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National Sovereignty in Discussion

How Dutch politicians view the effects of the Macroeconomic Imbalances Procedure
on social economic policy in the Netherlands.

Roos Majoor (s1737589)

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Abstract

The Macroeconomic Imbalances Procedure (MIP) was created to deal with the euro crisis which emerged out of the incomplete structure of the Economic and Monetary Union. This procedure, also aimed to prevent future crises, provided the European Commission with the right to control certain macroeconomic indicators of its member states and to give policy recommendations in the areas of wages, housing and pensions. This is perceived by many as profound meddling in national affairs. In a time of rising Euroscepticism and the disappearance of popular permissive consensus for European integration the public opinion and the EU's democratic legitimacy become more important. This thesis researches the views of Dutch politicians on the effects of the MIP on social economic policy in the Netherlands. It does so by analysing party manifestos and ideology of the seven biggest political parties in the Netherlands to come to hypotheses on their expected opinions about the MIP, with a special focus on its consequences for several social issues. Then empirical evidence is analysed to discover the real opinions of these politicians by looking at minutes of debates in the House of Representatives, newspaper articles, voting on motions and interviews. When comparing the hypothetical findings with the empirical findings, the majority of the researched parties do not support the MIP. This research thus reveals the discrepancy between national opinions of Dutch politicians on the MIP and the outcome on the European level. This thesis illustrates the poorly organised democratic process of discussing European legislative proposals in the Dutch House of Representatives and thereby contributes to the discussion about the democratic deficit in the EU.

Keywords: Macroeconomic Imbalances Procedure, Dutch national politics, European Union, euro area, democratic legitimacy

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Abbreviations

EU	European Union
EMU	Economic and Monetary Union
SGP	Stability and Growth Pact
MIP	Macroeconomic Imbalances Procedure
OCA	Optimum Currency Area
EIP	Excessive Imbalance Procedure
VVD	Volkspartij voor Vrijheid en Democratie – Conservative Liberal Party
CDA	Christendemocratisch Appel – Christian Democratic Party
PVV	Partij Voor de Vrijheid – Right Wing, Nationalist Freedom Party
PvdA	Partij van de Arbeid – Labour Party
D66	Democraten 66 – Social Liberal Party or Democrats
GL	GroenLinks – The Greens
SP	Socialistische Partij – Socialist Party

1. Introduction

In order to solve the 2008 financial crisis and later the euro area government debt crisis, multiple solutions and innovative European frameworks have been introduced. But the problems the European Union (EU) and euro area were facing were not just the result of economic downturn, but proved to be intrinsic to the architecture of the Economic and Monetary Union (EMU). The euro area was now dealing with the aftermath of the EMU design flaws which have emerged during the EMU negotiations dating back to the 1980s.¹ The road towards the introduction of the EMU was characterized by conflicting opinions on how to integrate, different economic priorities, low political commitment, lack of convergence and overall disagreement on how to shape the EMU.² Nevertheless the 1980s were also characterized by newfound support for the European case and renewed interest in economic integration caused the EMU project to speed forward. Despite the political pressure to complete the Single Market and the EMU, the visions on how to form this union greatly varied.

Some countries believed in the effectiveness of monetarism on integration which held that economic convergence would follow once a monetary union was in place. Other member states argued that economic convergence, and especially convergence in inflation, was needed before fixing the exchange rates.³ The Dutch, who were very much aware of their small and open position in the world economy, were in favour of closer European economic and monetary cooperation. Furthermore its lack of natural resources resulted in a strong dependence on other countries and on trade.⁴ They followed the Germans in their low inflation targets and ‘economist’ view on integration, emphasizing macroeconomic integration before the common

¹ Maurice Obstfeld, Finance at centre stage: some lessons of the Euro crisis, *European Economy, Economic papers 493*, 2013, p. 1

² European Commission, One currency for one Europe; The road to the euro, *publication 6730*, 2006, p. 4

³ Ivo Maes, Amy Verdun, Small States and the Creation of the EMU: Belgium and the Netherlands, *Pace-setters and Gate-keepers, Journal of Common Market Studies*, Vol. 43, No. 2, 2005

⁴ Jan Q. Th. Rood, The Position of the Netherlands: A lesson in monetary union, 1990 In Sherman, H. et al. (eds) *Monetary Implications of the 1992 Process, Pinter/Royal Institute of International Affairs*, London, 1990, pp. 124,125

currency.⁵ Professor André Szasz, former board member of the Dutch Central Bank, stated that the true difference between the Dutch view and the monetarist view on monetary integration was that “whereas the monetarist meant credit the Dutch meant discipline”⁶.

During the EMU negotiations in the 1990s the Dutch have presented themselves as active team-players in favour of the EMU, partly because of their aim of opening up markets and reducing the costs of trade.⁷ The Delors Report, which contained the roadmap towards the EMU and was chaired by the then President of the European Commission, Jacques Delors, was generally accepted by most political parties in the Netherlands. There was consensus on the need for the EMU and converged economies.⁸ Also because it was doubted whether a country as small and open as the Netherlands could pursue a real independent monetary policy in the first place.⁹ The Dutch, together with the Germans were also strong advocates of strict compliance with the entry criteria fearing that other (southern) member states might return to their high levels of public debt and inflation.¹⁰ Verdun (political scientist specialised in EU politics) goes even further by stating that the introduction of the euro was seen in the Netherlands as a result of good policy-making for being such an open trading nation and of its close relationship with Germany.¹¹ However, the coming about of the EMU was mostly a political process and the economic rationale was sometimes overlooked. Countries like Spain, Portugal and Greece which were not ready to join the EMU did so because of political reasons and the promise of economic convergence. This was where certain problems the EMU still deals with today originated.

⁵ Amy Verdun, *The Netherlands and EMU: A Small Open Economy in Search of Prosperity*, 2002 In Dyson, K. ed., *European States and the Euro: Europeanization, Variation, and Convergence*, Oxford University Press, 2002, pp. 1-5

⁶ A., Szász, *Monetaire Diplomatie; Nederlands Internationale Monetaire Politiek 1958–1987*, Leiden, 1988, p. 327

⁷ *Ibid.*, pp. 5-11

⁸ Jan Q. Th. Rood, *The Position of the Netherlands: A lesson in monetary union*, 1990 In Sherman, H. et al. (eds) *Monetary Implications of the 1992 Process*, *Pinter/Royal Institute of International Affairs*, London, 1990, pp. 144, 145

⁹ *Ibid.*, p. 146

¹⁰ *Ibid.*, p. 11,12

¹¹ Amy Verdun, *The Netherlands and EMU: A Small Open Economy in Search of Prosperity*, 2002 In Dyson, K. ed., *European States and the Euro: Europeanization, Variation, and Convergence*, Oxford University Press, 2002, p. 2

The euro was thus supposed to bring the economies of the euro area closer together. But the euro crisis exposed persistent divergences among the different member states.¹² When the Maastricht Treaty was adopted many important issues were left undecided due to their political gravity and certain competences that should have been dealt with at a European level remained national.¹³ For example the fact that there is no European transfer union complicates the conduct of single monetary policy. Schimmelfennig, a renowned political scientist with a specialty in European integration, calls this the “uneven integration of macroeconomic policies”¹⁴. The EU combines a supranational centralized monetary policy with decentralized fiscal policy and not nearly enough financial market integration.¹⁵ The results of this unfinished EMU became apparent in 2008 when the financial crisis transferred into a euro area crisis. Since the development of the euro crisis the EU has taken multiple steps to reform its economic and monetary governance structure in order to prevent further deepening of the crisis and to provide some relief for the economies involved. These objectives were restated in a report named ‘Towards a Genuine Economic and Monetary Union’, drafted under the supervision of Van Rompuy, then president of the European Council.¹⁶ This report provided a vision for the future and pointed out the need for integrated frameworks in the fields of finance, budgets, economic policy and even a political union.¹⁷

The importance of strengthening the ‘economic’ part of the EMU became apparent and received more attention. A stricter and more extensive Stability and Growth Pact (SGP) in the form of the Macroeconomic Imbalances Procedure (MIP) was one of the first mechanisms

¹² Ramunas Vilpisauskas, Eurozone Crisis and European Integration: Functional Spillover, Political Spillover?, *European Integration*, Vol. 35, No. 3, 2013, p. 362

¹³ Ibid.

¹⁴ Frank Schimmelfennig, European Integration in the Euro Crisis: The Limits of Postfunctionalism, *Journal of European Integration*, 36:3, 12-02-2014, p. 323

¹⁵ Ibid.

¹⁶ Van Rompuy, H., Barroso, J.M., Juncker, J.C. and Draghi, M., ‘Towards a genuine economic and monetary union’, 5-12-2012 available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/134069.pdf accessed at 20-06-2016

¹⁷ Demosthenes Ioannou, Patrick Leblond and Arne Niemann, European integration and the crisis: practice and theory, *Journal of European Public Policy*, Vol. 22, No. 2, 2015, p. 157

during the crisis to encourage closer economic policy coordination, competitiveness and overall convergence. With the MIP a path of more European meddling on several national competences was chosen. The crisis showed that Dutch and German fears over fiscal profligacy, expressed when negotiating the EMU preconditions, partly became true. The SGP was not respected nor complied with and the aim for a balanced government budget needed to be reassured. This stricter SGP came in the form of the so called 'Six Pack'. A package of six legislations aimed at strengthening the SGP which shifted the focus from government budgets towards the prevention of excessive macroeconomic imbalances. Two of these legislations formed the MIP which aimed at converging the European economies and keeping macroeconomic entities in check.¹⁸

This procedure in particular is quite interesting. In order to converge the European economies, member states have to keep preselected macroeconomic indicators within certain thresholds. These indicators go as far as setting limits for housing prices and wages, next to the original goals of keeping government deficit and debt under respectively 3% and 60%. The monitoring and corrective arm of this procedure are also fairly intrusive, especially because governments are not always able to steer these indicators forcefully. Currently the Netherlands are for example experiencing macroeconomic imbalances with respect to their current account, private debt, and low wages. These imbalances require monitoring and policy action according to the European Commission. This current account surplus is partially traceable to structural features of the Dutch economy such as the structure of pensions, wages and taxes. This means that keeping the macroeconomic indicators in check can have a big impact on how a country

¹⁸ European Council, Conclusions of the European Council on 24 and 25 march 2011, *EUCO 10/1/11 REV 1*, Brussels, 20-04-2011, pp. 13-20 available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/120296.pdf accessed at: 20-06-2016

Augustin Fuera, The European Mechanism for Financial Stability and the Euro-Plus Pact, *Lex et Scientia*, Vol. 19, Issue 1, 01 June 2012, pp. 34, 35

Köhler-Töglhofer, Walpurga, Part, Macro coordination under the European Semester, *Monetary Policy & The Economy*, No. 4, 2011, pp. 60 – 65

Marco Buti, Nicolas Carnot, The EMU Debt Crisis: Early Lessons and Reforms, *Journal of Common Market Studies*, Vol. 50, No. 6, 2012

organises its economy. Because these indicators are interlinked with many facets of the economy, the European guidelines and recommendations to keep the macroeconomic indicators between the thresholds affect the sovereignty of member states. Nevertheless these measures were found to be necessary to strengthen and finish the original EMU project and equip it with better tools to prevent future crises.¹⁹

Despite the strong support of the Dutch government for the creation of the EMU and a strict compliance with the SGP rules, today in 2016 the situation has changed. The EMU did not quite take on the form the Dutch government ideally wanted and the Netherlands have now even become the subject of stronger monitoring and policy recommendations due to its failure in meeting the thresholds. Although Dutch political actors understood that being part of a monetary union came with certain restrictions, the euro crisis has forced the members of the euro area into measures they previously resisted.²⁰ The SGP has grown from monitoring government deficit and debt into an all-round prudential monitoring framework where even wages and housing prices are under supervision. These social issues are at the heart of politics. Member states at the time agreed in favour of the MIP while for example the Dutch government knew it could not always influence all the indicators enlisted on the scoreboard due to its economic and governance structure. Although this issue is not unique to the Netherlands, it remains an interesting case because of their distinctive ‘Polder Model’. The Polder Model facilitated the economic revival in the Netherlands in the 1990s, fostering among other things low wages and it reduced the costs of the welfare state. It can be defined as a semi-permanent dialogue between different actors such as the government but also social partners (tripartism)

¹⁹ European Commission, Report from the Commission to the European Parliament, the Council, the European Central Bank and the European Economic and Social Committee, *Alert Mechanism Report 2016*, Brussels, COM(2015)691, 26-11-2015, available at: http://ec.europa.eu/europe2020/pdf/2016/ags2016_alert_mechanism_report.pdf accessed at 13-04-2016

Amy Verdun, The Netherlands and EMU: A Small Open Economy in Search of Prosperity, in Kenneth Dyson, *European States and the Euro: Europeanization, Variation, and Convergence*, Oxford University Press, 2002, pp. 3-8

Ramunas Vilpisauskas, Eurozone Crisis and European integration: Functional Spillover, Political Spillover?, *European Integration*, Vol. 35, No. 3, 2013, pp. 362-364

²⁰ Amy Verdun, The Netherlands and EMU: A Small Open Economy in Search of Prosperity, in Kenneth Dyson, *European States and the Euro: Europeanization, Variation, and Convergence*, Oxford University Press, 2002

like unions and employers organisations which fosters a beneficial atmosphere for both parties in which compromises can be made.²¹ This emphasizes the point that the Dutch government for example cannot just set the wages at a level the European Commission requires. Furthermore, as discussed before, due to their small and open position in Europe and the world the Netherlands have always been in favour of a strong EMU with truly converged economies and with strong control on government budgets. This wish for low inflation and sound government spending is now once again at the center of attention with the newly enhanced SGP by the introduction of the MIP. When the MIP was discussed it is interesting to see whether the Dutch government foresaw the effects the MIP was going to have on Dutch socio-economic policy, how they viewed these constraints and whether the country is now ‘suffering from a self-inflicted injury’ by their previous demand for strict control.

It might be clear that the MIP had a significant impact on Dutch socio-economic policy, but the question of how Dutch political parties viewed these consequences rises. Dutch politicians have generally been in favour of the EMU, but is this excessive version still being supported? When we look at different party positions, the neo-liberal policies of the MIP might be conflicting with some party ideologies. It is therefore interesting to see whether initial objections to the MIP have disappeared, changed or remained intact. In the range of solutions to deal with the euro crisis, the MIP is because of its far reaching EU meddling among the most interesting. Especially at a time where Euroscepticism might be more common than Europhilia. The MIP reduced national control over major macroeconomic variables which means a significant transfer of power towards the EU. In the meantime the scoreboard has already grown by four indicators in the last couple of years.²² All done with the necessary fulfillment of the EMU in mind. On the one hand there is a movement towards deeper European integration,

²¹ Ibid., pp. 3-8

²²http://ec.europa.eu/economy_finance/economic_governance/macro-economic_imbalance_procedure/mip_scoreboard/index_en.htm accessed at 11-04-2016

supported by political elites on the national and supranational level, while on the other hand the European population seems more divided and Eurosceptic than ever. The Eurobarometer from spring 2010 showed the first significant change in public trust in the EU.²³ For the first time in Eurobarometer history the majority of the people, namely 47% distrusted the EU versus 42% that did trust the EU.²⁴ The crisis seems to have set in motion a range of Eurosceptic political forces.²⁵ These forces are aiming to return to monetary sovereignty for member states and see the problems solved by disintegration. This discussion on how to solve the crisis touches the essence of politics, namely the redistribution of resources within Europe and the organisation of the national economy. This situation has resulted in the fact that the public opinion takes up a more prominent place in debates on how to solve the euro crisis. National politicians became more obliged to take popular opinion into account when they meet in EU summits or in council formations.²⁶ As political scientist Vilpisauskas stated: “The particular striking feature of recent debates and attempts to reform the EU has to do with a disappearance of popular permissive consensus for the process of European integration that characterized most of its history”²⁷. The increasingly important role of domestic politics emphasizes the importance of looking at national governments when analyzing European issues like the MIP. Although many research on the MIP and on democratic legitimacy in the EU has been done, previous work has failed to map out the national decision-making process of the MIP in a country that has been in favour of a strict SGP but is now negatively affected by it. It is thus interesting to see how Dutch politicians viewed this procedure and what kind of impact it had on the Netherlands.

