,9	73,4	78,6	77,6	78,1	78,5	79	81,8
Healthcare	63,8	68,6	74,5	76,7	77,8	72,9	74,6	75,4	80,4	79,7
Education, culture and science	36,5	33,6	31	31,4	32,1	33	34	33,8	35,4	38,5
Municipal fund, provincial fund and VAT fund	19,3	20,7	21,1	20,5	20,8	18,4	23,2	23,4	24,4	32,5
Security and Justice	5,9	4,8	10	9,8	10,4	10	9,9	10,5	10,3	11,1
Defence	8,1	7,6	7,2	7,1	7,2	7,3	7,5	7,9	8,4	10
Infrastructure and Environment	12,1	11,6	10,7	9,8	10,2	9,2	8,1	8	8,4	9,5
Foreign Affairs	12,5	12,1	11,8	11,5	11,3	10,6	9,9	10,8	12	13,2
Interest payments	22,1	11,3	10,4	10,1	8,9	8,4	7,8	6,4	6	5,5
Economic Affairs	2,7	2,1	4,8	4,7	4,7	4,4	4,4	4,4	4,8	4
Housing and governmental service	n.d.	n.d.	n.d.	n.d.	2,8	3	3,1	3,7	3,9	n.d.
Financial affairs	7,2	1,4	1,8	1,6	2	4,1	1,2	1,3	1,6	1,7
Home Affairs and Kingdom relations	5,9	5,9	4,2	4	0,6	0,7	0,8	0,8	0,8	4,9
Others	8,7[1]	13[2]	n.d.	0,2	-0,3	0,1	-0,4	-0,5	1,3	2,6

Source: Miljoenennota, 2010-2019

[1] “Others” here represent a sum of the departments that were not included in the figure due to them not existing post 2012 Miljoenennota. The departments in question were “Youth and Family”, “Living, Living Space and Integration”, “Agriculture, Nature and Foodsafety” and “Public housing, environmental planning and environmental management”

[2] Idem

Appendix B: Full dataset Financieel Jaarverslag Rijk, 2009-2017, the Netherlands – data gathered and translated by author

English language data-set Financieel Jaarverslag Rijk	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP in billion Euros	**570,2**	**591,5**	**602,1**	**600,6**	**602,7**	**655,4**	**679**	**697**	**733**
Governmental balance	**-26,8**	**-27,4**	**-24,1**	**-22,2**	**-13,3**	**-12,9**	**-10,2**	**2,7**	**9,1**
Central government income in billion Euros									
Government income - total	**242,4**	**253**	**246**	**232,4**	**240,3**	**246,1**	**248,7**	**260,8**	**273,7**
Direct tax - total	**62,9**	**65,1**	**63,3**	**60**	**61,1**	**65,8**	**72,3**	**75,4**	**87,3**
Wage and income tax	46	47,8	46,2	43,6	44,1	45,6	50,8	49,1	60
Corporate tax	11,6	12,8	12,4	11,9	12,4	14,5	16,1	20,9	21,5
Dividend taxation	2,1	2,4	2,6	2,5	2,2	3,5	3,1	3	3,7
Donate and inheritance tax	1,8	1,7	1,5	1,4	1,7	1,5	1,6	1,8	1,4
Others direct	0,4	0,4	0,6	0,6	0,6	0,7	0,7	0,6	0,7
Indirect tax - total	**67,2**	**70,6**	**68,7**	**67,7**	**69,4**	**73,4**	**75,6**	**80,9**	**83,4**
Sales tax	40,1	42,7	41,6	41,7	42,4	42,7	44,9	48,6	49,8
Excise	10,7	11,1	11,3	11,3	10,9	11,6	11,2	11,7	11,7
Insurance tax	3,7	3,6	3	2,3	3,4	3,9	4,1	4,8	5,2
Environmental tax	4,5	4,6	4	4	4,9	4,6	4,7	4,9	4,9
Motor vehicles tax	3,3	3,6	3,6	3,6	3,6	3,9	4	4,1	4,1
Import duties	2	2,2	2,3	2,2	2,2	2,4	3	3	3,1
Personal motor vehicles tax	2,2	2,1	2	1,5	1,2	1,1	1,5	1,6	2
Landlord levy	n.d.	n.d.	n.d.	n.d.	n.d.	1,2	1,3	1,5	1,6
Bank tax	n.d.	n.d.	n.d.	0,5	0,5	1,5	0,5	0,5	0,5
Others indirect	1	0,5	0,6	0,6	0,3	0,4	0,4	0,4	0,4
Employee insurance premiums	**44,2**	**46,2**	**49,5**	**52,7**	**52,9**	**53,2**	**53,6**	**57,5**	**60,1**
National insurance premiums	**32,6**	**34,2**	**37,1**	**40,3**	**43,6**	**43,2**	**40,8**	**44,9**	**40,5**

