

Dutch Financial Fragilities¹

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Abstract

In this paper, we analyse the financial sector in the Netherlands and explore its relation to the financial balances of households, government, firms, and the foreign sector. We identify a financial overdevelopment that has two dimensions: a bloated domestic banking sector and financial globalization. In relation to the extremely large financial sector, we identify three problems: (1) excessive household debt, (2) boom and bust, and (3) debt overhang. The continuous expansion of foreign financial assets and liabilities also creates three problems: (4) the deposit financing gap in the banking sector, (5) lower wage shares, leading to less demand and lower growth, and (6) a dichotomy in business between MNCs making large profits, who save a lot, and SMEs struggling to survive. These problems are discussed in detail in the context of a policy preference for private over public finance growth.

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1. Introduction

This background paper is set in the context of ‘financialization’ and ‘financial fragility.’² Financialization is defined as an increase in the importance of the financial motive, financial practices, and the financial sector. Financial motives for behaviour (e.g., profitability, return on assets, and capital gain) may crowd out other motives or may come to dominate in settings, e.g., in building corporations, where they were not dominant previously. The financialization literature is critical of these trends, both for micro and macro reasons.

At the micro-level, it is noted that the dominance of the financial motive may be counter-effective. In his *What Money Can't Buy* (2013), for instance, Michael Sandel notes how the introduction of financial incentives may backfire, even if effective, as financial incentives may change the goals a society aspires to, from non-monetary goals to monetary goals. Goals that cannot be expressed in monetary terms may then be crowded out. Financialization, therefore, is also about changing what we see as ‘the good life’, so that it is also a political process and, ultimately, an ethical process.

Financialization changes the economy in a variety of ways. Firms are affected as they change their focus from realizing profit from the production of goods and services, to realizing capital gains and interest income from the trading and creating of financial assets, as documented by Krippner (2005) for the US. For one example, Lazonick (2011) shows how firms’ share repurchase programmes for capital gains and manager bonuses compete with tangible investment.

Another concern about financialization at the micro-level is that it may harm welfare and well-being. Expansion of the control of banks and other financial firms over processes of employment, production, health insurance, affordable housing, etc. may be antithetical to the interests of consumers, workers, patients, or tenants. Financialization analysts point to increased levels of financial fees, increased debt-to-income levels and increased financial stress as evidence of this process. Brown et al. (2005), for instance, highlight the psychological cost of Britain’s debt culture. This literature suggests that society has changed in such a way that non-financial sectors and actors may increasingly be unable to defend their interests in the face of financial-sector expansion.

Alternatively, economic-psychology literature suggests that, even if actors are able to defend their interest, they may not do so as they suffer from lack of self-control, which financial practices and marketing tend to exploit. Benton, Meier and Sprenger (2012), for instance, note that ‘[t]here is a growing body of evidence that borrowing and saving behaviour may not, as assumed by standard economics, be the product of rational financial planning [but due to] self-control problems ... It is important to note that self-control problems, as defined in this paper, are thought of as an issue affecting all people, not just those involved in our specific research.’

A recent study estimates that between 5% and 15% of the Dutch population (or 1.1 million people) have serious problems repaying their debts (Nibud, 2014). Request for help rose from 34,500 in 2003 to 44,000 in 2008 to 89,000 in 2013. This is not just a poverty problem; more than a quarter of those requesting help have above-median incomes.

These micro-level concerns form the background to the present study but they are not its topic, which is at the macro- and sector level. Here financialization is evidenced by the growth of the financial sector as a share of GDP, growth of private sector debt indicators, change from tangible

² ‘Financialization’ is a concept that was introduced in Arrighi (1994). An empirical description of what financialization may mean is Krippner’s (2005) *The financialization of the American economy*. An overview of approaches and experiences is found in Epstein (2005); an analytical treatment is provided by Palley (2011).

investment to financial investments, and changes in the financing of investment and lending. (One might include the increased influence of the financial sector on national policy-making, a topic we do not study.) We document these processes for the Netherlands and reflect on what their effects may be, based on what we know about the general effects found in the academic literature, both with regard to actual changes (such as reduced growth or change in inequality) and changed potentialities (such as increased vulnerabilities).

Changed potentialities include ‘financial fragility,’ defined as the decreased ability to cope with shocks to conditions of financing without disorganization in flows of payments (Minsky, 1986). For instance, it could be argued that growth in private debt since the early 1990s may have increased the Dutch economy’s vulnerability to the 2008 crisis shock, so that the Dutch economy suffered a longer and more serious growth reduction than many other economies. To date, there are no solid research findings on this issue. Our report suggests that this may be needed.

Another manifestation of macro-financial fragility may be changing sectoral balances (with increased reliance on foreign financial investments for pension fund returns) or changing financing of domestic mortgages (by international bond issuance rather than domestic deposits). These and other trends increase reliance on, and, hence, vulnerability to, international capital markets.

In PART I, this study describes the financial sector and financial balances in the Netherlands. In PART II, their effects on the Dutch economy are assessed, followed by concluding remarks.

In order to analyse financialization in the Netherlands, it is useful to present a highly stylized balance sheet of the Dutch economy (see Table 1). This balance sheet can also be used to present the various elements underlying the balance sheet recession in the Netherlands. For expository reasons, we have kept this balance sheet as simple as possible. A more elaborate balance structure is presented in Meijers, Muysken and Sleijpen (2015), and details of the financial structure of each sector are discussed in Part I.

Table 1 Balance sheet of the Dutch economy (FA= financial assets)

Households		Firms	
Assets	Liabilities	Assets	Liabilities
Bank deposits	Mortgages	Fixed assets	Loans
Housing		FA firms	Equity
Pension claims	Net Worth		Net Worth
Government		Pension Funds	
Assets	Liabilities	Assets	Liabilities
	Bills	FA pens. funds	Pension claims
	Net Worth		Net Worth
Banks		Foreign	
Assets	Liabilities	Assets	Liabilities
Mortgages	Bank deposits	FA banks	FA pens. funds
Loans	FA banks	Equity	FA firms
FA banks	Net Worth	Bills (F)	FA banks
			Net Worth

Explaining Table 1

We distinguish between six sectors in the economy. We assume that households hold their savings in deposits in banks and that, in addition, they own houses, partly financed by mortgages and have claims on pension funds. The latter provide income upon retirement in addition to a basic income financed by a pay-as-you-go system, which will be elaborated upon in section I.1.3 below. The firms hold capital and foreign financial assets, financed by loans from banks and equity held abroad. The government finances its deficit by issuing bills, which are held both by banks and the foreign sector. The pension funds have invested their capital abroad by buying bonds and other financial assets. Banks, finally, provide mortgages and loans and buy financial assets from abroad. They finance this both at home by deposits held by households and abroad by issuing equity and other financial assets.

The net worth of households can be an important driver of consumption expenditures through its wealth effect: we will argue in section I.2.2 below that this holds in particular for the excess of values of houses over mortgages. The net worth of firms and banks is usually neglected as it will mainly be represented in the equity price.³ The net worth of the government is government debt, which is usually highlighted in discussions of a country's financial situation (see section I.3 below for a more nuanced discussion). The net worth of pension funds is a relevant buffer to deal with uncertainty, as we will elaborate in section I.1.3 below. Finally, the net worth of the foreign sector is a country's net foreign asset position. As we will elaborate in section I.4 below, the Netherlands has a large foreign asset position.

An important aspect of the balance sheets presented above is that they are mainly financial in nature. The only non-financial elements are houses owned by households and capital held by firms. There is, for instance, no value attributed to human capital or social capital owned by the various sectors, and the government owns no assets at all. This is not to deny their value, but we deliberately chose this representation because it reflects the state of the current economic discourse. It would lead us too far astray here to elaborate on the importance of including human capital and social capital in the analysis and the impact that would have on the outcome.

The impact of financialization has been summarized in Table 2. First, the *mortgages crisis*, elaborated in section I.2.3, follows from the fact that house prices rose strongly in the Netherlands, fuelled by the abundant availability of mortgages. This led to a housing bubble, followed by a drop in house prices, after which many families were left with mortgage burdens in excess of the value of their houses. The fall in net worth forced them to restore their balance sheet position, by borrowing abroad. The uncertainties following the financial crisis both had a negative impact on consumption. In addition, banks also started to accumulate foreign assets, mainly by investing in government bonds of other countries, so that foreign assets increased on both the assets and liabilities side of banks, although not necessary by the same amounts.

Already in the 1990s, the strong increase in mortgage lending could no longer be financed by banks from the deposits held by households. This gave rise to the so-called *deposit financing gap* with banks having to resort to externally financing mortgages, mainly abroad (section I.1.2). This form of financing is quite expensive and much more uncertain due to its short-term nature. Another critical factor in this respect was the systematic *leveraging of the banking system* in

³ In 2008, however, massive government interventions were required to bail out banks when their net worth threatened to become negative (see section I.1.2 below).

order to be able to accommodate the increased (and induced) demand for mortgages. This has led to pressure for banks to increase their leverage.

After the crisis, the resulting necessity of having to restore their balance sheet position had a negative impact on the ability of banks to issue mortgages and loans (see section I.1.2). This hurt the small and medium enterprises in particular, as we will elaborate in section I.4.

Table 2 The impact of financialization on the balance sheet of the Dutch economy

Households		Corporate Firms	
Assets	Liabilities	Assets	Liabilities
Bank deposits	Mortgages ↑	Fixed assets	Loans
Houses ↑↑		FA firms ↑	Equity ↑
Pension claims	Net Worth ↑		Net Worth

Government		Pension Funds	
Assets	Liabilities	Assets	Liabilities
	Bills	FA pens. funds ↑	Pension claims ↑
	Net Worth		Net Worth

Banks		Foreign	
Assets	Liabilities	Assets	Liabilities
Mortgages ↑	Bank deposits	FA banks ↑	FA pens. funds ↑
Loans	FA banks ↑	Equity ↑	FA firms ↑
FA banks ↑	Net Worth	Bills (F) ↑	FA banks ↑
			Net Worth ↑

Turning to the firm sector, we observe a dichotomy between small and medium-sized enterprises, on the one hand, and large enterprises, on the other. The large enterprises were strongly affected by financialization because they accumulated a lot more savings than they invested in capital goods (the reasons will be elaborated in section I.4). As a consequence of this development, savings by firms soared (next to buying back equity in order to increase the share price), and large enterprises started to accumulate financial assets. This process is still continuing.

The pension funds were affected by the financialization of the economy in the composition of their financial assets. From a risk-averse position, investing in safe loans and bonds, they started to invest in more risky assets, mainly abroad, with higher returns. However, these higher returns were initially used to lower pension contributions and allow for more generous pension conditions. With an ageing population, this policy changed and pension funds were forced to gradually increase pension contributions. Moreover, pension funds encountered an unexpected problem after the financial crisis as a consequence of the Central Bank's low interest rate policy, which increased the (discounted) value of the pension claims and, hence, *decreased the coverage rate* below its critical level, as will be discussed in section I.1.3. The resulting necessity of having to restore their balance sheet position forced pension funds to increase pension contributions further and also to reduce benefits. Both measures had a direct negative impact on consumption and an indirect negative impact through increased uncertainty.

PART I The Financial Sector and Sector Imbalances in the Netherlands

In this part, we will first present the financial sector (section 1) and then analyse the situation of households, the government, firms and the foreign sector. We will discuss their financial balances and their relation to the financial sector (sections 2-4, identifying characteristics that may lead to a financially vulnerable position).

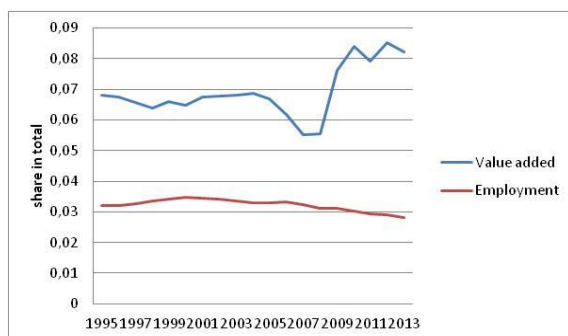
1. The Financial Sector

1.1 Introduction

The share of the financial sector in the Dutch economy is illustrated in Figure 1. The share in total employment is around 3%. It has declined slowly but consistently since 1999. The share in value added of the Netherlands increased from below 7% prior to 2007 to above 8% since 2010,⁴ which is high in international comparisons, as the OECD (2014, Figure 1.13A) illustrates. For instance, OECD (2014) shows that the contribution of the financial sector to GDP in Germany and France was around 4% in 2011.