²³ Alina Bargaonu, Loredana Radu, Elena Negrea-Busuioc, The Rise of Euroscepticism in Times of Crisis. Evidence from the 2008–2013 Eurobarometers, *Revista Română de Comunicare și Relații Publice*, 01 April 2014, Vol. 16(1), p. 10

²⁴ Eurobarometer 73, Public Opinion in the European Union, Spring 2010, pp. 184-187 available at: http://ec.europa.eu/public_opinion/archives/eb/eb73/eb73_vol1_en.pdf accessed at 15-04-2016

²⁵ Pier Domenico Tortola, Coming Full Circle: The Euro Crisis, Integration Theory and the Future of the EU, *The International Spectator*, 50:2, 2015, p. 130

²⁶ Ramunas Vilpisauskas, Eurozone Crisis and European integration: Functional Spillover, Political Spillover?, *European Integration*, Vol. 35, No. 3, 2013, pp. 370-372

²⁷ *Ibid.*, p. 372

The research question this paper thus tries to answer is as follows:

How did Dutch political parties and their politicians view the constraints of the Macroeconomic Imbalance Procedure on Dutch socio-economic policy?

1.1 Methodology and Relevance

In order to properly research the question, this thesis will look at the decision-making process of the MIP (and therefore also the Six Pack) in the House of Representatives in the Netherlands. Since the Six Pack was published in the Official Journal of the EU on the 23rd of November 2011 the scope of this research will lead up to this moment and starts in 2010 when the proposals were first discussed in the House of Representatives in the Netherlands.²⁸ Because the discussions about the MIP in the House of Representatives are connected to decision-making moments in the EU, the latter will also be included in this thesis.

To ensure that this research remains orderly only the biggest political parties from the then ruling government Rutte-I will be analyzed. These are the political parties that obtained ten or more seats in the Dutch House of Representatives after the elections. The elections were held on the 9th of June 2010 and the government consisted of a coalition between the ‘ChristenDemocratisch Appel’ (CDA) or the Christian Democrats (21 seats) and Volkspartij voor Vrijheid en Democratie (VVD) or the Liberal Party (31 seats). There was a parliamentary support agreement with the Partij Voor de Vrijheid (PVV) which can be considered as the most Eurosceptic rightwing party in the Netherlands (24 seats).²⁹ The remaining bigger parties were the Partij van de Arbeid (PvdA) or Labor Party (30 seats), the Socialistische Partij (SP) or Socialist Party (15 seats), the Democraten 66 (D66) also known as the most outspoken pro-European party in the Netherlands (10 seats) and finally GroenLinks (GL) or The Greens (10

²⁸European Parliament, Legislative Observatory, available at:

[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0278\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0278(COD)&l=en) accessed at 30-05-2016

²⁹ Tweede Kamer der Staten Generaal, Deel 1. Kernegevens. Uitslag van de verkiezingen voor de Tweede Kamer van 9 juni 2010, *Publicatie Kiesraad*, 09-07-2010, p. 11

seats).³⁰ These seven political parties already reflect a broad scope of both left, right and center political parties and hence reflect the scope of Dutch politics and the majority of opinions of Dutch citizens well. When this thesis mentions ‘the political parties’ these seven are the ones referred to.

This thesis consists of qualitative research and the methods used are a combination of literature review, interview and process tracing. The choice to combine three research methods enhances the credibility and validity of the research. The sources that will be used are both primary and secondary. In order to discover how political parties viewed the constraints of the MIP on Dutch socio-economic policy this thesis will look at party ideology and election manifestos from all the above mentioned political parties. From these manifestos this research can determine the view of political parties on different social issues like the labor market, housing, pensions, government finances and the party’s stance on Europe in general. Then this thesis can draft the hypothetical stance of the parties on the MIP issues. Furthermore, to truly discover the opinions of politicians on the MIP and its consequences this thesis will analyze empirical evidence in the form of minutes of debates on the Six Pack and MIP in the House of Representatives and voting results on motions regarding the MIP. The minutes of these debates will illustrate the concerns and opinions of politicians and reflect the political climate around this issue. When looking at these minutes we can discover the tone and discourse in which the MIP is being discussed. This research will also use newspaper articles since these also contain views of politicians on the topic and display a picture of the overall sentiment on the MIP.

The literature review is complemented with interviews with politicians from the abovementioned political parties. Ideally these are the financial spokespersons of the party since the financial commission was the leading commission to handle the MIP in the government. However sometimes alternatives had to be sought since these politicians are extremely busy.

³⁰ Ibid.

I interviewed VVD politician Mark Harbers (Finance), politicians Wouter Koolmees D66 (Finance), Michiel Servaes PvdA (Foreign Affairs) and GL Finance senior policy officer Ewoud Nijhof. This means that this research lacks interviews of the remaining parties. The PVV is a closed organisation that is not accessible for any interviews. The other remaining two were not able to do interviews due to different reasons. This deficiency is filled with as much information from interviews found in quality media and minutes of debates and other texts from the Dutch government. The interviews were used to obtain certain inside information about the decision-making process and personal views which cannot be found in regular literature. This thesis used semi-structured qualitative interviewing because it provides insights in what the interviewee finds important and relevant for the research topic. Since the interviews will not be coded, there is more space for flexibility in answers and elaborate details. In order to focus the interview on answering the research question this thesis used an interview guide with prepared questions and topics. This guide provided the basis for each interview but the actual conversation was led by what was told by the interviewee therefore none of the interviews are similar. The interview guide can be found in Appendix 1 and all the interviews are available with the author. In order to get the full picture it is important to combine all these different sources. With interviews there is always the pitfall that politicians provide insights with the benefit of hind sight. Furthermore, political representatives will always be very nuanced and sensitive in their remarks. Subsequently there is always the change of steering the interview into certain directions however this has been diminished by the use of the interview guide with non-steering questions. The combination of different sources thus helps to surpass these difficulties.

The current social climate around the EU is one of Euroscepticism and debate about its democratic legitimacy. This thesis adds to that debate because it is also aimed at capturing the discrepancy in the views of national politicians, as elected officials, and the EU level outcome.

The democratic legitimacy or lack of it has always been an important critical note towards the EU. Therefore it is important to map the process and gain insights on how these types of legislations with major impact are discussed at both the national and European level. To relevantly contribute to this discussion this thesis uses process tracing in order to acquire a clear and complete overview of the decision making process. Process tracing analyses trajectories of change and focuses on the unfolding of events over time.³¹ It is therefore very useful to get a clearer image on the decision-making on the MIP. In order to do this, this thesis provides a timeline of all the steps involved on both the EU and national level when discussing the MIP. This timeline can be found in appendix 2 and contains a brief description of the process of how EU legislations are prepared and discussed in the Dutch House of Representatives.

In order to answer this research question this paper is structured as follows. The next section will provide an introduction of the euro crisis and the MIP as a solution to the crisis will be introduced. Subsequently its constraints on Dutch socio-economic policy will be elaborated. In the third chapter the views of Dutch political parties on socio-economic policy and the EU will be analyzed according to their party manifestos and ideology. This section will bring forth different hypotheses on how the parties are expected to view the researched MIP issues. The Fourth section will analyze the empirical evidence as collected from debates, newspaper articles and interviews. This section will show the real opinion of politicians according to the MIP which can be compared to the hypotheses from the previous chapter. It will hence illustrate the differences between party ideology and the party's actual position on social-economic issues. This thesis can thus reveal the discrepancies between the European vote in favour of the MIP and its consequences and the views of the political parties on socio-economic policy. The last section will compare the hypothetical standpoints with the empirical findings and provides a conclusion that will answer the research question.

³¹ David Collier, Understanding Process Tracing, *Political Science and Politics*, Vol. 44, No. 4, 2011, p. 823

2. A theoretical framework to understand the euro crisis and its solutions

The euro was introduced to deal with some of the dilemmas that were integral to the creation of the single market. The common currency offered a framework for liberalized capital movements, dealt with variable exchange rates and created one European monetary policy. Although it offered solutions to some issues, the EMU also gave rise to new ones. Since the creation of the EMU with the Treaty of Maastricht, many integrative steps have been taken to deal with the problems that arose from this incomplete structure. Issues stemming from the “mismatch between centralized monetary and decentralized fiscal and financial policies” as Niemann and Ioannou stated it.³² This became especially evident with the economic and financial crisis that eventually turned into a true euro crisis. The neofunctionalist theory with its focus on functional spillover³³ is very well suited to explain and understand the ongoing process within the EMU towards a deeper integration.³⁴ According to this theory spillover arises out of dysfunctions, contradictions and tensions which in turn arise from integration. When these tensions are not counterbalanced by more integration they might cause shocks and crises.³⁵ The euro crisis can hence be thought of as a consequence of the incomplete EMU structure and deeper integration as the solution. During the current euro crisis, too little attention was paid to realising true convergence between the European economies, their business cycles and other macroeconomic entities.³⁶

When the EMU was created the project was not functioning at full capacity and the euro crisis made its design flaws painfully clear.³⁷ An important theoretical assessment of whether countries should join together to form an economic and monetary union is the Optimum

³² Arne Niemann, Demosthenes Ioannou, European economic integration in times of crisis: a case of neofunctionalism, *Journal of European public Policy*, Vol. 22, No. 2, 2015, p. 197

³³ The notion of spillover was added by Lindberg to the neofunctionalist theory and was defined as follows: “*Spillover refers to a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taken further actions, which in turn create a further condition and a need for more actions and so forth.*” Leon Lindberg, *The political Dynamics of European Economic Integration*, Stanford University Press and Oxford University Press, 1963, p. 10

³⁴ Arne Niemann, Demosthenes Ioannou, European economic integration in times of crisis: a case of neofunctionalism, *Journal of European public Policy*, Vol. 22, No. 2, 2015, p. 195-198

I. Cooper, The Eurocrisis as the revenge of neo-functionalism, *EUObserver*, 2011

³⁵ Arne Niemann, Demosthenes Ioannou, European economic integration in times of crisis: a case of neofunctionalism, *Journal of European public Policy*, Vol. 22, No. 2, 2015, p. 198

Ben Rosamond, The uniting of Europe and the foundation of EU studies: Revisiting the neofunctionalism of Ernst B. Haas, *Journal of European Public Policy*, Vol. 12, No. 2, 2005

Ian Bache, Stephen George, Simon Bulmer, *Politics in the European Union*, Oxford University Press, 2011, pp. 8,9

³⁶ Malcom Sawyer, Alternative Economies Policies for the Economic and Monetary Union, *Political Economy*, No. 32, 2013, p. 12

³⁷ Maurice Obstfeld, Finance at centre stage: some lessons of the Euro crisis, *European Economy, Economic papers 493*, 2013

Currency Area (OCA) theory. The theory states that when countries are well equipped with adjustment mechanisms to deal with asymmetric shocks they are also fit to be in a currency area together. These adjustment mechanisms are high levels of labour movement, price and wage flexibility, possible transfers to countries or regions that are adversely affected by certain shocks through the common budget and there should be a degree of homogeneity of preferences on how to deal with asymmetric shocks.³⁸ The EU however performs poorly on all of these requirements and was not and is still not an OCA.³⁹ The launch of the euro was expected to trigger adjustments to make the EMU indeed an OCA but this has not been the case.⁴⁰ Economist Agnès Bénassy-Quéré stated that the structure of the EMU was created with a couple of ideas in mind that proved to be incorrect.⁴¹ Firstly one foresaw that macroeconomic shocks would be mostly symmetrical which can easily be smoothed over by monetary policy.⁴² This has not been the case. Second, it was expected that financial integration would lead to macroeconomic convergence and people had strong believes that the SGP would ensure sound government budgets.⁴³ This has also not been the case and divergence was the reality of the day.

The current economic crisis has shown that many of the peripheral countries were, for different reasons, unable to comply with the SGP. The crisis led to a division between northern creditor member states and southern debtor ones. A division along the same line can be viewed in terms of a surplus or deficit on their current accounts. The financial liberalisation which accompanied the arrival of the euro, removed several barriers to capital movements throughout the EU. This activated the influx of capital towards low-income countries with a high investment requirement from the northern member states. The exchange rate risk disappeared and the low interest rates for the southern member states backed by the entire euro-system resulted there in an abundance of credit and the absence of an incentive to save.⁴⁴ These imbalances became untenable. Several important scholars (for example Paul Krugman⁴⁵, Martin

³⁸Susan Senior Nello, *The European Union, Economics, Policies & History*, McGraw Hill, 2012, pp. 196 - 207

³⁹ Ibid.

⁴⁰ Robert Boyer, The euro crisis: undetected by conventional economics, favoured by nationally focused polity, *Cambridge Journal of Economics*, Vol. 13, 2013, pp. 534, 535

⁴¹ Agnès Bénassy-Quéré, Maastricht Flaws and Remedies, 07 September 2015 in Richard Baldwin, Francesco Giavazzi, The Eurozone Crisis: A Consensus View of the Causes and a Few Possible Solutions, *VOX CEPR's policy portal*, 07-09-2015 available at: <http://voxeu.org/article/maastricht-flaws-and-remedies> accessed at 15-04-2016

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Florence Jaumotte and Piyaporn Sodsriwiboon, Current Account Imbalances in the Southern Euro Area, *IMF Working Paper*, June 2010, p. 8

⁴⁵ The Economist, What went Wrong, *The Economist*, 6th March 2009

Wolf⁴⁶, Daniel Gros⁴⁷) see this persistent growth of prolonged macroeconomic imbalances in the EU as the cause of the crisis. They suggested that the emphasis of the SGP on only fiscal imbalances (i.e. government deficit and debt) to the exclusion of macroeconomic imbalances contributed to the problem.⁴⁸ The focus had thus shifted towards solving macroeconomic imbalances. It is hence important to understand what these imbalances are. Wieser, economist and now President of the Economic and Financial Committee, defines it as follows: “A macroeconomic imbalance is the (negative or positive) position of a domestic, external or financial variable... [Which] may – if uncorrected over time – make the national savings/investment imbalance so untenable that it self-corrects abruptly, thereby causing significant adjustment shocks....”⁴⁹. It is important that both domestic and external positions are taken into consideration, plus Wieser puts emphasis on the financial factors that play a huge role within macroeconomic imbalances. What is refreshing about Wieser’s definition and the MIP is that both deficits and surpluses, both negative and positive positions are now taken into account. This means that countries like Germany and the Netherlands will no longer ‘get away’ with their surplus on the current account. This new interpretation of macroeconomic imbalances emphasizes the importance of converged and similar economies within a monetary union.