Gas income	**10,2**	**10,4**	**10,7**	**11,8**	**13,3**	**10,5**	**6,4**	**1,9**	**2,4**
Non tax incomes - i.e. sales of public property	**25,3**	**26,6**	**16,7**	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Uitgaven Jaarverslag Rijk in miljarden Euro's									
Government expenditure - total	**269,2**	**280,4**	**270,1**	**254,6**	**253,6**	**259**	**258,9**	**258,1**	**264,6**
Social security and labour market	63,4	66	71,1	70,2	73,5	75,4	75,9	77,1	77,6
Healthcare	62,5	67,4	72,6	75,5	76,2	72,8	71,4	72,6	74,7
Education, culture and science	35,8	36,9	33,9	31,4	32,3	32,9	33,2	35,4	34,8
Municipal fund, provincial fund and VAT fund	19	19,9	19,8	21,3	20,7	18,3	21,4	24	24,1
Security and Justice	6,2	6,1	11,4	10,7	10,9	11,1	11,3	10,8	11,1
Defence	8,3	8,1	7,9	7,4	7,1	7,1	7,1	7,5	7,9
Infrastructure and Environment	10,1	12,7	12	10,4	9,9	9,8	8,4	7,5	7,7
Foreign Affairs	11,7	11,7	11,9	10,7	11,4	13	13	12,5	7,6
Interest payments	9,6	12	9,3	9,2	9,1	8,4	7,8	7,2	6,5
Economic Affairs	2,6	2,6	5,8	4,4	4,6	4,4	4,2	4,4	4,4
Housing and governmental service	n.d.	n.d	n.d.	n.d.	2,6	3	3,3	3,3	3,5
Financial affairs	14,9	12	7,1	1,1	1,4	0,9	0,9	1,4	1,5
Home Affairs and Kingdom relations	6	6	5,3	4,2	0,7	0,8	0,8	0,9	0,9
Others	18,7[3]	18,8[4]	2	-1,3	-6,8	1,1	0,3	-6,4	2,4

Source: Financieel Jaarverslag Rijk, 2009-2017

[3] "Others" here represent a sum of the departments that were not included in the figure due to them not existing post 2011 Jaarverslag. The departments in question were "Youth and Family", "Living, Living Space and Integration", "Agriculture, Nature and Foodsafety" and "Public housing, environmental planning and environmental management"

[4] Idem

Appendix C: Key observable outcomes for the three theoretical frameworks

Theoretical framework	*Primary function of the state*	*Relation between the market and the state*	*Levels of fiscal austerity*	*Public expenditure*	*Economic Agency of the State*	*Levels of state retrenchment*
Consolidation State	Fiscal consolidation through a decrease in public spending to satisfy market actors	The state is beholden to the market	High	Low	Low	High
Competition State	Promotion of economic activities within the national territory of the state	The state is transformed into a market actor	Moderate	High	High	Low

- *Primary function of the state*: This observable outcome concerns the primary focus of state policy, for the theoretical framework to hold this outcome should be the focus of government decision-making on economic policy.
- *Relation between the market and the state*: This observable outcome concerns the position of the state vis-à-vis the market. It asks the question, do market actors inform state policy or does state policy inform market actors?
- *Levels of Fiscal Austerity*: This observable outcome concerns the extent to which fiscal austerity is a policy concern in government decision making.
- *Public Expenditure*: This observable outcome concerns the level of public expenditure in areas such as healthcare, infrastructure, education, social welfare and labour programmes.
- *Economic Agency of the State*: This observable outcome concerns the extent to which the state is able to perform economic functions and to what extent it is limited in its manoeuvrability by external constraints.

- *Levels of State Retrenchment*: This observable outcome concerns the extent to which the state is involved in the economy and its overall levels of spending and activity.

Appendix D: Selected Data Comparing Planned and Realised expenditure and income over comparable income – data gathered and translated by author

Miljoenennota data	2010	2011	2012	2013	2014	2015	2016	2017
Government income - total	**239,8**	**235**	**244**	**247,4**	**249,1**	**246,8**	**253,5**	**263,1**
Government expenditure - Total	**272,1**	**254,7**	**257,4**	**260,9**	**267**	**259,6**	**262,1**	**264,4**
Financieel Jaarverslag Rijk data								
Government income - total	**253**	**246**	**232,4**	**240,3**	**246,1**	**248,7**	**260,8**	**273,7**
Government expenditure - total	**280,4**	**270,1**	**254,6**	**253,6**	**259**	**258,9**	**258,1**	**264,6**
Legend:								
Yellow	Realised figure higher than expected							
Blue	Realised figure lower than expected							
Green	Realised figure lower than expected when corrected for divergence							

Source: Financieel Jaarverslag Rijk 2009-2017, Miljoenennota 2010-2018