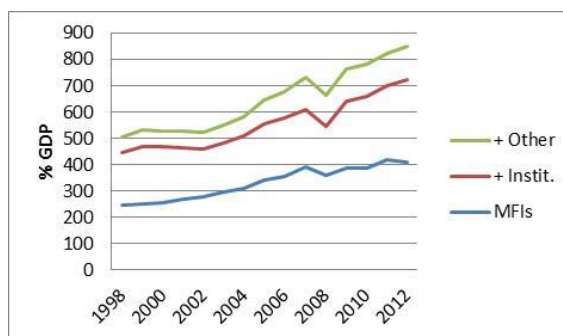
The 2008 financial crisis and the ensuing Euro crisis have focused attention on the balance sheets of the financial sector and its vulnerabilities. For data availability reasons, we studied a smaller part of the financial sector than the ISCO 2008 definition used in Figure 1, excluding financial intermediaries such as stock exchanges and financial advisors. As in the statistics, we distinguished three categories of financial institutions: monetary financial institutions (MFIs), institutional financial institutions (including pension funds, insurance companies, and trust funds) and others (including SPVs).⁵

Figure 1 Share of financial sector in total value added and employment



Source: CBS Statline

Figure 2 Composition of Financial Institutions, 1998-2012, Total Assets (stocks)



Source: CBS Statline

In line with its large financial sector, the ratio of total financial assets to GDP is also high in the Netherlands: 8.4 times GDP as compared to the 2012 Euro Area average of 5.2 times GDP (compared to 4.4 in Germany and 5.6 in France). The banking sector (MFIs) in the Netherlands

⁴ This jump in value added probably illustrates the problems with the financial sector's measurement of value added more than its 'true' contribution. For critical discussions of these measurements, see, for instance, Inklaar and Wang (2011) and Oulton (2013). Part of the jump in the value added share may also be attributed to a fall in GDP in 2008.

⁵ Data on financial institutions in the Netherlands are collected by the Dutch Central Bank (DNB) and the Central Bureau of Statistics (CBS); in addition, we have also used data provided by the ECB for international comparison. Trust funds represents here "institutionele beleggers". The latter are included under "Others" in Table 3 below.

is relatively large; the other two sectors are very large in international comparison (see Table 3).⁶

Table 3 Composition of the financial sector in the Euro Area, Germany, and France in 2012 (multiples of GDP)

	MFIs ⁷	Pension & Insurance	Others ⁸	Total
Euro Area	3.44	0.82	0.97	5.23
Germany	3.09	0.81	0.52	4.42
France	3.97	1.04	0.63	5.64
Netherlands	4.15	2.45	1.82	8.43

Source: ECB Statistics

The total assets of Dutch financial institutions are very large and have grown strongly between 1998 and 2012, as Figure 2 shows: from 5 to more than 8 times GDP (which was about €600 bln in 2012). Figure 2 also shows the importance of the institutional financial institutions, in particular pension funds, in the Netherlands.

We will elaborate some features of the banking sector in section 2.2 below. Institutional financial institutions also play an important role, as we will discuss in section 2.3. The other parties have become more important over time and will be analysed in section 2.4.

1.2 Monetary Financial Institutions (MFIs)

In addition to its large size (with assets totalling more than four times GDP, see Table 3) a second feature of the banking sector in the Netherlands is its high level of concentration: over 80% of the total assets of commercial MFIs is in the hands of the four largest Dutch banks (RABO, ABN-AMRO, ING, and SNS).⁹ In a recent report, this feature has induced the Dutch competition authority to argue in favour of introducing more competition amongst banks and lowering barriers to entry (ACM, 2014).¹⁰ Two banks were effectively nationalized (ABN/AMRO in 2008 and SNS in 2013) and a third (ING) was indebted to the government until 2014 due to bail-out operations in 2008.¹¹ The total government support of banks is around 10% of GDP (Figure 3).

Dutch lending has increased strongly, with loans as a share of GDP increasing from below 100% in 1990 to more than 220% in 2012 (Figure 4)¹². This rise was mostly NOT due to more lending

⁶ This is often overlooked in international comparisons. See, for instance, OECD (2104), which focuses almost exclusively on the vulnerability of the banking sector.

⁷ MFIs encompass most Dutch banks (but not, for instance, mortgage banks) and the Dutch Central Bank. We will often use the term 'banking sector' instead of MFIs.

⁸ These are 'Investment funds' and 'Financial vehicle corporations.'

⁹ DNB statistics, Table 10.2.

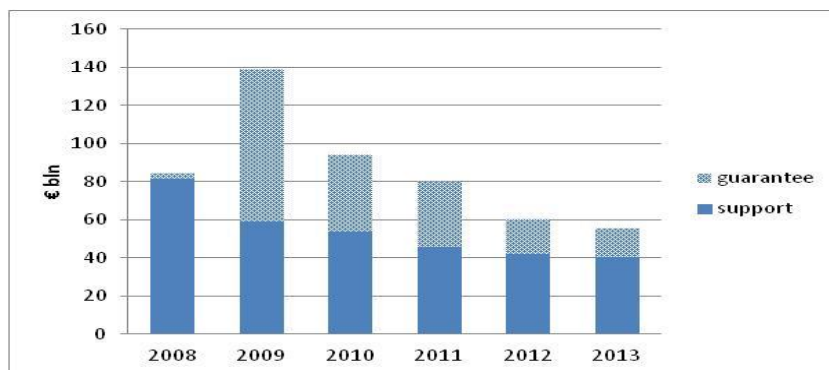
¹⁰ In relation to this, the CPB (2013) states that the relatively high mortgage interest rates in the Netherlands can be attributed to low competition. Hebbink et al. (2014) also point at the high borrowing costs following from the deposit financing gap, discussed below, as a possible reason for the high mortgage rate.

¹¹ The default in 2009 of a relatively small bank, DSB, had a traumatic impact on public opinion.

¹² This includes not only loans currently on the balance sheets of banks, but also loans originated by Special Purpose Vehicles, or originated by banks and sold to SPVs. Such SPVs are typically set up by banks for this

to nonfinancial business, which rose only slightly from 50% to 70% of GDP over 1990-2012. Most of the rise in the loans stock – and therefore, in private indebtedness – was due to the rise in mortgage lending and loans to nonbank financials. Combined, these loans rose from below 40% of GDP in 1990 to above 150% in 2012.

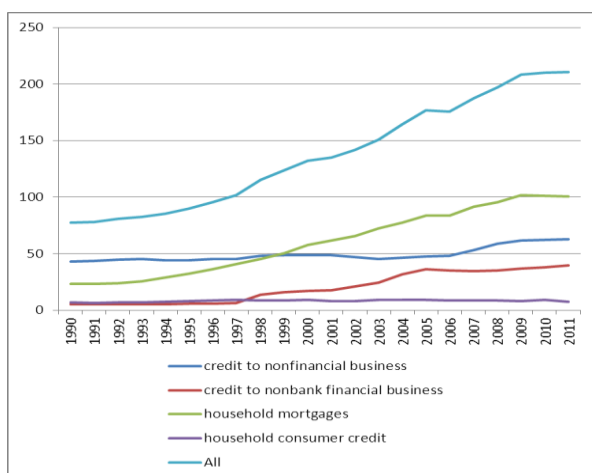
Figure 3 Government support to banks



Source: Netherlands Court of Audit

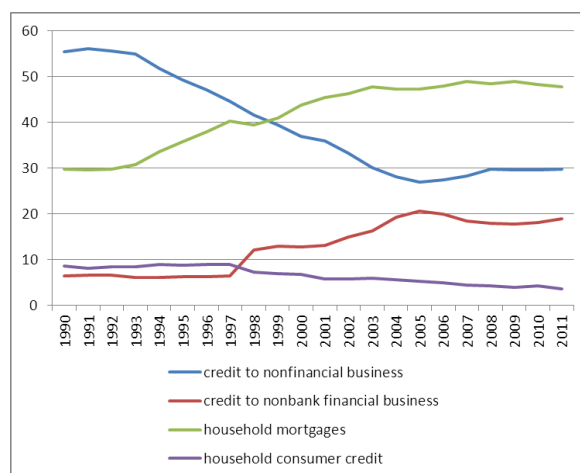
Figure 5 breaks this up into four loan categories. Mortgages constituted around 50% of all loans in 2012, up from less than 30% in 1990. This has gone mostly at the cost of lending to nonfinancial business, the share of which declined from above 50% in 1990 to below 30% in 2012.

Figure 4 Credit stocks: growth (% GDP)



Source: DNB Statistics

Figure 5 Credit stocks: distribution (% of all credit)

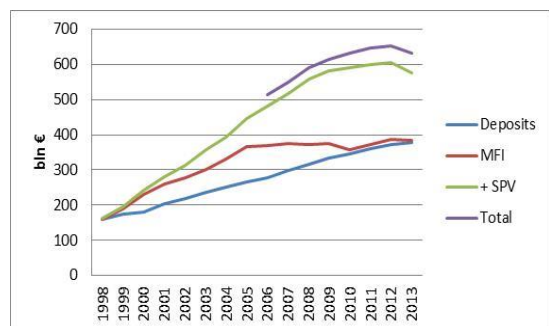


Another part of the explanation for these trends is the banking system's increased openness to international markets. In 2013 and 2014, more than 50% of its liabilities were issued abroad, almost half of them in the Euro area (Hebbink et al., 2014). The Dutch banking sector's external debt to GDP ratio is 120%, which is almost three times the OECD average (OECD, 2014, Figure 1.2B; that of Germany is 40%). Without this, mortgages would have to be financed by domestic deposits and could never have increased at the rate they did; deposits of households in Dutch banks increased roughly linearly over 1998-2013 (Figure 6). In 1998, almost all household

purpose. Private debt on bank balance sheets was 120% of GDP in late 2014, according to data from the Bank of International Settlements. Also, there is more consumer credit issued by nonfinancial firms (car dealers etc.) not included in these data. And there are private debt categories not included here, such as student loans.

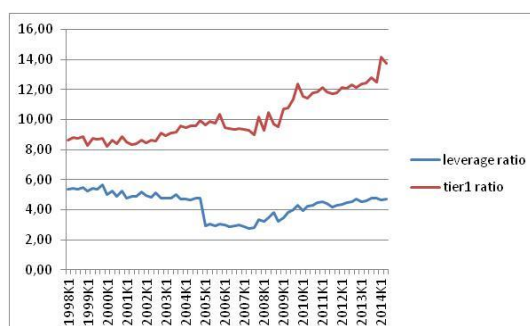
mortgages were issued by banks and financed by deposits. Increasingly, the strong growth of mortgages was being financed by issuing liabilities through Special Purpose Vehicles (SPVs; DNB, 2013). Combined with deposits, this financed the enormous increase in mortgage lending (Figure 6).¹³

Figure 6 Deposits of Dutch households and housing mortgages stock, 1998-2013



Source: DNB Statistics, Table 11.1

Figure 7 Leverage ratio and tier1 ratio of Dutch banks

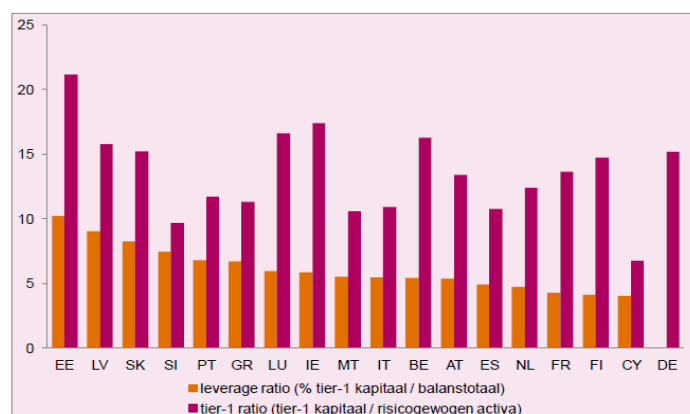


Source: DNB Statistics, Table 11.1

The gap between domestic funding and domestically issued loans constitutes the so-called deposit financing gap, or retail funding gap (DNB, 2013). This gap may be considered problematic because it forces banks to seek additional sources of finance, mainly abroad, which are more volatile and more expensive than the rather secure financing by domestic deposits. Does increased reliance on SPVs and international issues make banks more vulnerable in the event of a shock?