Deepened economic convergence in the euro area in order to diminish the disturbing effects of asymmetric shocks became the generally accepted solution for solving the euro crisis. However the consensus was also that just strengthening the SGP would not be enough. Already in 2003 the EU’s biggest economies did not comply with the SGP. Both France and Germany suffered from debt ratio’s that were too high, however these countries never faced any consequences.⁵⁰ Hence it became apparent that prudential supervision and strict enforceable rules would also be needed. In the midst of the crisis the Commission decided to reinforce the SGP with the Six-Pack.⁵¹ Part of this ‘Six Pack’ was the MIP that was supposed to create better supervision on the surpluses and deficits of all EU member states on a collection of macroeconomic entities. Its task was to prevent and correct these imbalances within the

⁴⁶ M. Matthijs, Germany’s Role in Crafting a Solution to the 2010 EMU Sovereign Debt Crisis: Persuading with Power of the Power of Persuasion, *The Twelfth Biennial International Conference of the European Union Studies Association*, Boston, Vol. 4, 04-03-2011, pp. 5,6

⁴⁷ Daniel Gros, Macroeconomic Imbalances in the Euro Area: Symptom or cause of the crisis?, *CEPS Policy Brief*, No. 266, April 2012

⁴⁸ Barry Eichengreen, European Monetary Integration with Benefit of Hindsight, *Journal of Common Market Studies*, Vol. 50, No. S1, 2012, p. 128

⁴⁹ Thomas Wieser, Macroeconomic imbalances within the EU: Short and Longterm solutions, *Proceedings of the 39th economics conference*, 2011, p. 134

⁵⁰ Ian Begg, Waltraud Schelke, The Pact is Dead: Long Live the Pact, *National Institute Economic Review*, number 189, 2004, p. 1

⁵¹ http://ec.europa.eu/economy_finance/economic_governance/sgp/index_en.htm accessed at 11-04-2016

framework of the newly introduced European Semester.⁵² The emphasis of the MIP laid on catching potentially harmful imbalances at an early stage because they can cause huge detriment to the euro area economies and even the EU. These imbalances can for example occur in the form of low private savings caused by exaggerated positive future expectations or a bubble in certain sectors like housing which are caused by domestic disturbances.⁵³ It is thus less about the actual imbalances, and more about the underlying distortions caused by these imbalances, stated Blanchard.⁵⁴

2. 1 The Macroeconomic Imbalances Procedure

The MIP consists of two regulations within the Six Pack, namely Regulation 2011/1174 ‘enforcement measures to correct excessive macroeconomic imbalances in the euro area’ and Regulation 2011/1176 ‘prevention and correction of macroeconomic imbalances’.⁵⁵ And is thus designed to facilitate economic convergence through the surveillance mechanisms that control and supervise macroeconomic trends and data in euro countries. It keeps an eye out for macroeconomic imbalances (both surpluses and deficits) that cross certain thresholds. It strengthens the SGP in such a way that it detects harmful imbalances more early on, so they can be corrected on time. Since the MIP has a stronger corrective arm the member states are required to remain within the limits set by the MIP. When a country does show imbalances, the Commission can propose different recommendations to deal with these imbalances on a national level. But when these imbalances are considered to be excessive the country gets subjected to in-depth analyses, specific monitoring and eventually might enter the Excessive Imbalance Procedure (EIP) which is designed to deal with these imbalances and can eventually lead to sanctions when they are not being properly dealt with.⁵⁶

The MIP starts with a scoreboard, synchronised to the European Semester, which shows fourteen indicators with different thresholds. The Alert Mechanism Report then decides whether an in-depth analysis is necessary to get to the roots of the macroeconomic imbalances.

⁵² Köhler-Töglhofer, W., Part, P., Macro coordination under the European Semester, *Monetary Policy & The Economy*, No. 4, 2011, p. 63

⁵³ O. Blanchard, Global Imbalances: In Midstream?, *IMF Staff Position note*, 22-12-2009, p. 4

⁵⁴ Ibid.

⁵⁵ [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281(COD)&l=en) accessed at 13-11-2016

[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0279\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0279(COD)&l=en) accessed at 13-11-2016

⁵⁶http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/mip_framework/index_en.htm accessed at 11-04-2016

http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/index_en.htm accessed at 11-04-2016

These fourteen headline indicators provide important information about external balances, competitiveness positions, labour costs and social adjustment issues. In 2011 the initial scoreboard consisted of ten indicators and over the years four have been added, which focused mainly on unemployment and financial sector liabilities. Furthermore there are twenty-five auxiliary indicators which this thesis will not focus on.⁵⁷ A complete list of the headline indicators can be found in appendix 3. However this thesis focusses on the indicators that will have the biggest effect on Dutch socio-economic policy. At the same time these are the indicators that will cause the Dutch government the biggest struggle to maintain within the thresholds. These indicators are the following three:

- 3 year backward moving average of the current account balance as percent of GDP, with thresholds of +6% and -4%. Because the surplus on the current account can be traced back to pension funds and the general structure of Dutch taxes.
- 3 years percentage change in nominal unit labour cost, with thresholds of +9% for euro area countries and +12% for non-euro area countries. Because unit labour costs are not just set by the government, but are the result of market forces and the right of unions and employer and employee organisations to embark on wage bargaining.
- Year-on-year changes in house prices relative to a Eurostat consumption deflator, with a threshold of 6%. Because housing prices are also a result of market forces and cannot be easily adjusted. Furthermore housing booms in the Netherlands continue to rise⁵⁸ and are partly caused by the mortgage interest deduction system which is an important part of the Dutch economy.⁵⁹

The EIP designs an action plan for member states that exceed the thresholds and most importantly whose imbalances are systemic, depict underlying disturbances and are damaging to their own economy, the euro area or even the EU. The country in question has to state concrete measures including a timeline on how to deal with these imbalances. The Commission gives recommendations and in cooperation with the Council approves and heavily supervises these measures. When a country still does not comply with the rules the Commission can impose a fine which can amount to 0.1% of that country's GDP and must be continuously

⁵⁷http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/mip_scoreboard/index_en.htm accessed at 11-04-2016

⁵⁸ NRC Handelsblad, Huizenprijzen stijgen volgend jaar nog verder, *NRC Handelsblad*, 11-05-2016

NRC Handelsblad, Woningmarkt trekt verder aan, regionale verschillen groot, *NRC Handelsblad*, 7-04-2016

⁵⁹ Matt Steinglass, Deflating housing bubble at heart of Netherlands' economic blues, *Financial Times*, August 15, 2013

annually paid until the country in question does comply.⁶⁰ These sanctions are more automatic than in the SGP since they can only be voted against by the use of reversed qualified majority voting in the Council of the EU.⁶¹ This shows that the MIP and EIP have a significant impact on the member states. Furthermore it illustrates that many competences have been transferred to the EU level. Surely member states had already given up some sovereignty on their national monetary policy with the Maastricht criteria and the common currency, but the MIP and EIP take it a big step further.

2.2 The Netherlands and the MIP

From the moment the MIP was launched The Netherlands have always exceeded certain thresholds on different indicators. Table one shows the fourteen macroeconomic indicators and the scoreboard for the Netherlands from 2010 until 2014. The data that exceeds the thresholds are marked in red. The Netherlands especially experience high surpluses on the current account, imbalances on the export market and high private sector debt. This high private sector debt is linked to the housing and mortgage markets.

Table 1: Macroeconomic indicators for The Netherlands

	Time	2010	2011	2012	2013	2014
Indicators	Thresholds					
Current account balance - % of GDP, 3 years average	+6% to -4%	5.7	7.4	9.1	10.4	10.9
Net international investment position - % of GDP	-35%	10.6	19.8	31.1	32.2	60.8
Export market shares - 5 years % change	- 6%	-7.1	-7.01	-12.55	-9.97	-11.02
Nominal unit labour cost index - 3 years % change	+9%for euro area countries	7.6	4.8	2.3	5.6 ^(p)	5.4 ^(p)
Real effective exchange rates, 42 trading partners – 3 years % change	-/+ 5% for euro area countries	-1.5	-2.4	-6.0	0.4	0.8
Private sector debt, consolidated - % of GDP	133%	229.4	228.0	229.0	226.6^(p)	228.9^(p)
Private sector credit flow,	14%	2.8	3.6	2.1	1.3 ^(p)	-1.6 ^(p)

⁶⁰ S. Essl, A. Stiglbauer, Prevention and Correction of Macroeconomic Imbalances: the Excessive Imbalances Procedure, *Monetary Policy & the Economy Q*, 2011, p. 99

⁶¹ Marco Butti, Nicolas Carnot, The EMU Debt Crisis: Early Lessons and Reforms, *Journal of Common Market Studies*, nr. 6, 2012, p. 907

consolidated - % of GDP						
House price index, deflated - 1 year % change	6%	-2.7	-4	-8	-8.1	-0.5
General government sector debt - % of GDP	60%	59.06	61.7	66.4	67.9	68.2
Unemployment rate - 3 years average	10%	4.4	4.8	5.3	6.0	6.8
Total financial sector liabilities, nonconsolidated - 1 year % change	16.5%	5.8	9.3	5.2	-1.9 ^(p)	8.2 ^(p)
Activity rate (15-64 years) - % point change (t, t-3)	-0.2%	-0.3^(b)	-1.2^(b)	-0.7	1.2	0.9
Long-term unemployment rate - % of active population in the same age group, % point change (t, t-3)	0.5%	-0.2 ^(b)	0.4	0.9	1.2	1.3
Youth unemployment rate - % of active population in the same age group, % point change (t, t-3)	2%	1.7	1.4	1.5	2.1	2.7

Source: Eurostat Macroeconomic imbalances procedure ⁶²
B = break in time series, P = provisional

In 2015 there were six countries that needed policy action and monitoring due to their macroeconomic situations. These countries were Belgium, Finland, Sweden, Romania, the United Kingdom and the Netherlands.⁶³ For these countries an in-depth review was done since these imbalances might entailed new or re-emerged risks. In short, in 2015 the Netherlands continuously coped with persistent high current account surpluses. These surpluses were caused by multiple economic structures such as the way pensions and taxes were organised and they depict a source of inefficient allocation of capital.⁶⁴ The in-depth review had furthermore shown that these surpluses have no tendency to fall. The many years of wage moderation and the heavily export-oriented production structure in the Netherlands have contributed to this high

⁶² Eurostat, Macroeconomic imbalances procedure - Statistical annex indicators [mips_sa], available at: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> accessed at 11-04-2016

⁶³ European Commission, Macroeconomic Imbalances Main Findings of the In-Depth Reviews 2015, *Occasional Papers* 228, ISSN 1725-3209, June 2015, p. 9 available at: http://ec.europa.eu/economy_finance/publications/occasional_paper/2015/pdf/ocp228_en.pdf: accessed at 13-04-2016

⁶⁴ *Ibid.*, p. 24

surplus on the balance of payments.⁶⁵ These indicators truly characterize the Dutch economy and are closely linked to its history and sovereignty. Furthermore the report on the main findings of the in-depth reviews on macroeconomic imbalances stated the following on the Netherlands: “large multinationals engage in substantial foreign direct investment. As a result, firms often need to hedge against the risk that they take abroad and therefore save. The extent of this investment explains in part the high propensity to save by corporates. Moreover, in light of a highly indebted household sector, deleveraging has also played a role”⁶⁶. Thus the high levels of private debt entailed risks for economic stability. This had in particular to do with the bubble in the housing market but the analysis showed that slowly but securely housing prices were corrected and deleveraging is still going on.⁶⁷ In conclusion, for 2015 the macroeconomic imbalances that the Netherlands were experiencing were in need of strict and continuous monitoring.

In 2016 at least 18 countries were in need of an in-depth review from which 12 experienced imbalances including the Netherlands.⁶⁸ So the extensive monitoring for the Netherlands continued. The in-depth reviews particularly showed that while current account deficits in the EU have become more balanced and adjusted, surpluses on the current account remained very persistent and showed no improvement in the near future.⁶⁹ Also house hold debt did not show any improvement and contributed to the high current account surplus. Some of the indicators remained above or below the thresholds, such as the current account surplus, losses in export market shares, private sector debt, and government debt as well as the increase in long-term and youth unemployment.⁷⁰ Due to this information the Commission decided to keep the Netherlands under supervision where macroeconomic imbalances will be continuously monitored. In the country specific reports it showed that the Dutch economy has recovered from the crisis and was expected to grow by 2% in 2016 and 2017 which will result in rising domestic demand for consumers and investors, an even faster growing housing market and increasing

⁶⁵ Centraal Plan Bureau, Macro Economische Verkenning 2016, Herstel houdt aan, wereldeconomie onzeker, *Centraal Plan Bureau*, 15-09-2015

⁶⁶ European Commission, Macroeconomic Imbalances Main Findings of the In-Depth Reviews 2015, *Occasional Papers* 228, ISSN 1725-3209 (online), June 2015, p. 16 available at: http://ec.europa.eu/economy_finance/publications/occasional_paper/2015/pdf/ocp228_en.pdf: accessed at 13-04-2016

⁶⁷ *Ibid.*, p. 9

⁶⁸ http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/index_en.htm accessed at 13-04-2016

⁶⁹ European Commission, Report from the Commission to the European Parliament, the Council, the European Central Bank and the European Economic and Social Committee, *Alert Mechanism Report 2016* COM(2015)691, Brussels, 26-11-2015, available at: http://ec.europa.eu/europe2020/pdf/2016/ags2016_alert_mechanism_report.pdf accessed at 13-04-2016

⁷⁰ *Ibid.*, pp. 33,34

wages.⁷¹ The Dutch government thus has to monitor whether these indicators will not cross the thresholds set by the MIP. Especially the housing market in the Netherlands is a source of macroeconomic imbalances due to its high levels of mortgage interest deductibility and high loan-to-value ratios. This is also the cause of the significantly high levels of household debt. Household deleveraging is also one of the biggest reasons of the increased current account surplus. Social housing in the Netherlands is relatively large in comparison to other countries which caused inefficiencies in, among other things, the private rental market. To solve these issues related to housing, abolishing the mortgage interest deductibility and lowering loan-to-value ratios are recommended by the Commission and should contribute to a decrease of household debt and a stronger financial sector. Furthermore the mandatory spending on supplementary private pension schemes is high in the Netherlands, which has influenced household spending in a pro-cyclical manner.⁷²

This all shows that the recommendations stemming from the MIP for Dutch socio-economic policy can be regarded as intrusive. The European Commission for example, published a White Paper named ‘An Agenda for Adequate, Safe and Sustainable Pensions’.⁷³ Due to changing economic and demographic conditions (longer life-expectancy and a smaller participation rate) it is ever more important to reform the national pension systems, stated the Commission.⁷⁴ Reform of the pensions and retirement regulation has also become a pressing issue in restoring confidence in government finances, which was also mentioned in the recommendations stemming from the MIP. To deal with the problems ahead the Commission made five pension recommendations in this White Paper. Firstly, it wanted to link the retirement age to the increasing life expectancy and secondly it wanted to restrict early retirement schemes. The third recommendation supported longer working lives which will be promoted by providing better opportunities in the labour market for elderly employees, promoting life-long schooling, creating a more diverse workforce and broader participation. Finally, complementary retirement savings will be strongly supported as an addition to standard retirement incomes, making the pensions more an insurance than part of the standard social security.⁷⁵ As a result pension schemes and labour market practices will be more closely monitored.⁷⁶ These

⁷¹ European Commission, Commission staff working document, Country Report The Netherlands 2016 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances, *SWD(2016) 87 final*, Brussels, 26-02-2016, p. 1 -5

⁷² Ibid.

⁷³ European Commission, White Paper ‘An Agenda for Adequate, Safe and Sustainable Pensions’, *COM(2012) 55 final*, Brussels, 16-2-2012

⁷⁴ Ibid., p. 3

⁷⁵ Ibid., p. 9

⁷⁶ Ibid., pp. 16-19

recommendations deal with issues that make the Dutch economy distinct and touch upon social economic issues that frame the Dutch welfare state. Furthermore these issues have previously always been real national issues.⁷⁷

All these integrative steps to solve the crisis happened in a remarkable quick pace and truly deepened EU integration. More competences and political activity has gone to the European level and the EU institutions have gained broader jurisdiction over the member states. Bauer and Becker go even so far as to call the Commission the winner of the euro crisis due to its expanded and deepened role. The Commission is now responsible for extra monitoring of public debt, controlling national draft budgets and checking if they are in line with the SGP and the MIP, keeping track of macroeconomic imbalances and supervision of the financial sector.⁷⁸ The euro crisis has thus been a launch pad for the completion of the EMU.

⁷⁷ European Commission, Commission staff working document, Country Report The Netherlands 2016 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances, *SWD(2016) 87 final*, Brussels, 26-02-2016

⁷⁸ Michael W. Bauer & Stefan Becker, The Unexpected Winner of the Crisis: The European Commission's Strengthened Role in Economic Governance, *Journal of European Integration*, 36:3, 2014, pp. 221-224

Report from the Commission to the European Parliament, the Council, the European Central Bank and the European Economic and Social Committee, Alert Mechanism Report 2016 COM(2015)691, Brussels, 26-11-2015 available at: http://ec.europa.eu/europe2020/pdf/2016/ags2016_alert_mechanism_report.pdf accessed at 13-04-2016

3. Party ideology and manifestos on socio-economic policy and European affairs

As the previous chapter has shown, the MIP has a potential significant impact on Dutch socio-economic policy. The European Commission has given recommendations on reforming the housing market, the labour market and pensions since these policy areas and the way they are structured have distorting effects on the current account and on household debt. Each political party however viewed these consequences of the MIP differently according to their party ideology, placement on the political left-right scale and general view on European cooperation. In order to understand how the Dutch political parties viewed the consequences of the MIP on Dutch socio-economic policy it is important to understand the general view of these parties on these policy areas and on European affairs. Consequential, from these general statements we can form hypotheses about the support of the political parties for the MIP.

The Macroeconomic Imbalances procedure was discussed in the Dutch House of Representatives in 2010 and 2011. Therefore this section will use both general party ideology statements and in specific the manifestos from the 2010 elections. The latter are used in order to establish their placement on the left-right political scale and their stance on the EU. In order to keep this section comprehensive we will look at those issues in the party manifestos that reflect the party's views on wages, the housing market, pensions, general socio-economic ideology, government finances and Europe since these policy areas reflect the segments that are also the most controversial in the MIP.

3.1 Volkspartij voor Vrijheid en Democratie (VVD) – Conservative Liberals

The VVD, as created in 1948, is a liberal party that considers individual freedom to be the highest good. From this freedom other liberal principles come forth like responsibility for this freedom, equality, tolerance and social justice. These principles embody the ideology of the VVD. The Party favours a small and efficient government with sound finances and less bureaucracy. This liberal premise is mostly expressed in its strong believe in the free market order and the most efficient allocation of capital, labour, goods and services from it. The VVD applies the same values on the functioning of Europe.⁷⁹

⁷⁹ E. van Rooyen, *De Europeanisering van belangengroepen en politieke partijen in Nederland*, Pallas Publications – Amsterdam University Press, 2009, p. 138

VVD, *De beginselverklaring van de VVD*, vastgesteld door de 125e Algemene Vergadering, Rotterdam, 15-11-2008, pp. 2-6

The VVD 2010 election manifesto expressed that the party wanted to reward performances in the labour market by lowering taxes and increasing disposable income. Furthermore, due to the fast rise in the life expectancy of citizens the pension obligations faced by Dutch citizens will increase significantly. The VVD strives for a stronger pension framework by gradually increasing the retirement age and the age of supplementary pensions to 67. Overall the party wanted to free markets, including the housing market, of excessive overregulation and government interference. However the VVD's high regard for the free market makes it questionable whether the party would agree to restrict housing prices by a European framework as proposed by the MIP.⁸⁰ In an economic report by the European Commission on the Housing market in the Netherlands, Vandevyvere and Zenthöfer have analysed the problems in the Dutch housing market and the policy recommendations by the Commission.⁸¹ The low taxation and high levels of mortgage interest deductibility have resulted in artificially high housing prices in the Netherlands which excessively favour high incomes over lower incomes. The VVD as being a conservative liberal party, has been in favour of this policy. Nevertheless the subsidies in the housing sector impose a great burden on public finances and need to be diminished, claimed the Commission. Furthermore the flexible and relatively low cost mortgages with long maturities have contributed to significantly high private debt levels in the Netherlands, which is one of the areas in which the Netherlands are experiencing imbalances. One of the recommendations by the Commission was the complete phasing out of the mortgage interest deductibility schemes. While the VVD 2010 election manifesto clearly stated that the party does not want to change these schemes.⁸²

The VVD considered the EU to be of great importance, especially with respect to free trade, peace and safety since this will be beneficial for the Netherlands as well. The VVD believes that the only way to do this is when Europe gives a credible performance by concentrating only on its main tasks, namely the internal market, fostering cross-border opportunities and dealing with cross-border problems. To restore the European economy and pull Europe out of the crisis the VVD considered facilitating the internal market with its free trade the best option and the agreements made in the SGP need to be maintained. This also means that government deficit and debt need to be controlled. The VVD wanted to realise a healthy and balanced government

⁸⁰ VVD Verkiezingsprogramma commissie, *Orde op Zaken – verkiezingsprogramma 2010 – 2014*, VVD, 10-11-2009

⁸¹ Windy Vandevyvere and Andreas Zenthöfer, The housing market in the Netherlands, *European Commission Economic Papers 457*, June 2012

⁸² VVD Verkiezingsprogramma commissie, *Orde op Zaken – verkiezingsprogramma 2010 – 2014*, VVD, 10-11-2009

Windy Vandevyvere and Andreas Zenthöfer, The housing market in the Netherlands, *European Commission Economic Papers 457*, June 2012

budget by creating an effective and smaller government.⁸³ Furthermore the VVD wanted to make binding agreements at EU level for greater coordination of economic policies so that the stability of the euro is maintained. This means that in the eyes of the VVD all Member States have to commit themselves to clear targets to reform their labour and pension systems.⁸⁴

What this thesis can conclude from these statements is that in general the VVD is expected to support the MIP. The party understood that the labour market and pension systems needed to be reformed in order to keep it sustainable and they wanted to restore the strength of the European Economy. Nevertheless the VVD favoured a small Europe that focusses on making the benefits of the internal market as large as possible and the level of interference that results from the MIP might be too much in their eyes. The hypothesis is that the VVD overall supported the MIP but their biggest concern is expected to be the effects on the housing market and the increase in European level regulation on issues where the party might not want to transfer more competences towards the EU.

3.2 Partij Voor de Vrijheid (PVV) – far right, Freedom Party

The Party was founded in 2005 by Geert Wilders, a former VVD Parliamentarian. The PVV can be best described as a right-wing radical populist party that embodies many of the recent fears expressed in the Dutch society against immigration and the established government.⁸⁵ Their standpoints are mainly focused on ethnical issues and social matters. The Party embodies both left and right-wing points in their programme, is highly anti Muslim and is very much a nationalist party, therefore it does not support the transfer of any competences towards the EU. In their 2010 election manifesto ‘Agenda of hope and optimism’ the party called the EU a deterioration of the Dutch democracy.⁸⁶ The party strongly opposed the increasing power of the EU and its lack of democratic accountability. The PVV can accept a light form of economic and monetary cooperation, keeping to the core activities of the European Economic Community, as they stated in their manifesto, but nothing more. They favoured a strong compliance with the existing SGP but do not want to enlarge this with the MIP indicators.

⁸³ VVD Verkiezingsprogramma commissie, *Orde op Zaken – verkiezingsprogramma 2010 – 2014*, VVD, 10 november 2009, p. 6

⁸⁴ *Ibid.*, p. 38

⁸⁵ Wouter P.C. van Gent, Elmar F. Jansen and Joost H.F. Smits, Right-wing Radical Populism in City and Suburbs: An Electoral Geography of the Partij Voor de Vrijheid in the Netherlands, *Urban Studies*, Vol. 51, Issue 9, July 2014, pp. 1775, 1776

⁸⁶ PVV, Verkiezingsprogramma PVV 2010 – 2015, *De agenda van hoop en optimisme*, 2010, p.17

In the election manifesto the PVV stated that it does not want to increase the pension age to 65 and that the party is not willing to compromise on this point. On the housing market the PVV favoured more affordable housing and it was against the abolishment of the mortgage interest deductibility. To get the government budget in order the PVV favoured a small government, meaning less civil servants, less bureaucracy and curtailing provinces and municipalities. Also meaning that it will be harder to influence the level of wages through wage-setting in the public sector. Furthermore the party wanted to ‘get Dutch money back’ from the EU budgets. The party is expected to fear a strong diminishing of national sovereignty as a result of the MIP. Subsequently the PVV is expected to not agree with the recommendations made by the Commission. The hypothesis is that the PVV will completely reject the MIP and will only show limited support for a strengthened SGP.⁸⁷

3.3 Partij van de Arbeid (PvdA) – Labour Party

The PvdA was founded in 1946 on the ideals of solidarity, cohesion, justice and democracy. The ideology of social democracy as translated by the PvdA focuses on the right to a decent living for all citizens. In this view of a social society the strongest shoulders should bear the heaviest loads and the emancipation of the worker man and other disadvantaged groups is very important. This ideology is also wanted for the European project. Integration within Europe should, in the eyes of the PvdA, be focused on security policy, fighting cross-border crime and terrorism and creating jobs, but the social-democratic aspect needs to be prioritised. The PvdA principles manifesto stated: “Promoting the European single market threatens countries and parliaments to curtail unnecessary in their ability to regulate the relationship between government and market. When large public interests are at stake, such as education, health care or social security, this is undesirable”⁸⁸. This illustrates that the PvdA, although an EU friendly party, has some reservations when it comes to the EU and protecting the social security for Dutch citizens.⁸⁹

In the 2010 election manifesto the PvdA recognised the fact that the Netherlands is closely connected to Europe and foreign economies. When sharing a common currency the

⁸⁷ PVV, Verkiezingsprogramma PVV 2010 – 2015, *De agenda van hoop en optimisme*, 2010

⁸⁸ Wouter Bos, Ruud Koole, Mark Bovens, René Cuperus, Guusje ter Horst, Bertus Mulder, Monika Sie Dhian Ho, Coen Teulings, Beginselmanifest Partij van de Arbeid, Partij van de Arbeid, 29 januari 2005, p.7

⁸⁹ E. van Rooyen, *De Europeanisering van belangengroepen en politieke partijen in Nederland*, Pallas Publications – Amsterdam University Press, 2009

Wouter Bos, Ruud Koole, Mark Bovens, René Cuperus, Guusje ter Horst, Bertus Mulder, Monika Sie Dhian Ho, Coen Teulings, Beginselmanifest Partij van de Arbeid, Partij van de Arbeid, 29 januari 2005

party understood that every country benefits from sound fiscal policies and thus government finances, including the Dutch one, should be in order. Slackness of one country cannot jeopardise the prosperity of others. Consequently the manifesto showed that they favour a stricter SGP with better sanctions for countries which do not comply. Furthermore the PvdA wanted to gradually increase the retirement age and reform the labour market by making it more attractive to hire older employees by the use of schooling, wage subsidies and overall better working conditions. Furthermore work has to be worth its while and therefore the labour party wanted to accommodate lower incomes by giving tax rebates. The limit that the MIP imposes on wages thus might conflict with the overall ideology of the party. The PvdA was also committed to reform the housing market by making it more affordable, modernising fiscal treatments for home owners and making sure that rental places stay affordable for lower incomes. It was also in favour of gradually reducing mortgage interest deduction. Their policy views on the housing market correspond with their general left party ideology. The hypothesis is that the PvdA would in general support the MIP because of their support for stricter European finances. However, some of the PvdA positions on social issues are expected to conflict with the proposed wage policy. The party does favour a reformed housing market and pension scheme and is therefore expected to partly support the MIP.⁹⁰

3.4 Christen Democratisch Appel (CDA) – Christian Democrats

The Basic principles of the CDA are founded on a long tradition of Catholic and Protestant notions. Key concepts are solidarity, neighbourly love, justice, shared responsibility and democracy.⁹¹ This shared responsibility for oneself and for each other is fostered by the government but is ideally carried by several civil society organisations. The Party thus sees a smaller role for the government which will be complemented by these organisations. Furthermore the CDA advocates a more austere or sober government than more left-wing parties for example do, but is in favour of means-tested taxes and fees.⁹²

In their 2010 election manifesto the CDA wanted to reform the labour market by protecting fragile groups like elderly employees and people without job certainty. In order to

⁹⁰ PvdA programmacommissie o.l.v. Hans Kamps, *Iedereen telt mee, de kracht van Nederland – verkiezingsprogramma Tweede-Kamer verkiezingen 2010*, 2010, pp. 17, 21, 22, 36

Wouter Bos, Ruud Koole, Mark Bovens, René Cuperus, Guusje ter Horst, Bertus Mulder, Monika Sie Dhian Ho, Coen Teulings, *Beginselmanifest Partij van de Arbeid*, Partij van de Arbeid, 29 januari 2005

⁹¹ Prof.dr. P.A.J.M. Steenkamp et al., *Program van uitgangspunten CDA*, 01-01-1989, pp. 2, 6

⁹² <https://www.cda.nl/standpunten/thema/economie-1/> accessed at 24-05-2016

deal with the continuously aging population the CDA wanted to foster and increase the participation rate to keep the pensions affordable and wanted to gradually increase the retirement age to 67. On the pension issue the party is hence expected to agree with the European Commission. The party wanted to use spatial planning to solve issues in the housing market such as high prices, low flow rates and issues with social rentals where higher incomes live in low cost rental houses. Also they supported home ownership and approved the high rates of mortgage interest deduction hence it is anticipated that the party will disagree with reforming the housing market the way the Commission had envisioned.⁹³

With regard to international politics the CDA claims to be a pro-European party. They view the EU as an engine for internal growth, high levels of welfare and as a safe keeper of the socio-economic achievements.⁹⁴ Nevertheless the CDA is an advocator of less regulatory pressure and administrative burdens for citizens and businesses. The party is only in favour of European integration when it passes the test for subsidiarity.⁹⁵ The party also understood that in order to restore confidence in the euro, countries with excessive deficits and debt must get their government finances in order. This includes the Netherlands. The most important features of the SGP in their eyes were also the 60% and 3% norms and the control on these indicators needed to be strengthened.⁹⁶ Furthermore the party favoured a better coordination of national economies. However these core indicators of the SGP received priority over other MIP indicators, and the improvement of euro area competition is merely a supporting means of financial stability.⁹⁷

On first sight the CDA can be viewed as a supporter of the MIP because of its views on better economic coordination and strict fiscal policies. However CDA did favour a strong examination of subsidiarity on European policy which can conflict with the transfer of competences towards the EU. Due to their high regard for social issues the party is expected to disagree on the wage issue and rejects the abolishment of the mortgage interest deductibility. Lastly the hypothesis is that the party favours pension reform. Due to the mixed support of the MIP and the transfer of competences, the party is expected to partially support the MIP.

⁹³ CDA, *verkiezingsprogram 2010-2015 slagvaardig en samen*, 14-05-2010, pp. 41-43, 75, 76

⁹⁴ *Ibid.*, p. 89

⁹⁵ *Ibid.*, p. 95

⁹⁶ *Ibid.*

⁹⁷ Tweede Kamer, Europese Top, *Tweede Kamer stuk 58*, 9-03-2011

3.5 Democraten '66 (D66) – Social Liberal Party

The Party dates from 1966 and was founded with the aim to radically democratise the Dutch political landscape. D66 supports five main signposts. These are the trust in the power and creativity of people and the government should be just there to foster this, secondly striving for a harmonized and sustainable society where the degradation of nature is one of the main topics of discussion. Thirdly D66 sees international cooperation and economic progress in a European framework as the most important way to foster a conflict and war free environment. Furthermore they aim to always act and think internationally. Fourth, D66 strives for economic independence for everyone and people who achieve greatness must be rewarded, but at the same time welfare and prosperity must be shared. Lastly, D66 cherishes the fundamental rights and shared values of the Netherlands and wants to safeguard all the freedoms it provides.⁹⁸

In their 2010 election manifesto 'We want it different' D66 wanted to change the labour market into a market where taking responsibility for your own working life is key. D66 wanted to motivate people to actively keep learning and growing, making reforms to increase the flow within the labour market and realising a higher participation rate. They also strived for a housing market where housing remains affordable and suitable for every lifestyle, especially for starters. Therefore D66 gradually wanted to diminish the mortgage interest deduction (since this drives up the housing prices) and wanted to use spatial planning to create more and diverse housing. Furthermore the party was in favour of making the financial system in both Europe and the Netherlands more transparent and controllable by enhancing supervision, making banking products more transparent and selling state owned banks.⁹⁹

When taking all these facets of the party's ideology in consideration, this thesis' hypothesis is that D66 can be considered as a pro-European party that sees the future of the Netherlands entangled with Europe. "What is right for Europe is right for the Netherlands"¹⁰⁰ stated their manifesto. The party is in favour of profound European integration but wanted to strengthen the democratic accountability, therefore it wanted to strengthen the influence of the European Parliament. Additionally D66 is in favour of strengthening the SGP, making it legally

⁹⁸ <https://d66.nl/richtingwijzers/> accessed at 24-05-2016

D66, Programma van de politieke partij Democraten '66, *Ledencongres D66*, 27-12-1966

⁹⁹ Joris Backer (Chairman permanent program committee D66) et al., *We willen het anders*, Verkiezingsprogramma D66 voor de Tweede Kamer 2010 – 2014, 2010

¹⁰⁰ *Ibid.*, 84

enforceable and enhancing budgetary discipline in Europe. Hence D66 is expected to completely support the MIP.