The deposit financing gap is not part of conventional evaluations of the sector’s vulnerability. These focus on capital ratios, which have improved since the financial crisis (Figure 7) but are still precarious (CPB, 2014a). The risk-weighted Tier1 ratio has improved more strongly, but this may be due to flattering risk-weights (see the critical discussion of the risks facing the Dutch banking sector in the OECD (2014)).¹⁴

Figure 8 International comparison of Dutch banks



Source: CPB (2014a)

¹³ The gap between ‘Total’ and mortgages issued by ‘MFIs + SPVs’ is filled by mortgages issued by life-insurance companies (and pension funds). Although SPVs are not included in the MFI sector for statistical reasons, the majority is also financed by banks, as we elaborate in section 2.4 below, when we discuss the ‘others’ sector.

¹⁴ The leverage ratio relates tier 1 capital to the total assets, while the tier 1 ratio relates tier 1 capital to risk weighted assets. In the latter case an asset which is more risky has a higher weight in the total asset position, which explains why flattering risk weights improve the tier 1 ratio.

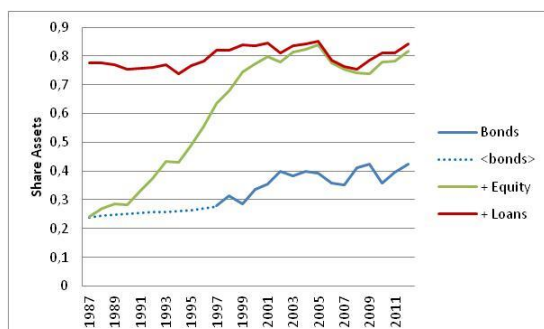
Figure 8 shows that, compared to other countries, the leverage ratio of Dutch banks is quite low on average, but the tier-1 ratio is relatively high. The reason for this is that their assets are considered less risky than those of banks in other countries. In addition, the CPB (2014a) argues that the huge mortgage exposure of the Dutch banks is less problematic than it seems because mortgage holders are wealthy, mortgage payments are on a monthly basis and the Dutch social security system (including mortgage guarantees through the so-called NHG) provides back-up.¹⁵

One consequence of banks rebuilding their balance sheets (including strengthening capital) may be reduced lending to business, particularly to SMEs. This caused a lively discussion in the Netherlands to what extent there is a credit crunch. The alternative explanation would be that many SMEs are so risky that banks are correctly not issuing credit (see the discussion in section I.4.4 below).

1.3 Institutional Financial Institutions

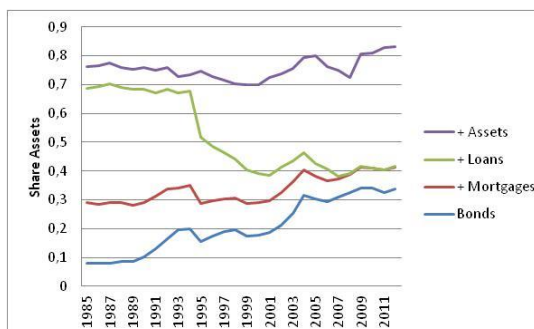
The institutional sector consists of pension funds, insurance companies and trust funds. Due to the presence of a funded pension system in the Netherlands, it is dominated by pension funds (50% to 60% of the sector's total assets), followed by life-insurance companies (20% to 30%). The institutional sector increased from two times GDP in 1998 to three times GDP in 2013 (Figure 1).¹⁶ This is almost as large as the banking sector and very large by Euro Area standards (Table 3). The changing asset compositions of pension funds and life-insurance companies are shown in Figures 9 and 10. Their liabilities are claims by pension or insurance holders.

Figure 9 Cumulated asset composition of pension funds, 1987-2012¹⁷



Source: CBS Statline

Figure 10 Cumulated asset composition of life insurance companies, 1985-2012



Source: CBS Statline

In the 1980s, only a small part of pension fund assets was invested in (predominantly Dutch government) bonds. Most was invested in domestic loans. This was imposed by government regulations. After the 1980s deregulation, this has changed dramatically. Over 80% of total assets in 2013 and 2014 were invested in equity and bonds, mainly abroad. Pension funds hardly originate mortgages, in contrast to the 1980s.

In life insurance, loans have also been replaced (Figure 10), in this case by 'other' assets, such as equity with the risk being held by the insured persons themselves. That is, the amount of

¹⁵ We will discuss the mortgage situation in more detail in section 3.3.

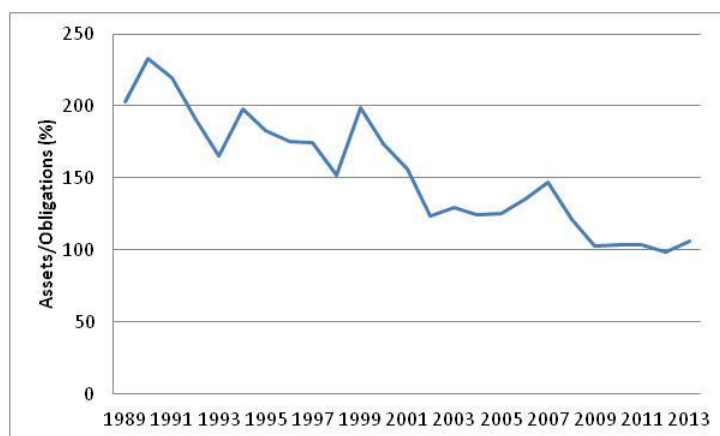
¹⁶ This is partly due to a definition change in 2009, when trust funds (*institutionele beleggers*) were included under institutions.

¹⁷ The dotted line has been extrapolated for illustration, to show that only bonds were initially held, no equity. The remaining assets other than equity and bonds are mainly claims to debtors. The same holds in Figure 10.

compensation paid by the insurer covered by this equity will depend on the value of the stock.¹⁸ In addition, life insurance companies invest in mortgages.

The data show, therefore, that in both pensions and life-insurances there has been a development toward investment in more risky assets, where the risk is partly born by the insured persons. For the pension funds, this follows from the development of the coverage rate, which has been falling over time. In spite of having a defined benefit system, both the pension funds and the government underestimated the importance of building up proper reserves in good times. Presumably misled by the high coverage rate in the 1980s, pension funds were allowed to finance early retirement, to decrease pension payments and to finance firms directly (Bosch, 2011). This led to a dangerously low coverage rate in the early 2000s, below the target rate of 125%. After the financial crisis, the coverage rate fell below the critical threshold of 105%, which forced the pension funds to abandon the defined benefit system.¹⁹ This process was accompanied by intense public debate, culminating in a 'Pension Agreement' between the government, employers, and labour unions in 2010. While the agreement solved short-run problems by decreasing pensions and having them vary with pension fund performance, the discussions also created uncertainty, which, as we will argue below in Chapter 3, contributed to lower consumption and higher savings by households.

Figure 11 Pension fund coverage rate , 1989-2013



Source: Bosch (2011), DNB

Whether pension funds should invest more in the domestic economy is now a subject of debate in the Netherlands. One proposal is to create a National Mortgage Bank (*Nationale Hypotheekbank*) that is partly funded by pension funds. While this may be in the interest of current borrowers, the policy is contested as it may clash with the need for future pensioners to generate returns on investment.

1.4 Other Financial Institutions

The data on Other Financial Institutions (OFIs) are rather confusing. DNB statistics confine themselves to reporting on SPVs only. The CBS presents a consolidated balance sheet for OFIs,

¹⁸ The resulting asset-based insurance policies were highly criticized after the dot-com crisis and the financial crisis, which has led to many court cases and a bad reputation of these insurance companies, which has negatively affected their profitability (DNB, 2013).

¹⁹ The main reason for the sharp drop in the coverage rate after the financial crisis was the drop in the interest rate, which led to a sharp increase in discounted pension obligations due to the defined benefit system. Prior to the financial crisis, a decrease in the interest rate also was responsible for some fall in the coverage rate because this rate is calculated at market interest rates.

including SPVs and mortgage banks.²⁰ We presented the CBS data in Figure 2. The broadest definition, however, is that used by Broos et al. (2012), which has been reproduced in Table 4 below.

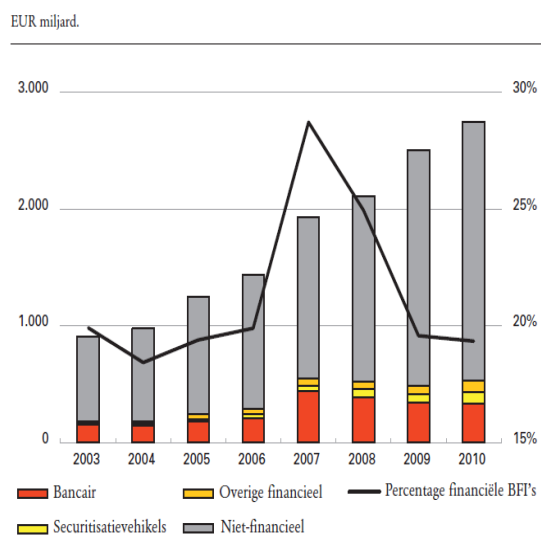
Table 4 Total assets Other Financial Institutions, 2011

	bln €	share
Trust funds	654	20.9
SFI non-financial	1500	47.9
financial*	500	16.0
SPV*	330	10.5
Hedge funds*	148	4.7
TOTAL	3132	

* High incidence of shadow banking
 Source: Broos et al. (2012, Table 3.1)

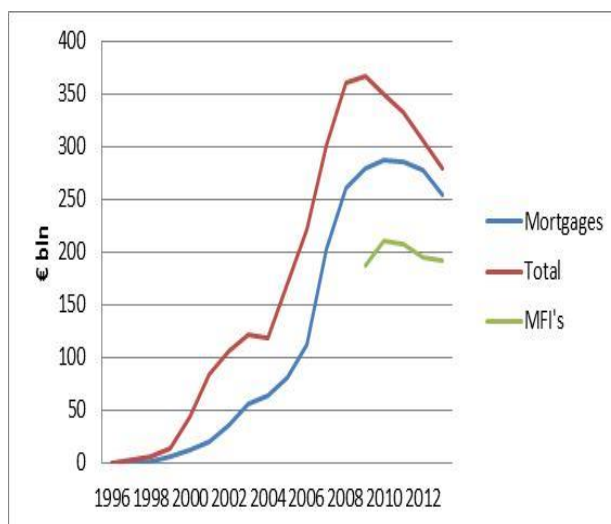
This broad definition includes so-called SFIs (Special Financial Institutions, BFIs in Dutch) which are largely owned by multinational corporations and established in the Netherlands for tax purposes; we will elaborate on this in section I.4.3 below. If we include SFIs and some other funds, the OFI sector was almost 500% of GDP in 2011. The development of SFIs is presented in Figure 12.

Figure 12 Assets managed by SFIs²¹



Source: Broos et al. (2012, Figure 3.3)

Figure 13 Asset composition SPVs



Source: DNB Statistics

²⁰ The so-called sectoral balances of CBS provide a much broader definition, however, which leads to an assets position which is 5 to 6 times the one reported above.

²¹ The translation of the Dutch headings is: Banking, Other financial, Percentage financial SFIs, Securitizations, Non-financial.