3.6 GroenLinks (GL) – The Greens

GL was founded in 1990 and was created out of the former pacifist party, a communist party, a political radical party and an environmental party. Herman Meijer, one of GL founding fathers, stated that the party should voice a strong, well-founded anti-capitalist argument by creating a government that is pro-European which should conduct a lenient immigration policy and realises a better income equality among its citizens. The word ‘Green’ in GL truly represent its high value of the environment and a sustainable economy. GL stands for green and social reform.¹⁰¹

The social left ideology of the party can mostly be found in their envisioned reform of the labour market which was stated in their 2010 election manifesto ‘ready for the future’.¹⁰² With lower costs for employers, lower income taxes for people with low incomes, a pension age which will be linked to the amount of years one has worked and better dismissal protection for weaker employees, the party stands up for the vulnerable people in the Dutch society. This left ideology might be at odds with the more liberal MIP, for example on suppressing wages. The recommended pension reforms by the Commission are expected to be conflicting with the GL views since the party was not in favour of raising the retirement age. Furthermore they wanted more social housing, diminish the mortgage interest deduction and realise cheaper housing for lower incomes. The recommended reform in the housing market in order to suppress the housing prices is thus expected to be in line with GL views. Additionally, GL favoured investing in times of economic hardship over austerity, especially when it creates more jobs and enhances education. Furthermore the government should be able to ask a bigger contribution from citizens who earn relatively more money in the eyes of GL. The Party was motivated to greatly diminish unemployment by investing more. The party is thus expected to agree with the MIP thresholds for unemployment. However, this emphasized need for investment in times of economic recession showed a more Keynesian and anti-cyclical approach in dealing with the crisis, while the MIP with its low and restricted government

¹⁰¹ <https://groenlinks.nl/partij/geschiedenis> accessed at 17-06-2016

Simon Otjes, Partij van de toekomst kijkt terug naar haar verleden, *Bureau de Helling*, 12-03-2012

¹⁰² Programma commissie GroenLinks, *Klaar voor de Toekomst, verkiezingsprogramma 2010*, april 2010

spending proves to be more neo-liberal and pro-cyclical. Nevertheless the party understood the benefits of strong and solid government finances and wanted to respect and comply with international agreements on government finances. GL wanted the EU to have a united and strong voice, specifically at international climate summits and favoured a unified and strong EU supervision on financial markets. The GL viewpoints on the euro crisis and economic and monetary policy in general showed that the party favoured European taxes to strengthen the EU's own resources and they wanted to introduce euro-bonds to stabilise the euro.¹⁰³

Overall GL is a pro-European party that is committed to creating a greener and more social Europe. The party understood the fact that financially sound and balanced economies are beneficial for the entire euro area and that this is a euro area-wide task. Therefore the Netherlands too must keep its finances in order and its economy in line with the MIP. There can be concluded that GL is expected to support the MIP. Nevertheless the neo-liberal base of the procedure will conflict with the more green, social and left approach of the party. Hence the hypothesis is that the party will not agree with the indicators on wages and pensions but they will agree with reform in the housing market.

3.7 Socialistische Partij (SP) – Socialist Party

The Socialist Party was founded in 1972. The SP aims at creating a socialist society where people are equal and solidarity for one another is central. The Party strives for an equal distribution of welfare and equal opportunities in the Netherlands. The same socialist ideology is wanted for Europe and an undemocratic European super state is strongly rejected.¹⁰⁴

For the SP it was clear that the economic crisis was a result of neo-liberal policy making and 'casino-capitalism'.¹⁰⁵ Therefore the SP considered it to be unfair to conduct austerity measures in the Netherlands at the costs of the average citizen. The SP for example wanted to keep the retirement age at 65, did not favour more flexible dismissal regulation and the party will not stand for the reduction of unemployment allowances. In times of economic uncertainty people are in need of social security, stated the SP. This statement shows that the party is consistent with GL on their anti-cyclical views on solving the crisis. Also the mortgage interest

¹⁰³ <https://groenlinks.nl/standpunten/eurocrisis> accessed at 17-06-2016

GroenLinks, Met Euro-obligaties kunnen we de euro redden, GroenLinks online, 25-05-2012
Programma commissie GroenLinks, *Klaar voor de Toekomst, verkiezingsprogramma 2010*, april 2010
Tweede Kamer, Europese Top, *Tweede Kamer stuk 58*, 9-03-2011, p. 20

¹⁰⁴ <https://www.sp.nl/wij-sp> accessed at 17-06-2016

¹⁰⁵ Socialistische Partij, *Een beter Nederland voor minder geld, Verkiezingsprogramma SP 2011-2015*, Rotterdam, 2010, p. 7

deductibility must remain unchanged or even extended according to the SP. The party was furthermore clear on its views on the EU, the party favoured cooperation and peace-keeping, but seemed to renounce its neo-liberal politics. The party rejected any meddling or intervention from the EU in education, healthcare, public transport, housing and social security.¹⁰⁶ While this thesis has shown that especially in housing and social security the EU meddles quite significantly in these policy areas through the MIP. Therefore the hypothesis is that the SP will not support the MIP due to its far reached intervention in these policy areas. This strong sentiment against European intervention was also one of the reasons why the SP was against the common currency in the 1990s.¹⁰⁷ Furthermore in the 2010 election manifesto the SP expressed its high regard for unions and the negotiation with social partners on collective labour agreements. The SP thus respected the wage bargaining position of these unions and wanted to maintain this right to negotiate and bargain. This will impede the lower and repressed wages that the MIP demands. It is hence expected that the SP will not support the MIP.¹⁰⁸

In general there appears to be an overall consensus in the Dutch government on the need for a strengthened SGP to secure financial stability in the euro area. However each party has its own policy area's on which it rejects the support for the recommended policy changes by the Commission stemming from the MIP. Table 2 shows a brief oversight of the seven political parties and their views on the main controversial issue of the MIP. The term 'doubtful' is chosen to express the still unclear position of the party on a certain topic. This will be further researched in the coming empirical chapter. Thus far the conclusion is that only D66 is expected to be completely in favour of the MIP. Since the party is pro-European and in favour of profound EU integration, D66 seems to regard the Dutch and European fate as one. Assuming their manifestos and ideologies, the rest of the parties all have different objections to the MIP indicators and the effects it will have on Dutch socioeconomic policy. The more right oriented parties appear to have more difficulty in uniting their ideas with the suggested reform of the housing market and the transfer of competences to the EU. The left oriented parties are expected to be in conflict with pension reforms and wage moderation. PVV and SP, despite their different party ideologies, can be grouped together due to their high level of Euroscepticism and their mutual rejection of transferring competences towards the EU. Judging from party positions on

¹⁰⁶ Ibid., p. 42

¹⁰⁷ Dennis de Jong, De SP en Europa: Voor samenwerking, tegen inmenging, *Spanning*, augustus 2012

¹⁰⁸ Socialistische Partij, *Een beter Nederland voor minder geld, Verkiezingsprogramma SP 2011-2015*, Rotterdam, 2010
Dennis de Jong, De SP en Europa: Voor samenwerking, tegen inmenging, *Spanning*, augustus 2012

the housing market, pensions, wage policy, and views on Europe in general this research was able to categorize the parties as is illustrated in table 2.

Support of political parties for different MIP indicators						
Party:	In favour of strengthening the classis SGP. (3% and 60% thresholds)	In favour of wage moderation	In favour of pension reform (higher retirement age)	In favour of reforming the housing market (abolish mortgage interest deduction)	Generally in favour of transferring competences towards the EU	Generally in favour of the MIP
VVD	Yes	Yes	Yes	No	Yes	Yes
PVV	Yes	No	No	No	No	No
PvdA	Yes	No	Yes	Yes	Doubtful	Yes
CDA	Yes	No	Yes	No	Doubtful	Doubtful
D66	Yes	Yes	Yes	Yes	Yes	Yes
GL	Yes	No	No	Yes	Yes	Yes
SP	Doubtful	No	No	No	No	No

Table 2: overview of political parties and their views on the MIP consequences

4. Empirical politics

In the previous chapter this thesis investigated whether political parties could hypothetically have objections to the MIP according to their party manifestos and overall ideology. The conclusion was that only the D66 party, which is known to be pro-European, was expected to be completely supportive of the procedure. Every other party investigated in this thesis could potentially have objections. However it is also important to analyse the empirical evidence. What conclusions can be drawn from debates, motions and opinions from politicians in the form of interviews? This chapter will hence look at these components to discover the ‘real’ opinion of Dutch political parties about the MIP. Subsequently the empirical evidence can be compared with the findings from chapter three. Where the previous chapter was classified by party this chapter will be categorised by social-economic issue.

4.1 Strengthening the classis SGP (3% and 60%) thresholds and the MIP in general

Former Minister of Finance Jan Kees de Jager of the CDA party, but speaking on behalf of the government, stated in a general consultation that the Maastricht Criteria as stated in the SGP should be maintained and complied with. The government favoured a strict enforcement of the rules with an extra focus on the debt part and not only the deficit part which received more attention in the previous years.¹⁰⁹ The government stated that it is paramount that budgetary discipline must be enforced and all countries must comply, including the Netherlands. When analysing debates and interviews it showed that all researched political parties favoured a strict compliance with the SGP rules, this was also in line with expectations based on the preceding chapter’s analysis of party ideology and manifestos. However these interviews and debates also

¹⁰⁹ Tweede Kamer der Staten-Generaal, Europese Top, *Tweede Kamer stuk 58*, Den Haag, 9-03-2011, p. 43

Tweede Kamer der Staten-Generaal, Raad voor Economische en Financiële Zaken verslag van een algemeen overleg, *kamerstuk 21 501-07 nr. 750*, Den Haag, 13-09-2010, p. 19

showed that Dutch politicians still mostly thought in the North-South division in the euro area and applied the budgetary constraints mostly to their southern counterparts and not per se to their own budgets. The overall sentiment in the House of Representatives seems to have been that politicians viewed countries like Greece as the scapegoat of the euro area.¹¹⁰

Wouter Koolmees (D66) confirmed that the sentiment in the Second Chamber leaned towards blaming the southern member states for their lack of competitiveness. The surpluses on the current accounts of Germany and the Netherlands were seen as simply successful policy of wage moderation and high productivity. Cutting into these surpluses was considered a punishment. However, the MIP indicated that the Commission also considered these surpluses on the current account a disruptive macroeconomic imbalance. These surpluses lead indirectly to the deficits of the southern member states and contributed to the problems the euro area is facing, explained Koolmees who advocates a more European sentiment instead of blaming the southern member states.¹¹¹ Along the same lines, the Dutch government was committed to an asymmetrical approach to the MIP which means that thresholds for the current account and the real effective exchange rate will be exceeded faster in case of a deficit and a worsened competitive position.¹¹² The same position can be retrieved from the statements of the PvdA. The party blamed southern member states for their lack of fiscal soundness and did not yet see the need for northern competitive countries to undergo the same amount of reform under the same thresholds. Nebahat Albayrak, former PvdA politician, stated in a debate prior to a European Council summit, that the party supported all measures that enhance the financial and economic stability of the euro area but that the discussion now also includes countries that are

¹¹⁰ Tweede Kamer der Staten-Generaal, Europese Top, *Tweede Kamer stuk 58*, Den Haag, 9-03-2011

Tweede Kamer der Staten-Generaal, Raad voor Economische en Financiële Zaken, Brief van de ministers van Economische Zaken, Landbouw en Innovatie en Financiën aan de voorzitter van de Tweede Kamer der Staten-Generaal, *Kamerstuk 21 501-07 nummer 847*, Den Haag, 17-10-2011

¹¹¹ Interview Wouter Koolmees, transcript available with the author.

¹¹² Tweede Kamer der Staten-Generaal, Raad voor Economische en Financiële Zaken, Brief van de ministers van Economische Zaken, Landbouw en Innovatie en Financiën aan de voorzitter van de Tweede Kamer der Staten-Generaal, *Kamerstuk 21 501-07 nummer 847*, Den Haag, 17-10-2011

not in the ‘SGP danger zone’. She stated that these countries should not be subjected to the same interventions to national sovereignty as countries that are fiscally profligate.¹¹³ This is an interesting statement because the Netherlands do deal with some persistent imbalances which need dealing with according to the Commission. This shows that the debate within the PvdA also lingered on a north-south division in Europe and that a surplus on the current account for example still was not considered as being problematic while the MIP was designed to tackle this specific issue on both ends. These ideas of the southern scapegoat and the punishment of the northern countries were predominant in the discussion about the MIP and proved to be not conducive to the overall sentiment towards the procedure. However during the interviews with the different politicians they all mentioned that their parties understood that the MIP meant that the Dutch budgets and surpluses needed to be tackled as well. However this was stated years after the first discussions about the MIP and thus might provide a different view on the matter.¹¹⁴

Since there was never a real vote on the joint position on the MIP it is problematic to assess the actual positions of the different parties. The annotated agenda in preparation of the European Council in Brussels on the 24th and 25th of March 2011 contained one of the first mentions of a true joined position of the Dutch government on the MIP and the SGP. The letter on this annotated agenda stated that “the cabinet is firmly committed to amplify the SGP rules and committing themselves to the introduction of a procedure to prevent and correct macroeconomic imbalances”¹¹⁵. This letter even stated that the agreement on the MIP was reached at the instigation of the Dutch. Furthermore the government repeatedly stated that they strongly favour automatic, smart and early sanctions to warn states on time when their macroeconomic entities are becoming excessive and to refrain the sanctions from becoming

¹¹³ Tweede Kamer der Staten-Generaal, Europese Top, *Tweede Kamer stuk 58*, Den Haag, 9-03-2011, p. 37

¹¹⁴ Ibid.

¹¹⁵ Tweede Kamer der Staten-Generaal, brief van de minister en de staatssecretaris van buitenlandse zaken aan de voorzitter van de tweede kamer der Staten-Generaal, *kamerstuk 21 501-20 nr. 524*, Den Haag, 21-03-2011

arbitrary. The expected reluctance of Dutch political parties to adopt the MIP as was based on the preceding chapter's analysis of party ideology and manifestos seems diminished in this positive joint position, however when individual politicians and parties are researched the disinclination on the MIP is still present.¹¹⁶

In the interview with Mark Harbers, VVD politician and spokesperson financial affairs, he explained the position of the VVD on the MIP as follows: "The VVD supported the realization of stricter budget rules and the introduction of the MIP. Enforceable fiscal and macroeconomic rules are essential for the stability and the preservation of the euro area, in our eyes"¹¹⁷. When asked the question whether European political perspectives and positions played a bigger role than national ones concerning the MIP, he answered that for his party national interests do come first and that the party acts out of Dutch interest. Nevertheless the stricter rules on macroeconomic entities are also in Dutch interest because excessive imbalances can seriously harm the Dutch economy, stated Harbers.¹¹⁸ He furthermore explained the doubts the VVD had about the practicability of the MIP with regard to for example the wages since these are partly set by the right of free collective wage bargaining by unions. The party thus spoke out in favour of the stricter budget discipline and economic coordination but still showed to be reluctant when it came to transferring power to Brussels.

As was concluded before, the PVV remains a very Eurosceptic party. In 2013 when the scoreboard as part of the MIP again was discussed in the European Parliament Auke Zijlstra, member of the European Parliament for the Europe of Nations and Freedom Group (from which the PVV is a member), stated that the PVV has always expressed its position against the MIP

¹¹⁶ Tweede Kamer der Staten-Generaal, Raad voor Economische en Financiële Zaken verslag van een algemeen overleg, *kamerstuk 21 501-07 nr. 750*, 13-09-2010

¹¹⁷ Tweede Kamer der Staten-Generaal, brief van de minister en de staatssecretaris van buitenlandse zaken aan de voorzitter van de tweede kamer der Staten-Generaal, *kamerstuk 21 501-20 nr. 524*, Den Haag, 21-03-2011

¹¹⁸ Interview Mark Harbers, transcript in Dutch available with the author

¹¹⁸ *Ibid.*

and the Six Pack due to the curtailing of national sovereignty by the procedure.¹¹⁹ Furthermore he explained that member states themselves can conclude whether their country faces macroeconomic imbalances that need fixing and hence do not need the European Commission. Zijlstra also emphasized that countries like the Netherlands and Germany cannot be blamed for their strong competitive economies. He stated that countries that do not have their economies in order should leave the euro area and do not benefit from a scoreboard.¹²⁰ Again the North-South division reared in the debate. The PVV favoured the historical ways of economic cooperation for the EU in the form of the European Economic Community, where states still had a significant amount of sovereignty, stated former PVV politician Bontes.¹²¹ The PVV furthermore stated that they were disappointed with the government for not distancing themselves from the Van Rompuy plans for stronger economic governance.¹²² Later in 2012 the party leader Geert Wilders even advocated a return to the Dutch Guilder and promoted an exit from the euro.¹²³ This all serves as yet another example of the party's disapproval of profound European cooperation.