Assets held by SFIs almost tripled in size over 2003-2010. The share of financial SFIs is around 20% (except in the years 2007-8), and we will elaborate on their role in shadow banking below. Because of its huge number of SFIs, finally, the Netherlands ranks third globally, with 6.2% of total world assets in 2011, after the US and the UK with 35.4% and 13%, respectively (Broos et al., 2012, Figure 2.4, based on Financial Stability Board data).

The Netherlands also has an exceptionally large SPV presence. In 2012, the percentage of assets in comparison to GDP of ‘financial vehicle corporations’ in the Netherlands was 67 per cent, compared to an average of 22 per cent in the Euro Area, 10 per cent in France, and less than 2 per cent in Germany (ECB statistics).

Figure 13 shows the exponential growth of SPVs up until the financial crisis. They were mainly used to finance mortgages. The majority are initiated and held by banks – about 90% of the SPVs is ‘internal’ (DNB, 2013) – and the remaining part is insurance companies (see also the mortgages issued by insurance companies in Figure 10). The high incidence of SPVs held by banks is also consistent with Figure 5, which shows how the gap between household deposits and mortgages was closed by SPVs. This confirms that the deposit financing gap discussed in the context of Figure 5 is still very considerable.

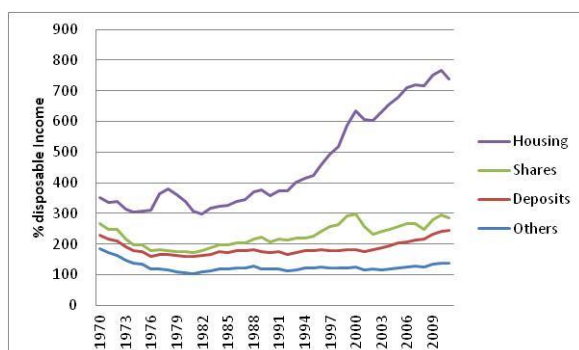
Both SPVs and financial SFIs are viewed as shadow banks, who provide credit intermediation outside the regular banking sector. In addition, almost one-third of assets in OFIs are part of shadow banking (Broos et al., 2012; see also Table 4). This implies that shadow banking is at about 160% of GDP in the Netherlands.

2 Household Balances

2.1 Introduction

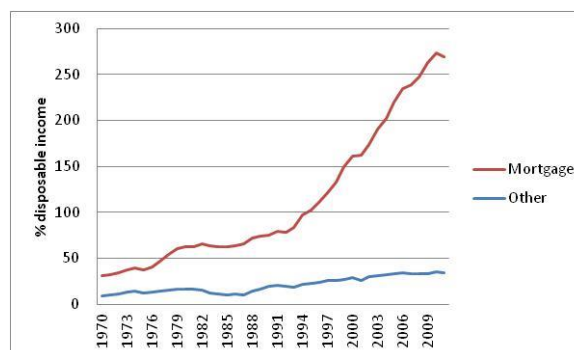
Surprisingly, it appears to be impossible to find consistent data on the complete household sector balance sheet in the Netherlands. Until recently, Netherlands Bureau of Economic Policy Analysis (CPB) published an almost complete overview of assets and liabilities of Dutch households. However, it stopped providing this publication in 2012. The published data are presented in Figures 14 and 15 below.²² We note the remarkable absence of pension assets. The data show the explosion of housing wealth since the early 1990s.

Figure 14 Asset composition of Dutch households (cumulated), 1970-2011



Source: CPB (2012)

Figure 15 The liabilities composition of Dutch households (cumulated), 1970-2011



Source: CPB (2012)

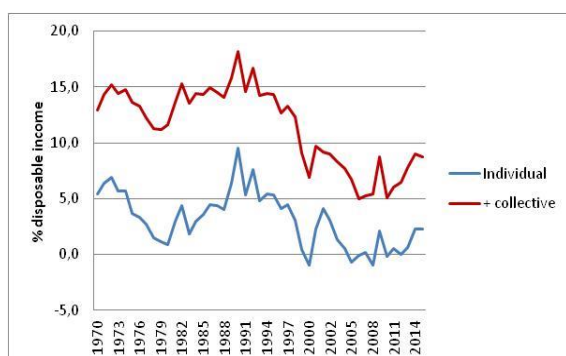
²² ‘Other Assets’ include other financial wealth, such as cash and bonds and non-financial wealth, such as equity of self-employed persons, real estate excluding housing, and other tangible assets.

2.2 Funded Pensions and Savings Behaviour of Households

Old age provisions in the Netherlands are based on a three-pillar system. Workers contribute to a pay-as-you-go system in the first pillar (called AOW) to provide for basic old-age income of retired persons. The second pillar is a funded pension system, where wage earners pay obligatory contributions into their pension fund. Until recently, this paid out to pensioners a fixed share of their (mean) wage (corrected for price or wage developments). This share has recently been decreased. The third pillar is defined by individual savings.

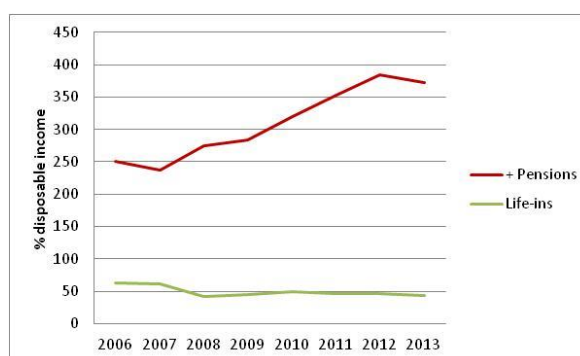
As a consequence, one can distinguish between collective household savings used to finance the funded pension system, which are obligatory, and voluntary individual savings; see Figure 16. The collective savings (net of pension benefits) increased from 8% of disposable income in 1970 to almost 12% in 1983 and then decreased steadily till they were around 7% in 2003, after which they fluctuated. The decrease after 1983 was due to lower pension contributions and the facilitation of early retirement schemes, both motivated by the bad economic situation in the aftermath of the second oil crisis and the strong financial situation of the pension funds. When the ageing problem was recognized in the early 2000s, early retirement was abandoned, and the defined benefit was redefined from a share of end wage to a share of mid-wage. In the aftermath of the financial crisis, the drop in interest rates increased pension fund liabilities, forcing them to increase their assets. As a consequence, the pension funds increased their contributions (and also lowered benefits). This led to an increase in collective savings.

Figure 16 Savings of Dutch households 1970- 2014 (cumulated)



Source: CPB (2014b)

Figure 17 Pension and life-insurance assets of Dutch households (cumulated)



Source: DNB Statistics

The behaviour of individual savings is quite different. The sharp fall in these savings after the oil crisis reflects the wish to maintain consumption at 1970s levels. These savings then returned to their early 1970s level of 5%, until the early 1990s. Then individual savings turned negative due to the housing boom around 2005, as we elaborate below, and started to increase again when the housing boom went bust.

The DNB has published data on the financial assets of households since 2006. On the one hand, this is a narrow definition of household wealth because it focuses on financial assets only (essentially covering 'deposits' and 'shares' in Figure 14, together with a small part of 'others'); on the other hand, it includes pension assets (including life insurances), which is presented as a percentage of disposable income in Figure 17. One can see that life insurances play only a minor role in old age provisions; in 2006, pensions were already almost four times as large.

Moreover, pension wealth has grown very strongly over 2008-2012, until almost 400% of disposable income. This sharp growth was caused by the lower interest rate, which inflated the pension funds' liabilities, and a positive return on investments in the 2009-2013 period.

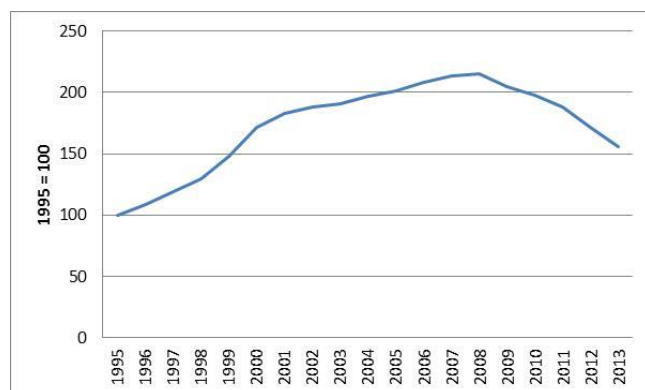
Although the pension wealth of households is very large, it has hardly played any role – at least until recently – in the public debate and in analyses of Dutch household behaviour. For instance, wealth inequality figures used in the public debate (e.g., following Piketty, 2014) are typically net of pension wealth.²³ Another example is that pension wealth is usually not included in studies of the impact of wealth on consumption behaviour; see for instance the CPB SAFFIER-II model, which is used extensively in Dutch economic policy debates (CPB, 2010).

The influence of pensions on consumer behaviour is both negative (through increased collective savings) and positive (increased benefit payouts with aging). Through both channels, the recent fall in the interest rate had a negative impact on consumption expenditures: it increased the pension funds' liabilities, so they had to increase their assets and hence their contributions. They also lowered benefits.

2.3 The Housing Crisis in the Netherlands

It has been well-documented how increased mortgages in the Netherlands were driven by tax deductions on mortgage interest and by a de-regulated financial sector eager to extend loans (see OECD (2014) for a recent overview). Mortgages also increased in lockstep with property prices in what may well have been a mutually enforcing process (the causality between house prices and mortgage debt is contested). As illustrated in Figure 18, property prices more than doubled in real terms over 1995 – 2005. After the financial crisis, they dropped by more than 25%.

Figure 18 Real house prices, 1970-2013²⁴



Source: CBS Statline

As a result, the share of 'under water' households increased from 15% to 35% (Table 5). After five years of decreasing house prices, mortgage debt has now increased to around 65% of the housing stock value. While the ratio of mortgage debt to disposable income has hardly increased (around 3.7), the share of households with an above-average ratio of 3.5 has increased from about 46% in 2006 to 52% in 2014. Both these trends suggest increasing household vulnerability to mortgage debt. Both OECD (2014) and IMF (2014) reports voice concerns. The CPB (2014a) points at the Dutch discipline in mortgage debt repayment as a reassuring factor. This leaves the issue of debt overhang unaddressed; perhaps consumption and/or investment declined due to excessive debts relative to asset values. This problem (rather than the problem of debt default) is still absent in the public debate, however. It is worthwhile to recall that there was similar reluctance to accept warnings by 'outsiders' (such as Primus (2010) and Xu-Douve

²³ See, for instance, WRR (2014, Ch. 4).

²⁴ Deflated by the consumer price index. The data are average selling prices.

(2010)) that the Netherlands was suffering from a housing bust after the financial crisis. Perhaps such warnings, this time about debt overhang, should now be heeded.

Table 5 Household mortgage developments, 2006-2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mortgage debt/ housing value	0.49	0.48	0.49	0.5	0.54	0.56	0.57	0.65	0.65
of which share > 1	0.14	0.13	0.13	0.16	0.22	0.25	0.26	0.34	0.34
Mortgage debt/ disposable income	3.6	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7
of which share > 3.5	0.46	0.48	0.48	0.48	0.49	0.50	0.51	0.52	0.52

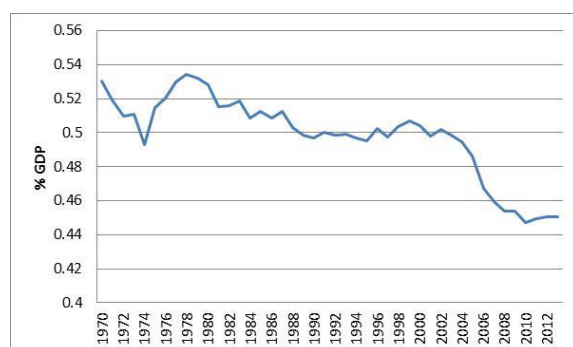
Source: CBS Statline

Several measures have already been taken to reduce debt growth, such as more critical appraisals of new mortgages, lower loan-to-value ratios and the obligation to issue only mortgages with amortization schedules. Some steps have also been taken by reducing the tax relief systems. The OECD (2014) advises to intensify these processes once growth picks up.