On the other side of the EU support scale there is D66. Wouter Koolmees, spokesperson of financial affairs for this party, explained in the interview that D66 was very much in favour of the strengthened SGP by the MIP and the Six Pack in general. The party strongly views that when you are in a monetary union together you need a stronger harmonised economic policy. Furthermore Koolmees expressed D66's general support for a more political EU. Besides the

¹¹⁹ Auke Zijlstra in the European Parliament 18-04-2013, video footage available at <https://www.youtube.com/watch?v=QikLIYTuRho> accessed at: 15-06-2016

¹²⁰ Ibid.

¹²¹ Tweede Kamer der Staten-Generaal, Debat over het verslag van de Europese top, *kamerstuk TK 16*, Den Haag, 2-11-2010, p. 31

¹²² Ben Knapen (De Staatssecretaris van Buitenlandse Zaken), Schriftelijk Overleg met het oog op de Europese Raad van 18-19 oktober 2012, *Tweede Kamer der Staten-Generaal DIE-1311/12*, Den Haag, 18-11-2012, p. 3

¹²³ Geert Wilders, 'PVV presenteert Lombard Street Research rapport: Nederland en de Euro', 5-03-2012 available at: <http://pvv.nl/index.php/component/content/article.html?id=5269:speech-geert-wilders> accessed at: 14-06-2016

Wouter P.C. van Gent, Elmar F. Jansen and Joost H.F. Smits, Right-wing Radical Populism in City and Suburbs: An Electoral Geography of the Partij Voor de Vrijheid in the Netherlands, *Urban Studies*, Vol. 51, Issue 9, July 2014

PVV, Verkiezingsprogramma PVV 2010 – 2015, *De agenda van hoop en optimisme*, 2010

necessity for a stronger SGP, he emphasised the amount of freedom states still enjoy when conducting policy in tackling these imbalances. Regardless of this supposed freedom for states to tackle the imbalances Koolmees did raise some questions on the practicability of this procedure. On six October 2011 he filed a motion asking the government to provide some insights on which measures a member state can take in order to meet the criteria for macroeconomic imbalances.¹²⁴ The majority of the parties voted in favour on this motion, sharing the uncertainty on how feasible the procedure actually is, except for the PVV and SP which voted against out of protest towards the entire procedure. D66 fully supported the procedure but was at the same time a critical partner in the House of Representatives. Koolmees however emphasized in the interview that he does not see a difference between European interests and the Dutch interest, these are entangled and their fate is intertwined. This is why D66 has always insisted on a stronger SGP. This statement can also be found in minutes of several debates in the House of Representatives, where for example former D66 politician Gerard Schouw stated that he was very pleased with the efforts of conducting true economic politics instead of just monetary cooperation and that he supported the thresholds laid out for this economic convergence. Analysing the debates on the MIP also revealed that D66 favoured a strict implementation of the measures and an even stricter control on the results with clear sanctions. On several occasions party members called their party the camp of the ‘eurobelievers’, proving the expected party’s overall support for European economic governance.¹²⁵

The analysis of the party manifestos illustrated that the PvdA is a pro-European party that was also critical on several social issues. This view remains when looking at their position

¹²⁴ Tweede Kamer der Staten-Generaal, Nota over de toestand van ’s Rijks Financiën, Stemningsuitslag Motie van de leden Koolmees en Braakhuis over de criteria voor de macro-economische onevenwichtigheden, *kamerstuk 33000-49*, Den Haag, 6-10-2011

¹²⁵ Tweede Kamer der Staten-Generaal, Europese Top, *Tweede Kamer stuk 58*, Den Haag, 9-03-2011

Tweede Kamer der Staten-Generaal, Debat over het verslag van de Europese top, *kamerstuk TK 16*, Den Haag, 2-11-2010
Interview Wouter Koolmees, transcript in Dutch available with the author

in debates. Michiel Servaes from PvdA clarified in the interview that his party has generally supported the MIP, nevertheless they always have made remarks on the application and scope of the procedure. The politician stated that the party understood that international cooperation is about give and take, thus the Netherlands too must comply with the rules and must be willing to openly discuss policy choices and listen to the recommendations from the Commission. At the same time the party appreciated national sovereignty which must not be compromised, especially when it comes to social issues including housing and pensions.¹²⁶ The PvdA resembles in this sense the CDA party. CDA members stated in several debates that their party is inherently pro-European and that when it comes to a stricter SGP they supported this matter. However both parties and their supporters have an interest in the retaining of national organised high standard social issues. CDA was a big advocate of automatic and quick sanctions for countries that do not comply with the SGP. To strengthen their argument the party referred to the big member states that failed to comply in 2003 and were also not fined. In a debate in the House of Representatives Ormel from CDA specifically asked the Prime Minister whether the government has realised yet that these sanctions can also affect the Netherlands.¹²⁷ This shows that the sentiment in the Second Chamber was primarily focused on the catch up of the southern member states and not on their own macroeconomic position.

GL senior policy officer on finance Ewoud Nijhof stated in the interview that his party has always been mildly critical of the MIP. The fact that the focus has slightly switched to dealing with excessive surpluses and not only deficits strikes the party as positive. Furthermore Nijhof stated that the party supported economic convergence and can be considered as pro-European on this matter “even if this means that the Netherlands may have to surrender some

¹²⁶ Interview Michiel Servaes, transcript in Dutch available with the author

¹²⁷ Tweede Kamer der Staten-Generaal, Debat over het verslag van de Europese top, *kamerstuk TK 16*, Den Haag, 2-11-2010, p. 38

control or authority”¹²⁸. In this interview Nijhof explained that GL felt that many of the recommendations given by the Commission to deal with the surplus on the current account did not receive enough attention while they certainly were valid, in particular in relation to wages and housing. This statement is contradicting the expected view of this left-wing party on wages as was predicted in the analysis of party ideology and manifestos. This brief insight shows that the party is not substantively against the MIP due to social issues, but the lack of democratic legitimacy and parliamentary control appeared to be their biggest issue. The parliamentary control on the application of the rules is very limited and GL perceived that political decisions were being made with the exclusion of the national and European parliaments, stated Nijhof.¹²⁹ This has resulted according to GL to an excessively neo-liberal MIP. These statements show that their opposition against the procedure stemmed from a lack of democratic legitimacy and not from the predicted conflict between the GL’s left ideology and the MIP’s neo-liberal wage suppression and pension reforms. This point that Nijhof has made was however not widely discussed in the Dutch parliament. The debates show some mentioning of the urge for open communication from the ministers about what was discussed in the Councils back to the House of Representatives but the democratic deficiency as such cannot be retrieved from the debates as an important topic of discussion. The statements of Nijhof could hence may be made with the benefit of hind sight.¹³⁰

Lastly the SP voiced an interesting opinion about the MIP. This mainly Eurosceptic party stated that only pointing at the southern member states as the ones guilty of the euro crisis is unfair and one should also look at the surpluses on the current accounts of the Northern countries. Stating that there cannot be a deficit without a surplus. The party understood the necessity of a stricter SGP but remained very critical on the MIP with all the extra

¹²⁸ Interview Ewoud Nijhof, transcript in Dutch available at the author

¹²⁹ Ibid.

¹³⁰ Ibid.

macroeconomic entities being under European scrutiny. The party feared that the European Commission will gain in power and member states have to cede sovereignty. The SP sees Europe as a purely economic union which should limit itself to those purely economic issues like free trade. In their eyes it should not become a political union nor should it have implemented the common currency. Therein they often find an ally in the PVV. Members Irrgang (Financial spokesman SP) and Van Bommel (European Affairs SP) have repeatedly stated in multiple debates that their party does not support a European economic government and that European interference is highly undesirable. When Van Bommel was asked whether the party supported the SGP he answered: “We have never been a big supporter of this pact. Especially because of the way the big member states (resp. Germany and France) disregarded the rules. In our eyes the pact is dead and cannot and should not be brought back to life.”¹³¹ ¹³²

This research shows that all parties support the strengthening of the SGP, but the parties all did so for different reasons. These reasons ranged from a full support for the EU, to safeguarding the national finances or keeping southern member states in line. De Gruyter (Dutch correspondent on EU issues for Dutch newspaper NRC Handelsblad) argues that the Dutch government would rather get cut themselves by imposing strict rules on the SGP than ever having to ask Brussels to be lenient or accommodating towards fiscal rules.¹³³ This position can be traced back as far as the EMU negotiations, where the Netherlands also were strong advocates of fiscal discipline and punishment for countries that failed to comply.¹³⁴ While the goals may be different, the wanted outcome, namely the strengthened SGP, was unanimous

¹³¹ Tweede Kamer der Staten-Generaal, Debat over het verslag van de Europese top, kamerstuk TK 16, Den Haag, 2-11-2010, p. 28

¹³² Tweede Kamer der Staten-Generaal, Debat over het verslag van de Europese top, kamerstuk TK 16, Den Haag, 2-11-2010
Tweede Kamer der Staten-Generaal, Raad voor Economische en Financiële Zaken verslag van een algemeen overleg, kamerstuk 21 501-07 nr. 750, 13-09-2010

¹³³ Caroline de Gruyter, The Dutch are Trapped in Europe, for the Carnegie Endowment for International Peace Europe, printed in *NRC Handelsblad*, 29-04-2013

¹³⁴ Amy Verdun, The Netherlands and EMU: A Small Open Economy in Search of Prosperity, in Kenneth Dyson, *European States and the Euro: Europeanization, Variation, and Convergence*, Oxford University Press, 2002

which made the joint position on this matter relatively unambiguous. This was however not the case for the researched MIP indicators. Social issues remain at the heart of Dutch politics and support for the procedure was divided for each issue according to the left-right position of the party and the interest of its constituency.

4.2 Social issues

The social issues related to the MIP like wages, pensions, and housing were the source of much heated debate in the House of Representatives. As the analysis of the party manifestos has shown, all parties had different issues on which they should theoretically object to certain parts of the MIP. The politically left parties were expected to object the MIP indicators on wages and pensions and the right-wing parties should supposedly have had more objections against the recommended housing policy. Therefore the PvdA, CDA and VVD are the most interesting cases for this part. On both political extremes there are parties, respectively the PVV and SP, which do not fully support European integration and made their objections based on those reasons. This part will analyse the empirical evidence on the MIP's social issues for the different parties.

Especially the meddling of the EU on social issues received a lot of resistance in the Chamber. The prevailing opinion for most parties seemed to be that these social issues should remain national competences. The PvdA for example was especially critical when it came to wage policy. This was also expected due to their ideological heritage of a labour party and their high regard of free wage bargaining with social partners. The party repeatedly asked the government to explain how far the long arm of the Commission can actually reach. PvdA member Albayrak stated clearly that the PvdA rejected the idea that the Commission could have influence on the Dutch labour market, on collective bargaining and hence on wages and dismissal rights. Furthermore the party did not give the government a mandate for transferring wage policy to the European level. They were clear in wanting to keep policy issues such as

retirement age, pensions, protection of workers a true national competence. PvdA member Servaes mentioned in the interview that the party does take recommendations in the context of the MIP very serious since they understood the necessity to engage in deeper economic coordination. Servaes stated: “It is important to openly discuss your own policy choices but at the same time we value that national competences should not be compromised and should remain national, especially when it comes to social issues including housing and pensions”¹³⁵ The empirical evidence shows that the PvdA attached more value to preserving the social issues as true national competences and showed that the party is more sceptic with regard to the MIP than expected.¹³⁶

The pension policy reforms appeared to be especially important for the CDA. Pieter Omtzigt, financial spokesperson, fought against the meddling of the EU in national pension schemes. In an interview with the Dutch news forum NU.nl, Omtzigt stated that the largest Dutch savings, namely the pension funds, should remain under control of the Dutch government and not Brussels.¹³⁷ A couple years later he made the same statement again in an interview with NOS public broadcasting.¹³⁸ His mission in this interview was clearly stated: keep Europe away from the Dutch pensions. Omtzigt emphasised that for CDA the Dutch pension funds are not just insurance companies, they are a crucial part of Dutch social security. Although he did recognise that the pensions needed reform, Omtzigt emphasised that these rules should definitely not be coming from Europe. Hence the CDA had some difficulty in uniting this view with the policy recommendations on pensions from the Commission in an attempt to bring down

¹³⁵ Interview Michien Servaes, transcript in Dutch available at the author

¹³⁶ Tweede Kamer der Staten-Generaal, Verslag van algemeen overleg inzake de Europese Raad, *Kamerstuk 21 501-20 nr. 497*, Den Haag, 15-12-2010

Tweede Kamer der Staten-Generaal, Europese Top, *Tweede Kamer stuk 58*, Den Haag, 09-03-2011

¹³⁷ Lise Witteman, Europa bedreigt onze pensioenen, *NU.nl*, 06-04-2012 available at:

<http://www.nu.nl/politiek/2781248/europa-bedreigt-pensioenen.html> accessed at 12-06-2016 and

¹³⁸ NOS, Geen bemoeienis EU pensioenen, *NOS*, 13-05-2016 available at; <http://nos.nl/artikel/647161-geen-bemoeienis-eu-pensioenen.html> accessed at 12-6-2016

the surplus on the current account. Another CDA member, Ormel, also explained that his party wanted to make sure that the pension issue remained a national competence. They see no harm in creating a more level playing field for pensions throughout Europe, but making all pensions in Europe uniform cannot be supported by the party, fearing a deterioration of Dutch social security and a profound interference of Brussels.¹³⁹ This is remarkable since the CDA party manifesto stated that the party wanted to increase the participation rate to keep the pensions affordable and that they were in favour of increasing the retirement age.¹⁴⁰ This shows that the party is open to reform this policy area however its objections are mostly based on the fact that this should remain under national control.

The VVD was expected to make objections to the proposed changes to the Dutch housing market. Especially the elimination of the mortgage interest deduction was an issue close to the hearts of the VVD constituency. The VVD 2010 party manifesto has shown that the party has a high regard for the free market. Hence it was questionable whether the party would agree to restrict housing prices by a European framework as proposed by the MIP. In the interview with Harbers, he agreed with this issue and he spoke out against the regulation of the housing prices in the buyers-market just for the sake of regulation. In this interview Harbers also stated clearly that the VVD does not agree with the recommendations from the Commission on the Dutch housing market, mostly because the party does not want to abolish the mortgage interest deductibility.¹⁴¹

¹³⁹ Tweede Kamer der Staten-Generaal, Debat over het verslag van de Europese top, *kamerstuk TK 16*, Den Haag, 02-11-2010, p. 39

¹⁴⁰ CDA, *verkiezingsprogramma 2010-2015 slagvaardig en samen*, 14-05-2010

¹⁴¹ Interview Mark Harbers, transcript in Dutch available with the author

4.3 Transfer of competences towards the EU

Support for the MIP in the end comes down to support for the transfer of competences towards Brussels. Parties that are generally in favour of European cooperation tend to be less hesitant about the MIP since they understand the perceived greater good. GL is an exception to this since their objections were based on the democratic underrepresentation of the European and national parliaments in the decision-making. It is hence important to analyse the issue of the transfer of competences more closely.