2.4 The Fall in Household Consumption

Figure 19 illustrates that consumption relative to GDP in the Netherlands had already fallen substantially in the period before the financial crisis, from 51% of GDP in 1999 to 46% in 2007, after which it more or less stagnated. The CPB (2014c, Figure 6.1) shows that consumption in the Netherlands has declined more than in other northern EU countries and continued to do this after 2008.

Figure 19 Consumption/GDP, 1970-2013



Source: CPB (2014b)

Figure 20 Components of real disposable income



Source: CPB (2014b), CBS Statline

The reason for this fall in consumption is the stagnation of real disposable income of households in the Netherlands since 1998 – see Figure 20 – while GDP continued to grow till 2007.²⁵ The main reason for the stagnation of real disposable income of households is the stagnation in labour income during that period, as Figure 20 shows. Income of households from social security increased somewhat, but this was not sufficient to compensate for the loss in labour income. The third component consists of ‘other income,’ which is income from wealth net of interest payments. This component is very small and, hence, had no serious impact on total disposable income. In section II.3.2 below, where we discuss the decrease in the labour share in

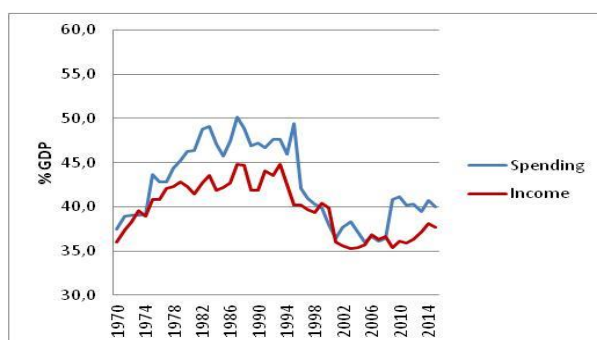
²⁵ Figure 16 shows that consumption varied between 90% and 95% of disposable income in that period. The stagnation in labour income has been elaborated in section II.2.6.

national income, we will argue that the stagnation in real labour income since 1998 is due to a standstill in both real wages and hours worked.

3 Government Balances

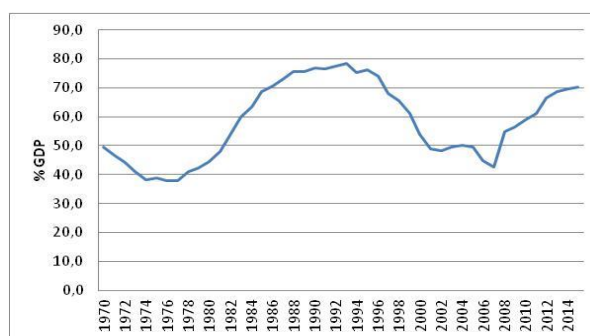
The development of government spending and income over time is presented in Figure 21. Spending soared in the aftermath of the oil crises in 1973 and 1979 and remained at a relatively high level till the mid-1990s. It then dropped remarkably by almost 15% points of GDP in a period of four years with strong budget cuts, which were partly motivated by the process of European integration. The budget deficit dropped accordingly, as did government debt; see also Figure 22. Spending remained just above 35% of GDP until the financial crisis. After the financial crisis, however, government expenditures increased again to around 40% of GDP, due to increased social security expenditures (in spite of severe cuts in this area) and other transfer payments. Due to automatic stabilizers, income lagged behind. Government debt increased initially (partly because of bailing out banks; see Figure 3 above) and stabilized later.²⁶

Figure 21 Government expenditures and income



Source: CPB (2014b)

Figure 22 Government debt



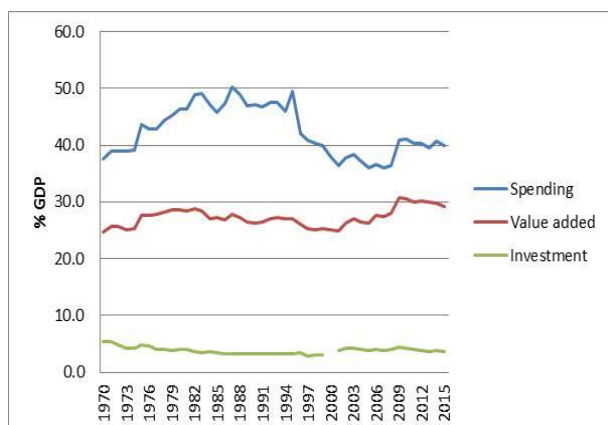
Source: CPB (2014b)

Figure 23 shows the development of social expenditures and other transfer incomes. The contribution of government to value added as a share of GDP is much lower than that of total government spending. The difference between both can be interpreted as transfer income provided by the government. The figure shows that the strong decrease in government spending relative to GDP in the mid-1990s was mainly due to a decrease in income transfers, whereas the increase in government spending after 2008 also had an important component of income transfers. Finally, Figure 23 also shows that government investment has always had a low share of total government expenditures. After the oil crisis in the mid-1970s, it decreased from 15% to about 12% of total government expenditures in the 1980s and 1990s. It went up in the early 2000s due to a data revision but decreased again to 12% after the financial crisis.

Public deficits have featured prominently in recent policy discussions and in the media. They are mostly considered a problem, and often the principal problem, following the fixation on restrictions on budget deficits and government debt in the 1993 Maastricht Treaty. This policy and the media exposure it is getting, tends to ignore several important issues. First, budget deficits, which represent net government savings, should always be considered in the context of the whole structure of national balances. Because the sum of net savings of the government and the private sector equals foreign net savings by definition, the requirement of a balanced government budget implies that net savings of the private sector should equal foreign net savings.

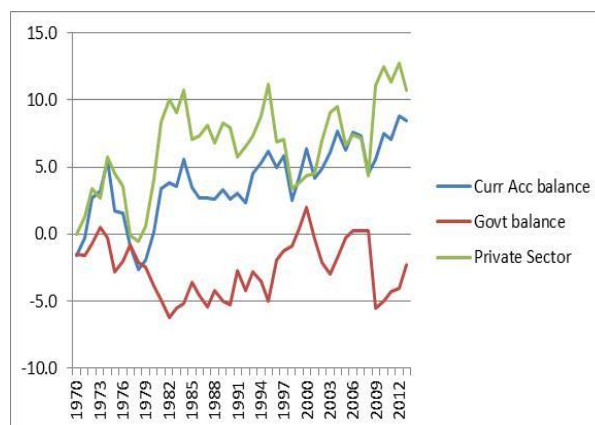
²⁶ Due to a revision of national accounts, government debt in 2010 has been adjusted downwards from 63.4% of GDP to 59% of GDP.

Figure 23 Government expenditures and value added



Source: CPB (2014b)

Figure 24 Net savings by sectors²⁷



Source: CPB (2014b)

Figure 24 shows that private net savings have fluctuated between 7% and 12% of GDP in the Netherlands since the mid-1980s. Since then, the current account has shown a surplus between 3% and 8%, which represents foreign net savings abroad. From this perspective, a government deficit fluctuating around 4% should not be surprising.

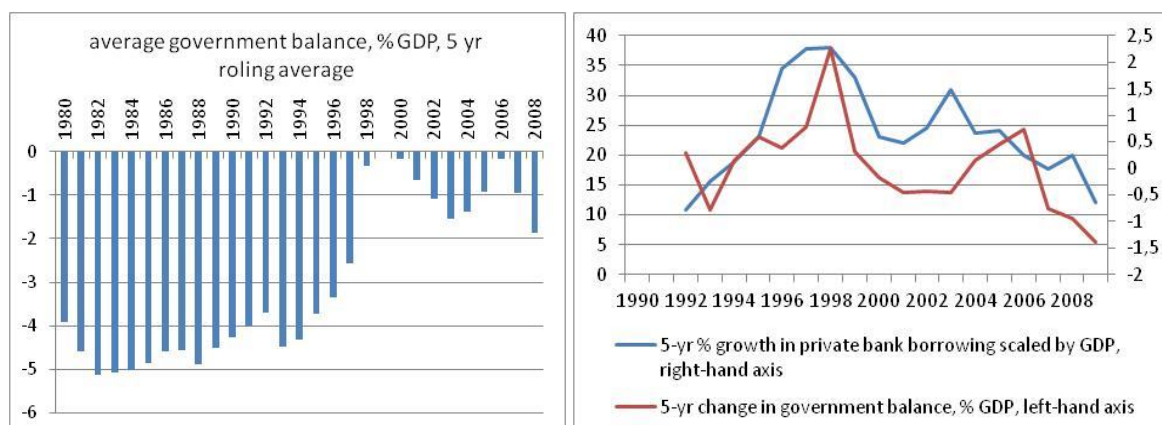
In this context, balancing the Dutch government budget implies either decreasing Dutch private sector savings (which are exceptionally high due to savings out of profit by multinationals, as we will discuss below), or decreasing Dutch foreign savings (which are exceptionally high due to the export-driven growth model), or a combination of both. Those who argue for balanced government budgets often also argue in favour of export growth. The argument for balanced government budgets plus export growth is tantamount to an argument for reducing private savings, which, in the Dutch context, implies either reducing multinational profits or increasing household debt. This is hardly what government budget ‘hawks’ would usually favour although it is fully implied in the argument. It is an open question whether this new configuration (lower government deficits, with lower private or foreign savings) is more beneficial to growth and stability than alternatives. In discussing the benefits or otherwise of government budget reduction, the whole configuration must be taken into account.

These considerations take on particular poignancy in view of the exceptionally large Dutch private debt of above 200% of GDP. After 1993, when the Maastricht Treaty was ratified, the public deficit decreased strongly (Figure 25, left-hand panel) until the 2008 crisis. Given the increase in foreign savings in the same years (which we discuss below), this public deficit reduction implied a decrease in private sector savings by firms and households. Given the rise in corporate savings, the adjustment has largely fallen on household balances. As Figure 25, right-hand panel, shows, there is a clear correlation between the reduction of the public deficit and the rise in private indebtedness.

It is important to trace these unintended implications of public deficit policies. It is questionable that reduction of the public debt (to around 55% of GDP in 2008) was more important than slower growth of private debt, to around 200%. Since the 2008 credit crisis and the 2010 Euro-crisis, many authors have observed that ‘the problem is with total borrowing in the economy, not with government borrowing per se’ (Shambaugh 2012, p 178). In this respect, the ‘Maastricht’ focus on government debt was one-sided. The danger is that this anti-government ethos is still blinding us to the linkages between public sector debt reduction and private sector vulnerabilities.

²⁷ We consistently correct for a statistical outlier in the government deficit data for 1994.

Figure 25 The public deficit (left-hand panel); growth in private debt and increases in the public balance (right-hand panel).*



Source: CBS, Statline

* Observations are at the midpoint of 5 annual observations, in levels (left-hand panel) or in changes and growth rates (right-hand panel). E.g., the observation for 1997 refers to 1995-1999.

In general, all this argues in favour of a more nuanced analysis of government debt than is often done in the public debate. In their review of various empirical studies, for instance, Panizza and Presbitero (2013) conclude that 'While there is evidence that public debt is negatively correlated with economic growth, there is no study that makes a strong case for a causal relationship going from debt to growth. Moreover, the presence of debt thresholds and, more generally, of a non-monotonic relationship between debt and growth is not robust to small changes in data coverage and empirical techniques.' Jordá et al. (2013) in a study of 'advanced countries since 1870 ... find that in advanced economies significant financial stability risks have mostly come from private sector credit booms rather than from the expansion of public debt.' Nonetheless 'high levels of public debt have tended to exacerbate the effects of private sector deleveraging after crises, leading to more prolonged periods of economic depression.'