During a general consultation in December 2010 Prime Minister Rutte spoke on behalf of the Government and stated that it did not believe in a European economic government. However the government did recognise the necessity of economic coordination because of the common currency and absence of a political union. Therefore the government supported the compliance with the SGP. This statement shows that the government favoured a limited cooperation in support of the euro but were reluctant to transfer much authority on economic governance to the Commission. Rutte even stated that these discussions may indeed not lead to Brussels' interference in Dutch labour market policy and that countries must remain sovereign in these policy areas. Here Rutte for example agreed with the statements from Albayrak from the PvdA. Furthermore after the MIP was officially implemented, the government stated in 2012 in a written consultation in response to a European Council on the future of the EMU that the Netherlands will not support the transfer of national competences towards the EU on social-economic policy areas and taxes.¹⁴² Showing its unwillingness to transfer too much power to Brussels, while this is something the government has done by approving the MIP.¹⁴³

¹⁴² De Staatssecretaris van Buitenlandse Zaken Ben Knapen, Schriftelijk Overleg met het oog op de Europese Raad van 18-19 oktober 2012, *Tweede Kamer der Staten-Generaal DIE-1311/12*, Den Haag, 18-11-2012, p. 20

¹⁴³ Tweede Kamer der Staten-Generaal, Verslag van algemeen overleg inzake de Europese Raad, *Kamerstuk 21 501-20 nr. 497*, Den Haag, 15-12-2010, p. 19

Additionally it is remarkable that two months later during a motion from Arie Slob from the Christian Union wherein he asked the government to distance themselves from any movement towards a political union, believing that the Netherlands should maintain control over pensions, taxes and wages, and urging the government to remain committed to a strict compliance with the SGP from all member states with suiting sanctions for countries that do not comply, the VVD (from which Rutte is the chairman) voted against.¹⁴⁴ While the previous statements from Rutte logically should have led to a vote in favour of the motion. CDA, D66 and GL also voted against the motion. Parties that were in favour were the PVV and SP due to their Eurosceptic ideology and the PvdA understandably due to its standpoint on wage policy. Ewout Irrgang from the SP stated in a general consultation in the House of Representatives during the Economic and Financial Council where the MIP was discussed that his party was clearly against a European economical government, profound European economic governance and the European super state. He spoke up against the perceived misuse of the crisis by the European Commission to attract more power in its direction.¹⁴⁵ The SP party hereby reaffirmed itself as a Eurosceptic party when it comes to the transfer of competence to Europe. The PvdA showed to be more sceptic in this voting than was discovered when analysing their manifest and the CDA actually proved to be more in favour than initially thought since the party attached a lot of importance to the pension issue.

Another motion tabled by Plasterk, former spokesperson financial affairs PvdA, in March 2011 asked the government to not accept the package to strengthen economic governance via the MIP and Six Pack in case it facilitates that measures concerning wages,

De Staatssecretaris van Buitenlandse Zaken Ben Knapen, Schriftelijk Overleg met het oog op de Europese Raad van 18-19 oktober 2012, *Tweede Kamer der Staten-Generaal DIE-1311/12*, Den Haag, 18-11-2012

¹⁴⁴ Tweede Kamer der Staten-Generaal, Stemningsuitslag Motie van het lid Slob C.S. over naleving van het Stabiliteits- en Groeipact plenair debat, *kamerstuk 21501-07-779*, Den Haag, 17-02-2011

¹⁴⁵ Raad voor Economische en Financiële Zaken, verslag van een algemeen overleg, kamerstuk 21 501-07 nr. 750, Den Haag, 13-09-2010, p. 5

pensions and taxes can be enforced by the use of fines.¹⁴⁶ Only D66 and GL voted against this motion showing their support for the measure. All other parties were in favour of this motion giving out a clear message that they do not agree with the transfer of enforceable competences towards the EU level, especially when noncompliance is finable.¹⁴⁷ This motion almost tried to give the government an actual mandate on not accepting the MIP if it means that the Commission can enforce certain measures in several socio-economic policy areas. There is thus a clear discrepancy in the statements by the government that openly supported the MIP (in the annotated agenda in preparation of the European Council in Brussels on the 24th and 25th of March 2011) and these voting results in the House of Representatives. The MIP however does not directly fine countries that reject the recommendations, but the initial aim of the MIP was to greatly enforce macroeconomic convergence by keeping the indicators between thresholds. When a country does not comply with the latter, they can receive a fine. Most parties however did favour enforceable rules and strict compliance of the SGP rules. This discrepancy can be placed in the same north-south division as mentioned before. Dutch political parties wanted the Southern member states to catch up and follow the rules more strictly, but when it became clear that the Netherlands would be subject to the rules as well, the parties no longer seemed to support this enhanced transfer of power to the Commission. When analysing all the researched data, it can be stated that the Dutch government and House of Representatives did not fully support the MIP.

¹⁴⁶ Tweede Kamer der Staten-Generaal, Stemningsuitslag Motie van de leden Irrgang en Plasterk over nationale zeggenschap!, Den Haag, 23-03-2011

¹⁴⁷ Ibid.

5. Conclusion

The MIP was adopted by the ordinary legislative procedure and was discussed in the European Council. In both Councils the MIP was adopted by unanimity which means that indirectly the Dutch government has eventually approved the procedure. Although we cannot determine how the debates in both Councils went, since they took place behind closed doors, the thesis has shown that there is a discrepancy in the Netherlands between the overall approval of the MIP by all the EU member states and the opinions of its national politicians. In order to answer the research question ‘*How Dutch politicians view the effects of the Macroeconomic Imbalances Procedure on social economic policy in the Netherlands?*’, this section will compare the hypothetical statements from chapter three with the empirical findings from chapter four. In order to compare the findings, this thesis uses table three in which H stand for the hypothetical statements as retrieved from the manifestos and ideology and E stands for the empirical evidence. The slash sign means that this research did not find any specific evidence from which a certain position could be concluded. The VVD for example did not really mention the wage issue in the debates nor in the interview therefore a real position on this issue based on empirical evidence cannot be stated. However since the issue did not play a big role in the party’s argumentation it is logical to assume that the VVD did not have any outstanding concerns with this specific issue.

Table 3: support of political parties for different MIP indicators; hypothesis versus empirical evidence.

Support of political parties for different MIP indicators; hypothesis versus empirical evidence													
	In favour of strengthening the classis SGP. (3% and 60% thresholds)		In favour of wage moderation		In favour of pension reform (higher retirement age)		In favour of reforming the housing market (abolish mortgage interest deduction)		Generally in favour of transferring competences towards the EU		Generally in favour of the MIP		
	H	E	H	E	H	E	H	E	H	E	H	E	
Hypothesis/ empirics:													
Party:													
VVD	Yes	Yes	Yes	/	Yes	/	No	No	Yes	Yes	Yes	Yes	
PVV	Yes	Yes	No	No	No	No	No	No	No	No	No	No	
PvdA	Yes	Yes	No	No	Yes	No	Yes	No	Doubt	No	Yes	No	
CDA	Yes	Yes	No	/	Yes	No	No	/	Doubt	Doubt	Doubt	Doubt	
D66	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
GL	Yes	Yes	No	Yes	No	/	Yes	Yes	Yes	Yes	Yes	Yes	
SP	Doubt	Yes	No	No	No	No	No	No	No	No	No	No	

The most striking differences between party ideology, election promises and the statements in debates were seen within the PvdA. Where this thesis expected that the party would be in favour of the MIP due to its general support of the European case and its willingness to reform pension and housing policy, the debates showed a more Eurosceptic side of the party. The reluctance to accept policy reforms from the European Commission was the common thread in their argumentation. In this research the party appeared to be almost as Eurosceptic as the PVV while both parties initially seem to directly oppose each other when it comes to ideology. The PvdA however did not reject the MIP out of total rejection of the European case, it did so out of protection of the working man. Furthermore the party's opinion was that the quality and organisation of Dutch welfare should remain a national competence. The PvdA wanted strict and enforceable compliance with the rules for the southern euro member states, but the party was reluctant in accepting the necessary changes (according to the European Commission) to get its own macroeconomic entities back in line. This appeared to be true for most parties. This thinking in a north-south division with a southern European scapegoat, proved to be determinative in the debates throughout the Chamber. This division can even be traced back to the monetarist and economist debate back when the EMU was initially formed. Noteworthy is the full support of a stricter SGP by all Dutch parties. All parties favoured a strict compliance, even the Eurosceptic ones. Which can be interpreted as a general understanding for all parties that some form of coordination on finances is important in a monetary union. However this was again mostly perceived as necessary for their southern counterparts.

With regard to the CDA the empirical evidence showed that the party's biggest problem with the MIP was the pension issue. Herein it deviated from the expected stance. The party's strongest arguments were focused on keeping the pensions a national competence and rejecting the European interference. Furthermore, its quest for subsidiarity showed the party's doubts towards the MIP. However its support for quick sanctions and strict compliance with SGP, and the lack of objections towards wage and housing reform could be interpreted as a general support for the MIP. Hence the party is still classified as doubtful for these two areas. Furthermore the interview with Nijhof from GL revealed that the true objection of the party was the lack of democratic control in the European Parliament and the Dutch parliament. They supported the MIP, also on wage policy which deviated from the expected stance based on their ideology, but they wanted to decrease the democratic deficit. Subsequently, the SP proved to be more in favour of a strengthened SGP than predicted. This party, as one of the few, openly stated that the northern surpluses on the current account contributed to the deficits of the south,

thereby taking on part of the blame. Which was surprising for an overall Eurosceptic party. Lastly, the PVV behaved as was predicted from its manifesto and ideology. The party rejected the MIP and any profound form of European coordinated economic governance.

Table three shows that three out of seven researched parties supported the MIP, from which only D66 proved to be completely in favour. The VVD had some doubts on transferring competences towards the EU and its biggest issue was the recommended reform of the housing market and abolishing the mortgage interest deductibility. CDA was classified as doubtful, and the remaining three parties (PVV, SP and PvdA) did not support the procedure. Where the SP and PVV did so out of purely Eurosceptic reasons, the PvdA was a more intricate case. In conclusion the Dutch House of Representatives did not unanimously support the MIP. The Statements from the government however, which consisted of politicians from the VVD and CDA, proved to be more in favour of the procedure than compared with statements from other politicians. The Ministers of Finance, Economic Affairs and Foreign Affairs and the Prime Minister took on a more European stance than the rest of their party members and the remaining parties. Thus there was also a discrepancy between the statements and support of the Dutch government in comparison to the opinions of the majority of the political parties. This can be partly explained by the deeper involvement of the ministers in European decision making. These politicians experience external pressures which differs from national politics. But the differences in the positions on both sides is remarkable. In the end, the transition of national competences in the area of socio-economic policy was the biggest source of objection towards the MIP, making it more a discussion of European support and national sovereignty.

This thesis showed that most Dutch political parties were not in favour of the socio-economic consequences the MIP would bring. This means that most Dutch citizens probably did not support the MIP as well. The procedure to diminish macroeconomic imbalances however did come into existence. Because there was no actual voting on a joined position in the House of Representatives, the entire decision-making process was difficult to trace. This thesis has thus shown that the decision-making process surrounding the MIP in the House of Representatives has been a mediocre democratic process. When a democratic process with this much impact is poorly traceable it can be stated as undemocratic. The Dutch politicians are not able to give their minister a real mandate for its position in Brussels and when the European level outcome does not coincide with the positions on the national level not much can be done. This procedure is an example of how most important decisions in the EU are being taken by the heads of state and illustrates that the control of national parliaments is limited. Striking is the

lack of discussion about the democratic deficit in the Dutch House of Representatives. The Dutch Prime Minister and ministers had a lot of free play to participate in the debates on the European level. This is also necessary because they have to be pragmatic in these European level negotiations. They have to deal with other influences and pressures than just national politics, namely the positions of all the other member states and the pressure to come to a solution. However the striking gap between the position of Dutch politicians and the outcome on the European level, namely the existence of the MIP, has been illustrated by this thesis. Hence the thesis proves that the discussion about the democratic legitimacy in the EU is still a legitimate one and that the democratic deficit is still present.

The importance of an open democratic system where its citizens are being involved in the decision-making is once again made clear. But the discussion about democratic legitimacy should not be limited to the EU. This research showed that although most Dutch political parties did not agree with the MIP nor with its consequences and European recommendations, the national politicians were not able to do much about it. It also shows that the permissive consensus on the necessity and importance of European solutions for, among other things, the euro crisis is also no longer fully present in Dutch politics. These Dutch politicians saw how their ministers came back from Brussels with outcomes that were not in line with their preferences. But at the same time they were not able to control whether the reasons and arguments concerning the different outcome were valid due to its lack of transparency. Neither was the subject of democratic legitimacy an important topic of debate in the House of Representatives. Thus, also the national parliaments should take on the responsibility of enhancing the democratic legitimacy when it comes to European proposals.

Lastly, this research makes a case for a federal Europe. The lack of a European treasury, euro-bonds and the overall absence of a European government partly led to the crisis situation and the absence of quick mechanisms to constrain and solve the euro crisis. A common currency without a real political or economic base seems set up for failure. The MIP is also aimed at keeping the common currency sustainable and is thus mostly a cosmetic measure. The lack of solidarity between member states that this thesis illustrated impedes the proper functioning of the euro. A true federal Europe will overcome these issues and will foster the common currency. Like Guy Verhofstadt stated in his book 'Europe's Disease', the EU needs a government and not just governance.¹⁴⁸

¹⁴⁸ Guy Verhofstadt, *De Ziekte van Europa*, De bezige bij, Amsterdam, 2015, p. 230

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Appendix 1: Interview guide

Questions concerning the decision-making procedure in the House of Representatives

1. How do these complicated and multidisciplinary legislative proposals get prepared in your political faction?
 - Are experts being heard?
 - Is this been done by spokespersons of your party or by the relevant commission or by the Second Chamber as whole in the form of a hearing?
 - Which experts played a role in this specific case?
2. What has been the distribution of roles between the spokes people of Economic Affairs, Financial Affairs and European Affairs?
3. What role did the group representation in the European Parliament play?

External factors in the decision-making process

4. To what extent did the time pressure to find a solution to the European crisis play a role in the decision-making?
5. To what extent did the views of the European partners (other countries and institutions) play a role in the decision-making?
6. In 2005 the Dutch public voted against the referendum on the European constitution. The public opinion on the EU has changed and national sovereignty became more important. How did this issue influence the decision-making about the MIP?
 - Is the public opinion becoming more important?
7. To what extent played national political issues a bigger role than the European political standpoints?
8. To what extent played the short term vision and the re-eligibility of politicians a role in the debates about the MIP?

Questions about the socio-economic consequences of the MIP

9. What was back then the position of your party on the Six Pack and in specific on the MIP?

10. Did your political group possess enough expertise (intern or externally) to foresee all the consequences and implications of such important legislations?
11. Did these implications and consequences play an important role during the MIP negotiations and debates? (both within the party/group/commissions and general meetings)
12. Looking back on the decision-making process and the current situation, what things have gone as expected and what issues turned out different?
 - Why did these issues took a different turn than expected?
13. Were there certain implications for the Netherlands that were not anticipated at the time?
14. Some of the MIP indicators are very hard for the Dutch government to control or influence. Did this issue play a role in the decision-making process and debates about the MIP in the House of Representatives?
 - Go deeper into wages, housing prices and pensions
15. The Netherlands is known as a country that does well when it comes to the implementation of European rules and does well when it comes to budgets and competition position. But the country now also deals with a persistent surplus on the current account which can be traced back to the structure of the Dutch economy (pensions, taxes etc.). The European Commission has done several recommendations in these policy areas. How did Dutch politicians in the House of Representatives view these recommendations?
16. Were the issues as mentioned in question 14 and 15 taken into account in de decision-making process?
17. Do you think the Dutch government is indeed going to restructure its economy as the commission has recommended?
18. How do you and your party view the interference of the European Commission in the Dutch economy?
19. Is the European Commission overstepping its boundaries in its meddling in national economies via the MIP?

20. Was the government at the time aware of the fact that the Netherlands were also dealing with excessive imbalances?

21. When the House of Representatives asked for stricter enforcement and more automatic sanctions, did they understand that this would have implications of the Netherlands too?