4 Imbalances in the Foreign Sector and the Firm Sector

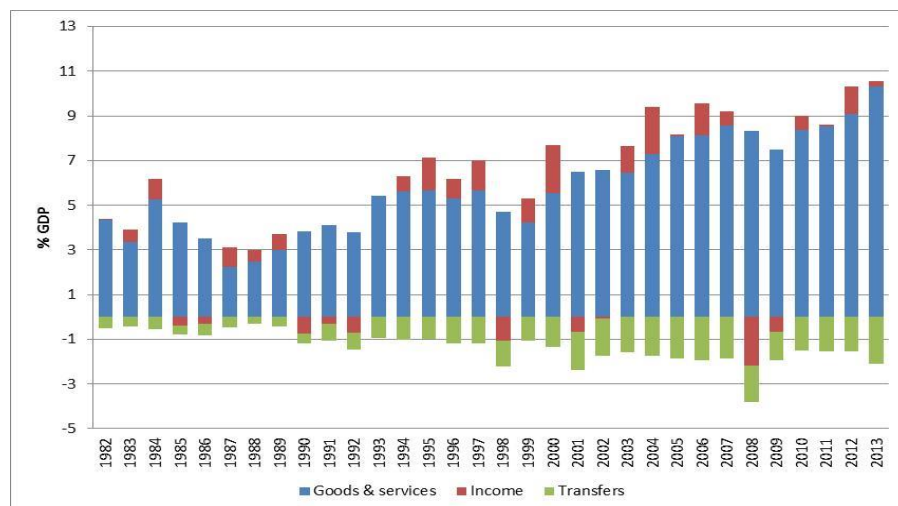
4.1 Introduction

One consequence of the special nature of the financial structure of the Dutch economy is the large current account surplus of the Netherlands. The current account is the difference between domestic investment and domestic savings. In 2013, the Dutch current account reached 9.3% of GDP, the highest value ever. This is part of a longer-term trend: the current account has been positive since 1980. This makes the Netherlands a net lender to the rest of the world. By definition, the current account surplus is composed of the goods and services trade balance, net income from abroad and net current transfers. Figure 26 shows that the trade balance constitutes the major part of the current account. This reflects the competitiveness of the Dutch economy (increasingly in re-exporting as part of global production chains) and its large natural gas resources, which reduce energy imports and cause gas export. It has been estimated that the current account surplus would be 2.5% lower without the effect of natural gas (CBS statistics). Incomes from abroad are also larger than incomes going abroad. In contrast, net current transfers abroad are negative.

If we look beyond the Netherlands, its large current account surplus is also part of the imbalances within the Eurozone, which were among the causes of the Euro-crisis. Even though

the current account surplus may not be considered problematic for the Netherlands, it may be problematic for other economies and for the stability of the Eurozone (Holinski et al. 2012).

Figure 26 The composition of the current account balance



Source: CPB (2014b)

We will argue below that the Dutch current account surplus is entirely due to net savings by firms, Multinational Corporations (MNCs) in particular (section 4.2). The savings of MNCs are high because of high retained profits and low taxes (section 4.3). Savings of SMEs, on the other hand, are low due to their precarious financial position (section 4.4), which points at a dichotomy in the Dutch firm sector as we will elaborate further in section II.7 below. Investment by Dutch firms, finally, has declined, contributing to an increase in net savings (section 4.5).

4.2 The Current Account and Net Savings

Another perspective on the current account is to establish the net savings of the various domestic sectors; see also Figure 23 above. In this perspective, the large current account surplus is evidence of under-consumption or under-investment. Remarkably, the Dutch current account surplus is entirely due to firms (including financial institutions): in most other economies of the European area over 2003-2012, households saved and firms borrowed; in the Netherlands, households and the government were small net borrowers,²⁸ but firms saved a remarkable 7% of GDP, compared to -1% in the EA17 economies on average (Eggelte et al., 2014, p.13).²⁹ The high net savings of firms (6.3% of GDP in 2013), therefore, resulted from gross savings, which were 8% of GDP above the Euro area average, and gross investments, which were 2% below the Euro area average. These net savings are invested abroad in line with the large positive Dutch current account.

Witteveen (2014) argues that the large current account is harming the economy. However, when we look at the reasons for corporate and household savings, this is not obvious. As we will

²⁸ Households are net borrowers in most years because housing expenditures should be subtracted from gross savings.

²⁹ Note the decline in household savings and the increase in firm savings is in part the result of a change in legal status, as a part of what used to be household savings by natural persons with a company (part of the household sector) moved to savings in firms by owner-managers (Eggelte et al., 2014, p.20).

elaborate below, incomes from abroad are realized due to investments abroad by multinational corporations, pension funds, and insurance funds. If these investments were domestic, the reduction in the current account would only be small; most of it is due to trade, not due to income from investment. It is also doubtful that the Dutch economy could productively absorb its large savings, realized in large part from foreign activities (exports and investments). The counterpart to this foreign activity appears to be a large current account surplus. The large foreign investments by both firms and pension funds (which are exceptional in a European perspective), therefore, are partly explained by the small size of the Dutch economy and by its pension system.³⁰ They stand in sharp contrast, however, to the dramatic fall in domestic investment in recent years (see section 4.5 below).

Moreover, one could argue against this that it is questionable whether MNC savings were productively absorbed abroad. To the extent that they were financing mergers and acquisitions, there is a large literature questioning whether such activities add any value at all. What drives mergers and acquisitions may not be corporate synergies and new market opportunities, but the availability of finance looking for returns. Hayward (2003) concludes diplomatically that 'overall, professional firms [investment banks] lead clients to complex solutions with problematic outcomes.' This development might explain why the assets held by SFIs almost tripled over the 2003-2010 period (see Figure 12). We will elaborate on this point in the next section.

4.3 Net Savings of Multinational Corporations

The net savings of firms are almost exclusively generated abroad and invested abroad by the larger Dutch companies; of all SMEs, only 1% invest abroad. Jansen and Ligthart (2014) distinguish between small and large corporations, and the latter are divided into domestic and international MNCs. Table 6 shows that small firms cover about 60% of total employment but less than 50% of value added, whereas the MNCs cover 27 of total employment but 35% of value added. However, the savings of MNCs are twice the savings of small and large domestic firms taken together. Moreover, while the savings of small and large domestic firms are a stable share of their value added, the share of MNCs of their value added is very volatile, falling from 50% in 2000 to 10% in 2001/2002, then sharply increasing again to 60% in 2007 and falling back afterwards; see Jansen and Ligthart (2014, Figure 2.4).

Corporate savings could be high in large part because corporate profits were high. In the last decade, profits have increased particularly because more profit was made on activities outside the Netherlands, including interest on loans to foreign subsidiaries and profit retained by foreign subsidiaries; in recent years, only between 30% and 40% of profits were paid out to corporate owners (investors), which is less than half the average share in the Euro Area. Tax paid on net profit decreased from 20% in the 1980s and 1990s to around 10% now due to a lower tax rate and the rise in tax-free foreign profit (Eggelte et al., 2014, p.34). Taken together, this left large profits made by Dutch companies to be invested abroad rather than to be paid to the tax authorities and investors. These high foreign investments have also brought in large incomes from abroad, around 3% of GDP since 2006 (Eggelte et al., 2014, p.26). What is not much emphasized in Eggelte et al. (2014) – but all the more so by the OECD (2014) – is that 'The Netherlands seems to be used as a tax conduit for multinational firms.'³¹

³⁰ This line of reasoning is followed by CBS (2014).

³¹ OECD (2014, p.22). The OECD emphasizes that 'The majority of the hundred biggest foreign firms in the world have one or more SFIs in the Netherlands ..' and 'Business profits reported by majority-owned affiliates of US parent companies in a group of countries, including the Netherlands, are large and disconnected with their actual economic activity in terms of employment or investment.' (p. 22)

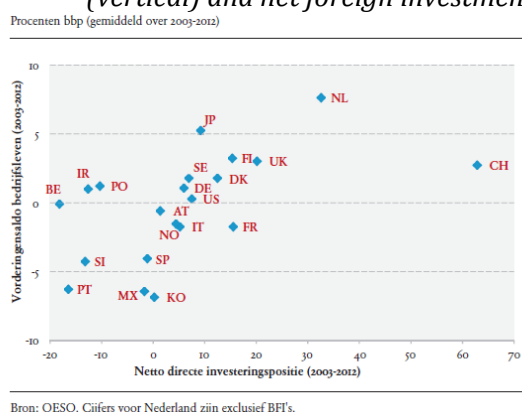
Table 6 Savings by firm type in 2010

	MNCs		Domestic
		Large	Small
Value added (bln. €)	92.6	47.9	122.2
	(35%)	(18%)	(47%)
Employment (x 1000)	936	446	2066
	(27%)	(13%)	(60%)
Savings (% GDP)	10	3.5	2
Savings (% value added)	35	20	15

Source: Jansen and Ligthart (2014, Table 2.6 and Figure 2.4)

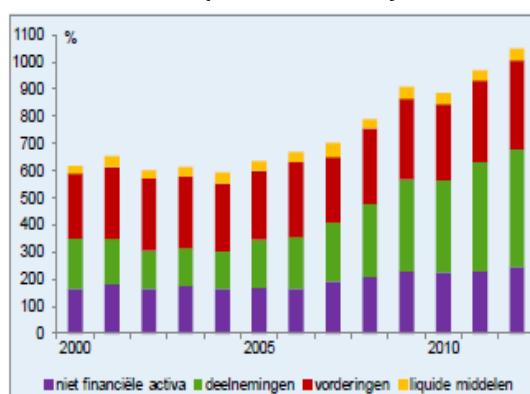
The above reasoning is also illustrated by Figure 26, which depicts the relationship between nonfinancial business savings and net foreign investments (including the financial sector) for 21 OECD economies. The Netherlands stands out on both dimensions. Dutch corporate savings are mobilized to finance investments in foreign subsidiaries. Moreover, when foreign subsidiaries retain their profit to finance their investment, this is counted as retained profit of the mother company in the Netherlands, so that it adds to Dutch savings. Dutch multinationals such as Shell are capital-intensive and retain a large part of their profit for foreign investment worldwide. Other industries that are both large savers and often have foreign subsidiaries include the chemical, agri-food and pharmaceutical industries.

Figure 27 Nonfinancial business savings (vertical) and net foreign investments



Source: Eggelte et al. (2014, Figure 11)

Figure 28 Composition of assets of MCOs (% value added)³²



Source: Jansen and Ligthart (2014, Figure 2.11)

Jansen and Ligthart (2014, Figure 2.11) – reproduced in Figure 28 – show that, over the 2000-2014 period, non-financial assets covered a stable proportion of 150-200% of MNCs' value added, but that the share of financial assets increased from 450% of value added of MNCs in 2000 to 800% in 2012.

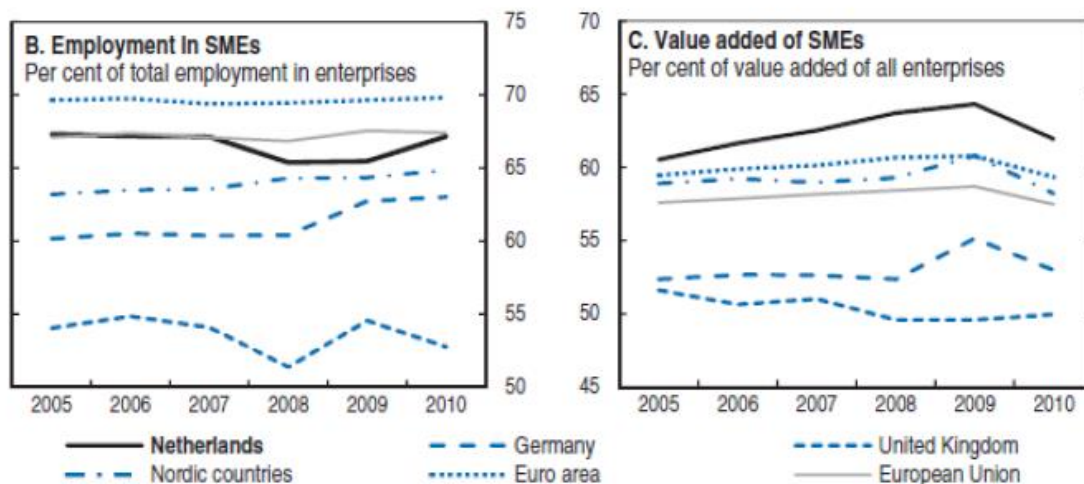
³² The stacked bars refer to: non-financial assets, participations, claims, and liquid assets, respectively.

From this perspective, Dutch savings and the international capital flows to which they give rise, leading to increasing asset prices (for real estate derivatives, commodities, futures, stocks, etc.) may well be part of the global destabilization of asset markets. It has been noted that this process is much like a Ponzi game, in which capital gains can only continue with increasing inflows, not due to underlying fundamentals. This issue goes well beyond an analysis of the Dutch economy. A relevant question for the Dutch economy, however, is whether increased reliance on capital gains realized by channelling savings into international asset market poses a stability threat to Dutch corporations and pension funds. In a Ponzi game, rates of return must come down at some point. A strategy for this outcome should be in place.

4.4 The Position of SMEs

The position of SMEs in the Netherlands has gained a lot of attention in the last few years. In its survey of the Dutch economy, the OECD (2014) selected this as one of the two topics to be specially highlighted in separate chapters. Similarly, the CPB (2014c) has a separate chapter on the precarious position of SMEs. The Social and Economic Council of the Netherlands also devoted a report to it (SER, 2014). The contribution of Dutch SMEs to value added is clearly above the European average, as shown in Figure 29. Employment is below the European average, but still around 65%.

Figure 29 Employment and value added in SMEs, 2005-2013

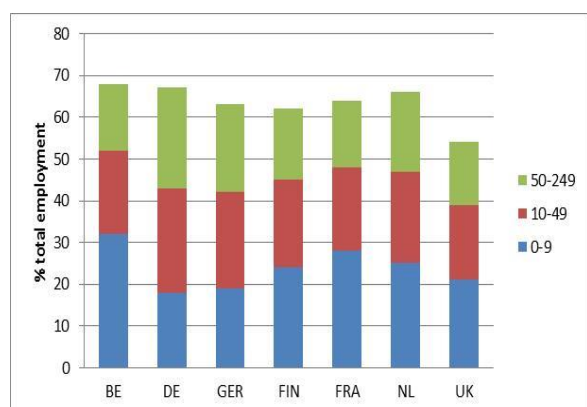


Source: OECD (2014, Figure 2.1)

Figure 30 shows that employment of SMEs constitutes about 60%-70% of total employment in most European countries. Firm size is more or less equally distributed over the three size categories. However, virtually one-third of the small enterprises (1-9 persons) in the Netherlands consist of sole proprietorships. The share of single-person enterprises in total employment has almost doubled over the past 18 years and constitutes almost 11% of total employment (Figure 31). This growth is clearly related to the increased flexibilization of the labour market and decreased opportunities for regular employment (Muysken, 2013).

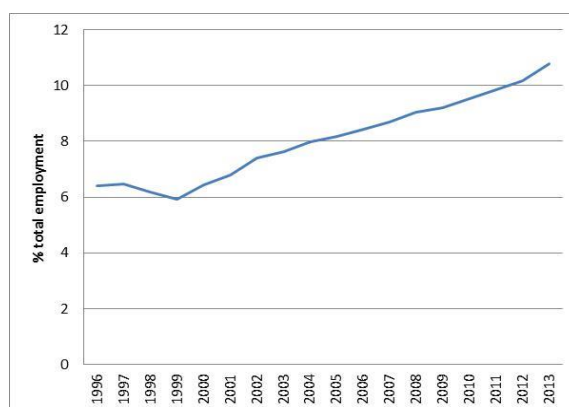
Other net job growth in the Netherlands over the 2007-2010 period stems from large corporations. Firms of small size (10-49 persons) had on average a stagnating job level and medium-sized firms (20-249 pers.) had on average a job loss.

Figure 30 Share of employment by firm size 2013



Source: SER (2014)

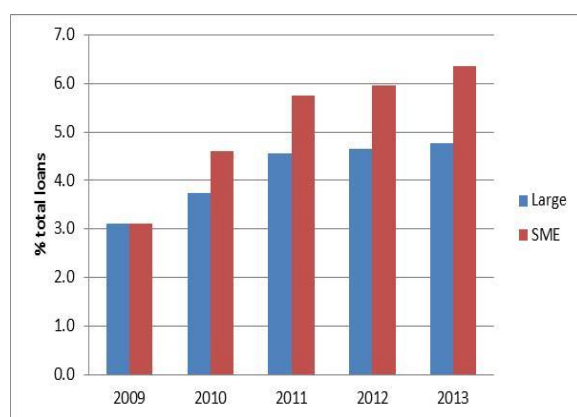
Figure 31 Share of sole proprietorship



Source: CBS Statline

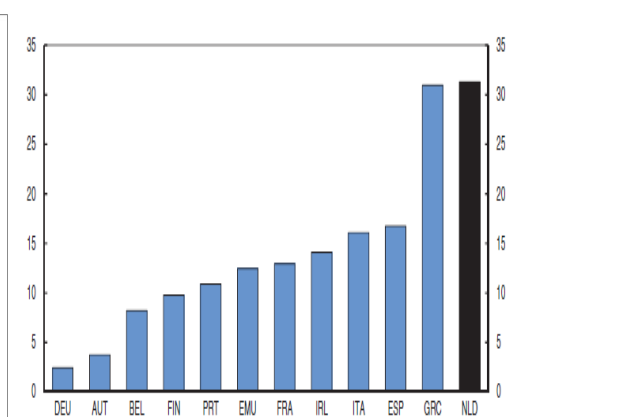
The precarious position of SMEs is reflected in the higher incidence of problematic loans as registered by banks; see Figure 32. While the share of problematic loans for large firms has stabilized around 4.75% since 2011, it was increasing steadily to a level of 6.25% for SMEs reported in 2013 (Q2). This high share of problematic loans is consistent with the high loan rejection rate for SMEs (Figure 33), and with the observation that ‘SMEs in the Netherlands that are successful in obtaining loans pay significantly higher interest rates than, for example, in France or in Germany’ (CPB 2014c). Van Veldhuizen and van Beers (2014) show that the position of very small SMEs has worsened most after the financial crisis: both their solvability and return on capital have become the lowest compared to the slightly larger SMEs.

Figure 32 Problem loans of large firms and SMEs



Source: DNB Statistics

Figure 33 Loan Application rejection rate for SMEs³³



Source: OECD (2014, Fig 2.6)

There are several reasons for the deteriorating position of SMEs (SER, 2014). The demand side for credit has been negatively affected by (a) the persistent decline in aggregate demand; (b) a decline in equity; and (c) structural changes such as increasing economies of scale and the rise of online sales. An important supply side factor is (d) the reluctance of banks to provide loans due to increased capital requirements, in particular to SMEs that are considered to be risky (see also Figures 32 and 33). A final factor is (e) the relatively small number of banks that can be approached by SMEs for loans (see also section I.2 above), and the lack of alternative sources of finance in the Netherlands (and most European countries).

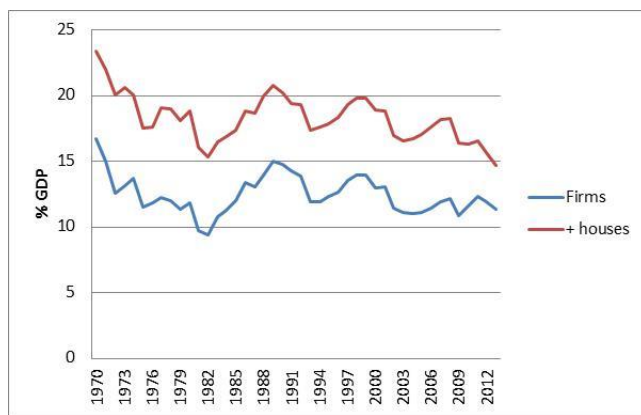
³³ Percent of respondents applying for a loan, April to September 2013.

In summary, we share the conclusion of the CPB (2014c) that '[i]n broad terms, there is evidence that the average Dutch firm has relatively healthy finances compared with firms in other European countries. That average, however, hides some important differences between firms in the Netherlands: SMEs have suffered more than larger firms, and more so than SMEs in other core euro-area countries.' We will elaborate upon this point in section II.3.2 below, where we discuss the dichotomy of Dutch firms.

4.5 Investment by Firms

The development of gross investments by firms is presented in Figure 34. There has been a clear negative trend in investment relative to GDP since the mid-1980s in both nominal and real terms. Investment, including houses, fell from 21% of GDP in 1988 to 15% in 2013; excluding houses, it fell from 15% to 11%. According to the CPB, about half of this decline in investment can be explained by lower prices of investment relative to GDP prices (Jansen and Ligthart, 2014). The decline in real investment, which constitutes the other half, can be explained by persistent excess capacity (which is large in the Netherlands compared to the EU average) and by the relatively volatile FDI, which is characteristic for the Netherlands due to the presence of many MNOs, for tax reasons (see also section 1.1.4).

Figure 34 Investment by firms (incl. houses)



Source: CPB (2014b)

PART II Consequences

1 Introduction

The benefits of financial deepening are well-known (Levine, 2005; Ang, 2008). Recent research, however, seems to indicate that it is possible for economies to have a financial sector that is larger than is optimal for growth. This is reported in papers with titles such as *What Is Happening To The Impact Of Financial Deepening On Economic Growth* (Rousseau and Wachtel, 2011), *Too Much Finance* (Arcand et al., 2012), *Reassessing the Impact of Finance on Growth*, (Cecchetti and Kharroubi, 2013) and *Is More Finance Better?* (Beck et al., 2012). There may also be effects on stability (Easterly et al. 2000) and inequality (Piketty 2014). A number of arguments in this literature appear to apply to the Dutch economy. We identify adverse consequences of the trends described in PART 1 for the Dutch economy in two areas: the bloated domestic banking sector and the level of financial globalization. Contributing to both these trends was a preference for private-finance over public-finance growth.

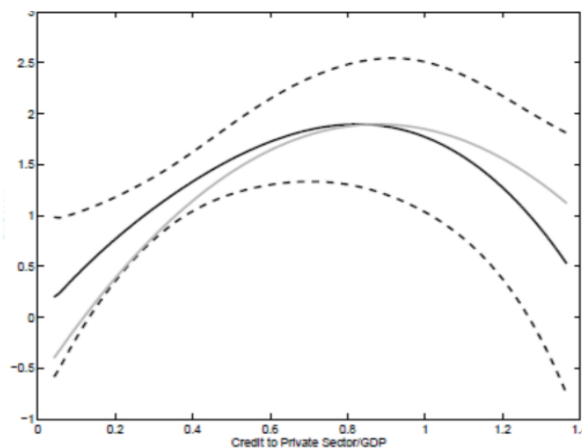
2 Domestic Financial Overdevelopment: Effects on Growth and Volatility

PART 1, section 1.2, showed that the Dutch banking sector has more than doubled in size since 1990. This was largely due to growth in mortgages. This is part of a wider trend, but it is quite extraordinary in the Netherlands. Bezemer et al. (2014) observe in a cross-section of countries over 1990-2011 that total private debt to domestic banks rose from below 80% to over 120% of GDP, with mortgage credit rising from 20% to 50% and credit to nonfinancial business remaining stable around 40% of GDP. One may wonder what the effects are of a large financial sector (i.e., a large credit/GDP ratio) and large mortgage debt. We identify three problems, which we will discuss subsequently: (1) excessive household debt, (2) boom and bust, and (3) debt overhang.

2.1 Excessive Household Debt

Recent research shows that, above a threshold level, a high credit-to-GDP ratio may slow down growth. The threshold is around loans to the nonfinancial private sector of 100% of GDP in Arcand et al. (2012) as Figure 35 shows; more financial development is not good for growth beyond the threshold. However, the

Figure 35 The effect of financial development (horizontal axis) on real GDP per capita growth (vertical axis).



Source: Arcand et al. (2011). The solid black lines are point estimates; the dotted lines are confidence interval boundaries.

Netherlands had a ratio of about 220% in 2012. This should be worrisome, unless one can argue that the Netherlands is a special case, in such a way that these findings do not apply to the Dutch economy. This appears to be the implicit assumption in the public debate to date within the Netherlands (but not outside it).