Some specific questions on topics relevant for the different parties:

22. Ask GroenLinks questions on its opinion on the wage, pension and housing indicators

23. CDA on pensions and on its position as governing party (no interview)

24. VVD on housing and on its position as governing party

25. SP on wages, pension and housing and stance on Europe (no interview)

26. D66 on the need for the MIP in Europe and on 'motion Koolmees'

27. PVV on its stance on Europe and the euro (no interview)

28. PvdA on wages, pension, housing and stance on Europe

Appendix 2: Timeline and procedural overview of the MIP in the EU and House of Representatives

The MIP, as a part of the Six Packs, is based on two pieces of legislation, namely Regulation 2011/1174 ‘enforcement measures to correct excessive macroeconomic imbalances in the euro area’ and Regulation 2011/1176 ‘prevention and correction of macroeconomic imbalances’. Both of which have been adopted at the EU level by the ordinary legislative procedure. Therefore, these Regulations have been adopted by the European Parliament and the Council of the EU based on a proposal from the Commission. The Council of the EU is composed of representatives of the Member States' governments, in this case the Ministers of Finance, the Ministers of Economic Affairs, or at times the Minister of Foreign Affairs played the most important roles. Furthermore the MIP was discussed in the European Council.

The Dutch House of Representatives undertakes a couple of steps to engage in European decision making. Every time a Dutch minister goes to a European Council meeting he presents the Dutch negotiating position in a letter to the Second Chamber which is called the annotated agenda. This agenda will be discussed during a general consultation with the commissions that deals with the policy issue in question.¹⁴⁹ To get involved in an even earlier stage the commission decides at the beginning of the parliamentary year which European proposals will be discussed with priority. Some of these proposals will undergo a subsidiarity test and others will be placed under a Parliamentary Scrutiny Reservation. This parliamentary scrutiny is used when certain EU proposals have such an important impact on the Netherlands that the Government cannot approve it without consulting the Parliament in several debates. This procedure indicates that the Chamber considers the proposal to be of ‘exceptional political importance’ hence they ask to be thoroughly informed throughout the process before a decision

¹⁴⁹ Tweede Kamer der Staten-Generaal, Brochure: Europese besluitvorming in de Tweede Kamer, mei 2010, p. 2 available at: http://www.minbuza.nl/binaries/content/assets/ecer/ecer/import/eu_essentieel/nederlands_parlement_en_de_eu/brochure-europese-besluitvorming-tweede-kamer accessed at 28-09-2016

is reached.¹⁵⁰ This Parliamentary scrutiny reservation was also used when the MIP and related topics were discussed. This means that the House of Representatives cannot directly vote on their position related to the MIP but they can discuss the Dutch position in debates and through motions.

Timeline overview of the major political proceedings concerning the MIP in the EU and the House of Representatives in the Netherlands	
Date	Action
23-04-2010	House of representatives decided which European proposals for the coming year will be discussed with priority. The most important proposal regarding the MIP that received priority were the strengthening of the SGP and the pension Green Book. ¹⁵¹
27-09-2010	Van Rompuy workgroup discussed two steps of the MIP, namely the preventive arm and the corrective arm. There was furthermore discussed whether the Commission could use sanctions with the use of reversed qualified majority voting. The minutes as reported to the Dutch House of representatives by the then Dutch minister of finance Jan Kees de Jager, stated that the Netherlands are positive with regard to the tackling of the macroeconomic imbalances and favour the Commission's positions on this. ¹⁵²
29-09-2010	European Commission presents the package of six legislative proposals, the so called Six Pack, complementary to the outcomes of the Van Rompuy workgroup. ¹⁵³
07-10-2010	Legislative proposal: Economic governance: prevention and correction of macroeconomic imbalances. 'Six pack' published. ¹⁵⁴
14-10-2010	Deadline subsidiarity check on the prevention and correction of macroeconomic imbalances. The Netherlands did not do the subsidiarity check. ¹⁵⁵
25-10-2010	Annotated agenda of the European Council on the 28 th and 29 th of October in Brussels. The Netherlands acknowledged that economic policy coordination is crucial and supported the overall outcome of the Van Rompuy workgroup. However they aimed for a more ambitious report and stronger automatic sanctions in the implementation of the strengthened SGP. ¹⁵⁶
28-10-2010 29-10-2010	European Council in Brussels. "The European Council endorses the report of the Task Force on economic governance. Its implementation will allow us to increase fiscal discipline, broaden

¹⁵⁰ <https://www.houseofrepresentatives.nl/how-parliament-works/europe-house-representatives-and-senate>

¹⁵¹ Kamer der Staten-Generaal, Kamerstuk 22112 nr. 1012, Den Haag, 23-04-2010

¹⁵² Minister van Financiën Jan Kees de Jager, *Verslag werkgroep o.l.v. ER-voorzitter Van Rompuy*, Ministerie van Financiën, BFB10-1098, Den Haag, 04-20-2010

¹⁵³ European Commission, *Press release EU economic governance: the Commission delivers a comprehensive package of legislative measures*, IP/10/1199, Brussels, 29-09-2010

http://ec.europa.eu/economy_finance/articles/eu_economic_situation/2010-09-eu_economic_governance_proposals_en.htm accessed at 28-09-2016

¹⁵⁴ [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281\(COD\)&l=en#documentGateway](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281(COD)&l=en#documentGateway) accessed at 28-09-2016

¹⁵⁵ <http://www.ipex.eu/IPEXL-WEB/dossier/dossier.do?code=COD&year=2010&number=0281&appLng=EN> accessed at 07-11-2016

¹⁵⁶ Tweede Kamer der Staten-Generaal, *Brief van de minister en staatssecretaris van Buitenlandse Zaken*, kamerstuk 21 501-20 nr. 485, Den Haag, 25-10-2010

	economic surveillance, deepen coordination, and set up a robust framework for crisis management and stronger institutions. The European Council calls for a "fast track" approach to be followed on the adoption of secondary legislation needed for the implementation of many of the recommendations." ¹⁵⁷
02-11-2010	Motion by Braakhuis (GL) on automatic sanctions for countries which do not comply with the strengthened SGP. He asked the government to be committed to this notion. In favour: VVD, PvdA, PVV, D66, GL (and not included in the thesis: CU, SGP, PvdD) Against: SP Motion was adopted. ¹⁵⁸
13-12-2010	Annotated agenda of the European Council on the 16 th and 17 th of December in Brussels. Herein was stated that the Netherlands favoured a strengthened economic policy coordination and a strengthening of the SGP as the Commission suggested at the previous Van Rompuy workgroup. Prevention of financial and economic crisis is essential for the Dutch government and they wished to restore trust in financial markets as soon as possible. With regard to the pension reforms the Netherlands considered it favourable that European partners make their pension systems more robust for the future. The discussion around pensions included the transition from an apportionment system to a funded pension system and whether to include these costs in the government deficit and debt or not. ¹⁵⁹
15-12-2010	General consultation of the annotated agenda in the Dutch House of Representatives with the permanent Commission of European Affairs and the permanent Commission of Foreign Affairs together with the Prime Minister, Minister of Foreign Affairs (Mr. Rosenthal) and State Secretary (Mr. Knapen). ¹⁶⁰
16-12-2010	House of Representatives decided which European proposals for the coming year, 2011, will be discussed with priority. The most important proposal regarding the MIP that received priority were strengthened economic governance and the pension white book. ¹⁶¹
16-12-2010 17-12-2010	Council of the European Union in Brussels. Focus of the Council lied on financial-economic matters, among other things the progress on the workgroup Van Rompuy and the European Commission for the strengthening of the SGP, pension reforms and the Macroeconomic Imbalances Procedure. ¹⁶²
18-01-2011	First official debate on Economic governance: prevention and correction of macroeconomic imbalances. 'Six pack' in Council. ¹⁶³

¹⁵⁷ General Secretariat of the Council, *European Council 28 – 29 October 2010 Conclusions*, CO EUR 18 CONCL 4, Brussels, 30-11-2010

¹⁵⁸ Tweede Kamer der Staten-Generaal, *Motie, B.A.M. Braakhuis*, kamerstuk 21501-20-488, Den Haag, 02-11-2010

¹⁵⁹ Tweede Kamer der Staten-Generaal, *brief van de Minister en Staatssecretaris van Buitenlandse Zaken*, Kamerstuk 21 501-20 nr. 494, Den Haag, 13-12-2010

¹⁶⁰ Tweede Kamer der Staten-Generaal, *Verslag van algemeen overleg inzake de Europese Raad*, Kamerstuk 21 501-20 nr. 497, Den Haag, 15-12-2010

¹⁶¹ Tweede Kamer der Staten-Generaal, *Kamerstuk 1114 nr. 1012*, Den Haag, 16-12-2010

¹⁶² General Secretariat of the Council, *Conclusion of the European Council 16-17 December 2010*, CO EUR 21, CONCL 5, Brussels, 25-01-2011

¹⁶³ [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281\(COD\)&l=en#documentGateway](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281(COD)&l=en#documentGateway) accessed at 07-11-2016

14-02-2011	Second official debate on Economic governance: prevention and correction of macroeconomic imbalances. 'Six pack' in Council. ¹⁶⁴
17-02-2011	Motion by Slob (Christian Union) asking the government to distance themselves from any movement towards a political union, believing that the Netherlands should maintain control over pensions, taxes and wages, and urging the government to remain committed to a strict compliance with the SGP from all member states with suiting sanctions for countries that do not comply. In favour: PvdA, PVV, SP (and CU, PvdD, SGP) Against: VVD, CDA, D66, GL Motion was adopted. ¹⁶⁵
09-03-2011	Plenary debate in Dutch House of Representatives on the European Council /Euro Summit of March 11 th 2011. ¹⁶⁶
11-03-2011	European Council/ Euro Summit in Brussels. On the agenda were among other things the Six Pack, Euro Pact and general Economic convergence and coordination. ¹⁶⁷
15-03-2011	ECOFIN Council discussed the general approach on the Six Pack and reached agreement on this package to strengthen economic governance. This enabled the start of the negotiation with the European Parliament. ¹⁶⁸ With Jan Kees de Jager (Minister of Finance) as the Dutch representative.
21-03-2011	Annotated agenda of the European Council on the 24 th and 25 th of March in Brussels is discussed in the House of Representatives. The position of the cabinet is to be firmly committed to amplify the SGP rules and committing themselves to the introduction of a procedure to prevent and correct macroeconomic imbalances. ¹⁶⁹
23-03-2011	Motion by Plasterk asking the government to not accept the package to strengthen economic governance via the MIP and Six Pack in case it facilitates that measures concerning wages, pensions and taxes can be enforced by the use of fines. In favour: VVD, PvdA, PVV, CDA, SP (and CU, PvdD, SGP) Against: GL, D66 Motion was adopted. ¹⁷⁰
24-03-2011 25-03-2011	European Council in Brussels. European Council discussed the total package to safeguard the economic and financial stability in the EU and adopted the Six Pack. ¹⁷¹

¹⁶⁴ Ibid.

¹⁶⁵ Tweede Kamer der Staten-Generaal, *Stemmingsuitslag Motie van het lid Slob C.S. over naleving van het Stabiliteits- en Groeipact*, Tweede Kamerstuk 21501-07-779, Den Haag, 17-02-2011

¹⁶⁶ Tweede Kamer der Staten-Generaal, *Europese Top*, Tweede Kamer stuk 58, 9-03-2011

¹⁶⁷ European Council, *Conclusions of the Heads of State or Government of the Euro Area*, 11-03-2011

¹⁶⁸ Council of the European Union, Press release Economic and Financial Affairs, 3076th Council meeting, 15-03-2011

¹⁶⁹ Tweede Kamer der Staten-Generaal, *brief van de minister en de staatssecretaris van buitenlandse zaken aan de voorzitter van de tweede kamer der Staten-Generaal*, kamerstuk 21 501-20 nr. 524, Den Haag, 21-03-2011

¹⁷⁰ Tweede Kamer der Staten-Generaal, *Stemmingsuitslag Motie van de leden Irrgang en Plasterk over nationale zeggenschap!*, Kamerstuk 21501-20-515, 23-03-2011

¹⁷¹ General Secretariat of the Council, *Conclusions European Council 24-25 March 2011*, EUCO 10/1/11 REV 1, Brussels, 20-04-2011

17-05-2011	Third official debate on Economic governance: prevention and correction of macroeconomic imbalances. 'Six pack' in Council. ¹⁷²
20-06-2011	Fourth official debate on Economic governance: prevention and correction of macroeconomic imbalances. 'Six pack' in Council. ¹⁷³
22-06-2011	Plenary session of the European Parliament, held in Brussels.
23-06-2011	Joint debate on Economic Governance. ¹⁷⁴
28-09-2011	The European Parliament adopted by 554 votes to 90 with 21 abstentions, a legislative resolution on the proposal on the prevention and correction of macroeconomic imbalances. Parliament adopted its position on first reading in accordance with the ordinary legislative procedure. The amendments adopted in plenary were the result of a compromise negotiated between Parliament and Council. ¹⁷⁵
06-10-2011	Motion by Koolmees and Braakhuis on the criteria of the MIP, asking the government to provide some insights on the measures a member state can take in order to fulfil the criteria for macroeconomic imbalances. In Favour: VVD, PvdA, CDA, D66, GL, (and CU, SGP) Against: PVV, SP (and PvdD) Motion was adopted. ¹⁷⁶
08-11-2011	Act (Economic governance: prevention and correction of macroeconomic imbalances. 'Six pack') adopted by Council after Parliament's 1st reading. ¹⁷⁷
23-11-2011	The Six Pack (and hence the MIP) was published in the Official Journal of the European Union. ¹⁷⁸

¹⁷²[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281\(COD\)&l=en#documentGateway](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281(COD)&l=en#documentGateway) accessed at 07-11-2016

¹⁷³ Ibid.

¹⁷⁴ General Secretariat of the Council, *Summary of the plenary session of the European Parliament, held in Brussels on 22 June 2011 Joint debate - Economic Governance*, 12064/11, Brussels, 23-06-2011

¹⁷⁵ European Parliament, Text adopted by Parliament, 1st reading/single reading, *2010/0281(COD)*, Strasbourg, 28-09-2011 available at: <http://www.europarl.europa.eu/oeil/popups/summary.do?id=1167050&t=d&l=en> accessed at 07-11-2016

¹⁷⁶ Tweede Kamer der Staten-Generaal, Nota over de toestand van 's Rijks Financiën, Stemningsuitslag Motie van de leden Koolmees en Braakhuis over de criteria voor de macro-economische onevenwichtigheden, *Kamerstuk 33000-49*, Den Haag, 6-10-2011

¹⁷⁷[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281\(COD\)&l=en#documentGateway](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0281(COD)&l=en#documentGateway)

¹⁷⁸ European Parliament, Legislative Observatory, available at:

[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0278\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2010/0278(COD)&l=en) accessed at 30-05-2016

Appendix 3: MIP indicators

The fourteen headline indicators consist of the following macroeconomic areas with their corresponding thresholds¹⁷⁹:

- 3 year backward moving average of the current account balance as percent of GDP, with thresholds of +6% and -4%
- Net international investment position as percent of GDP, with a threshold of -35%
- 5 years percentage change of export market shares measured in values, with a threshold of -6%
- 3 years percentage change in nominal unit labour cost, with thresholds of +9% for euro area countries and +12% for non-euro area countries
- 3 years percentage change of the real effective exchange rates based on HICP/CPI deflators, relative to 41 other industrial countries, with thresholds of -/+5% for euro area countries and -/+11% for non-euro area countries
- private sector debt (consolidated) in % of GDP with a threshold of 133%
- private sector credit flow in % of GDP with a threshold of 14%
- year-on-year changes in house prices relative to a Eurostat consumption deflator, with a threshold of 6%
- General government sector debt in % of GDP with a threshold of 60%
- 3-year backward moving average of unemployment rate, with a threshold of 10%
- Year-on-year changes in total financial sector liabilities, with a threshold of 16.5% (added in 2012)
- 3 years change in p.p. of the activity rate, with a threshold of -0.2% (added in 2015)
- 3 year change in p.p. of the long-term unemployment rate, with a threshold of +0.5% (added in 2015)
- 3 year change in p.p. of the youth unemployment rate, with a threshold of +2% (added in 2015)

¹⁷⁹http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/mip_scoreboard/index_en.htm accessed at 11-04-2016