Rousseau and Wachtel (2011) suggest that, after the 1990s, many countries liberalized their financial markets too soon. Arcand et al. (2012) suggest that bailout policies may lead to a bloated financial sector. Cecchetti and Kharroubi (2012, 2013) present evidence that R&D-intensive industries lose skilled labour to finance during a credit boom. Stockhammer (2004) found a causal relation between expanding asset markets and a slowdown in investment for selected OECD economies.

The large rise in household mortgages in the Netherlands is particularly worrisome. Jappelli et al. (2008) developed a model in which more household credit leads to lower private savings and slower growth. Beck et al. (2012) showed that credit to households has small or zero growth effects, whereas credit to nonfinancial business has strong growth effects. Xu (2000) also showed that business investment, not household spending, is how financial development affects growth. Büyükkarabacak and Krause (2009) and Büyükkarabacak et al. (2010) found that countries with more household credit have higher probabilities of crisis and weaker external balances. Jappelli et al. (2008), Barba and Pivetti (2009) and Sutherland et al. (2012) all found positive crisis and recession effects of the expansion of household credit.

2.2 Boom and Bust

Another drawback of a large financial sector is its impact on the business cycle. The financial sector has generated a financial cycle, which may dampen or amplify the business cycle. Due to its unusually large financial sector, the Dutch economy is influenced exceptionally strongly by the financial cycle. Examples of how the economy may partly be driven by financial factors include the following. In the 1990s and early 2000s, there was a remarkable increase in consumption by households in the Euro Area, without a corresponding increase in incomes or employment to explain this. A key reason was increased mortgage availability to finance consumption. The average household consumed 70 euros more for every one thousand euro increase in its mortgage (Sousa, 2009). Second, a typical firm in each of the 28 EU economies invested a fifth less in 2011 than it did in 2007, again without a large change in investment opportunities, innovations, or product markets that might explain this. An important reason was less lending by banks (Kay et al., 2014).

The development of macro-level financial factors are described with the concept of the financial cycle. The financial cycle is the trend movement of credit flows and asset prices (Borio, 2012; Claessens et al., 2013). Financial cycles exist because economic growth causes increasingly positive growth expectations and risk assessments, often leading to more borrowing and rising asset prices, and yet higher economic growth. This is the upturn of the financial cycle. When at high levels of debt, growth becomes unsustainable, and the growth rate declines (Borio et al., 2013), triggering debt repayment efforts, falling asset prices, and reductions in investment, employment, and consumption: the downturn of the financial cycle. Stimulated by psychological mechanisms such as over-optimism, self-fulfilling prophecies, and herding behaviour, and by policy and regulatory responses, the financial cycle is an overshooting of growth relative to fundamentals, followed by undershooting and stagnation (Egert and Sutherland, 2014). In a recent study, financial cycle duration was found to be 14-16 years on average, encompassing several business cycles (Borio, 2013).

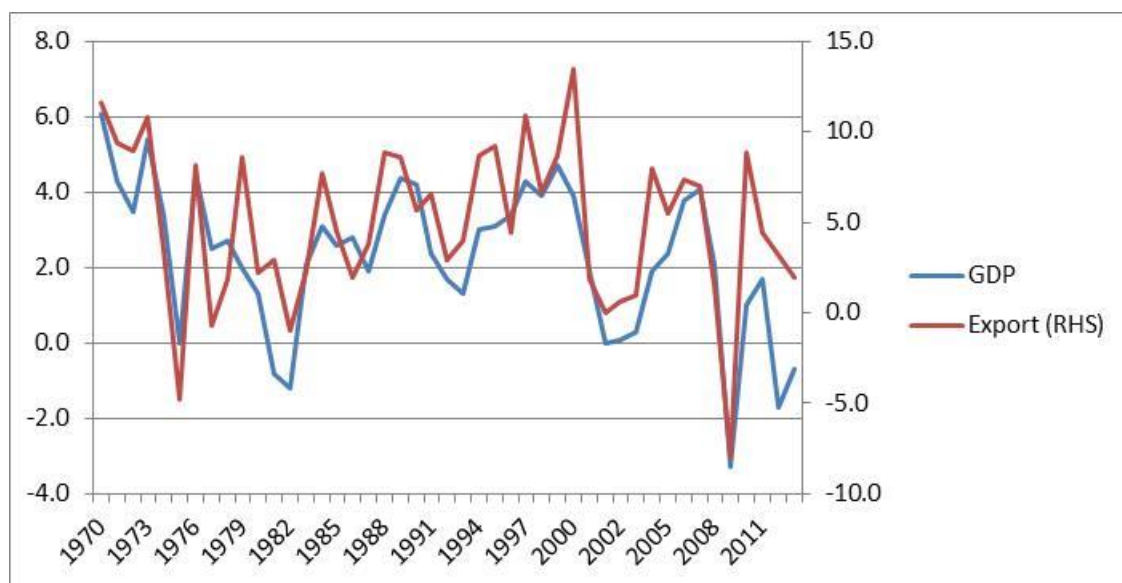
Most advanced economies are now coming out of the 2008-2013 downturn of the financial cycle. This started with credit booms in the 1990s which caused higher GDP growth, but with

greater risk of crises and, some studies suggest, less innovation and investment (Cecchetti and Kharroubi, 2012; Stockhammer, 2004). The rapid growth of the financial sector and of debt was already harmful to the economy before the crisis and is probably causing prolonged stagnation now after the crisis: banks respond more strongly to falling asset prices by restricting their lending than to rising asset prices by loosening lending standards. Firms and households are more adversely affected by financial contractions than helped by expansions. Financial sector ups and downs go ‘up by the stairs, down by the parachute,’ as Aizenman et al. (2013) put it. Especially financial booms with rising real estate prices and mortgage loans increase the chances of recession; moreover, they lead to longer and deeper recessions (IMF, 2011, 2012). It is pertinent to consider this possibility for the Netherlands, which had seven years of negative or very low growth since the 2007 crisis (below 1% over 2008-2014, with the exception of one quarter in 2011).

2.3 Debt Overhang and Sectoral Rebalancing

In the context of public deficit policies in section I.4.2, we discussed how private, public, and foreign balances sum to zero by accounting identity. The three-sector identity holds axiomatically, but the implied adjustments in the economy will have consequences for growth, especially after a financial crisis. One way to start discussing this is to compare GDP growth to export growth.

Figure 36 GDP growth and export growth, 1970-2013.

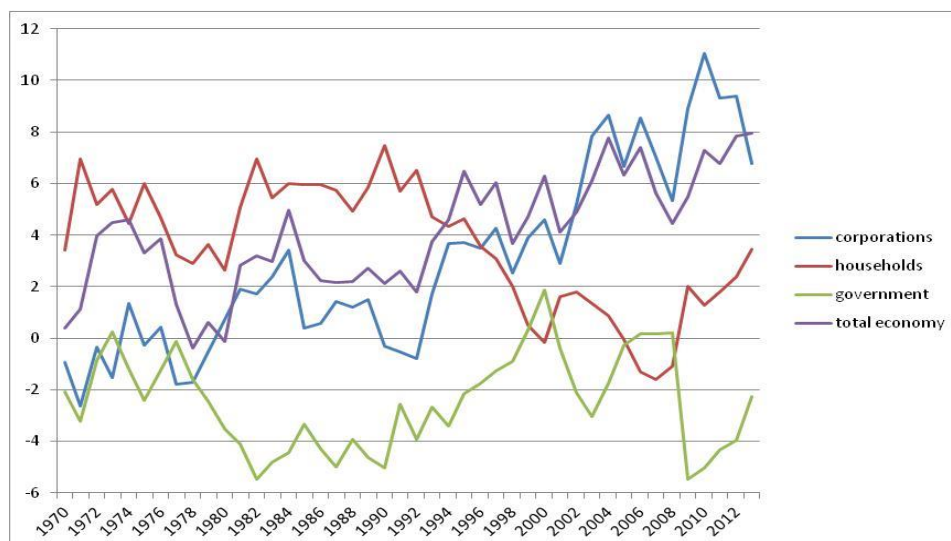


Source: CPB (2014b)

Figure 36 shows that, over the past decades, Dutch GDP growth moved by and large with export growth. From 2001 up to the 2007 crisis, growth of export was consistently larger than GDP growth. After the crisis, both plunged, but the gap quickly resurfaced in 2008-9, has persisted since, and is larger than ever before. This raises the question what was holding back domestic growth before and, especially, after the crisis?

Figure 37 sheds some light on this question by showing the net lending or borrowing of the corporate, household, and government sectors, plus total economy lending (the sum of sector balances), all in current values as percentage of current GDP.

Figure 37 Sector lending/borrowing, as % of GDP, 1980-2013 GDP growth and export growth, 1970-2013.



Source: AMECO database

Around 1993, there was a structural change in financial balances. Household balances started a long fall, which lasted, with one interruption in 2001, until the 2007 crisis. Corporate net-savings were consistently smaller than household net-savings before 1993 and consistently larger than household net-savings after 1993. From the turn of the millennium, government deficits were also very small. All in all, this was a drain of effective demand, which may be one reason for the economy's lagging growth performance.

As Figure 36 illustrates, trade collapsed in 2008-2009 due to the global crisis, reducing spending in the domestic economy. The public balance partly compensated this by turning sharply more negative, as the Dutch government increased spending over 2008 and 2009. From 2009 through 2013, we observe from Figure 37 that both household and public net savings increased strongly in an effort to restore their balances. This has never happened before, at least not since 1970. GDP growth in these five years was negative or anaemic, with two recession episodes. Household debts, which were now seen as problematic, plus government bank bailout combined with 'Maastricht' rules produced these 'double rebalancing' years, with ultra-low growth.

The relevance to financialization is that, with large private debts run up over two decades of financialization, the private balance response may be much stronger than otherwise and may not be due to trade effects only. Whether or not debts are experienced as problematic is subject to assessments of sustainability. Such assessments are fast changing around break points in the financial cycle. Firms and, especially, households, may turn from careless debt build-up to debt repayment efforts within a short time span. This reduces GDP further, or may even be the principal cause of the recession following a trade collapse coinciding with a financial crisis. The dynamic is further strengthened as house price growth stops as a result of a decline or reversal in mortgage growth. This adds a negative wealth effect on consumption. There are still no studies available to assess the size of these debt effects for the Netherlands. However, these effects may be a cause of recession and low growth, even as global trade recovered. Jordà et al. (2014), for instance, show that it is not only larger household mortgage debts that increase the probability of banking crises, but also output loss after a crisis. In an OECD study, Sutherland et al. (2012) likewise show that when household debt levels are high, recessions tend to be more severe.

Added to these household dynamics were the continuing restraints on public sector balances, driven by the perceived unsustainability of government finances and the wish to adhere to ‘Maastricht’ criteria. This was a policy in common with many other European governments. A vivid debate ensued on whether it was appropriate for governments to be reducing public deficits at a time when the private sector was also reducing its deficit.³⁴ Between them, combined private and public saving efforts may have been the reason why the Dutch economy experienced five years of recession or ultralow growth. This merits further research.

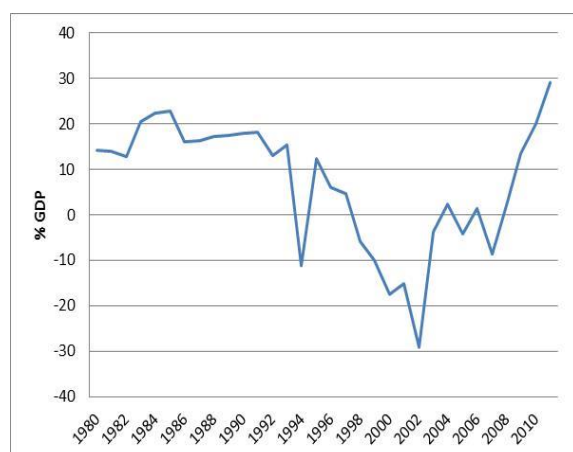
3. Financial Globalization

Financial globalization is the increase in international capital flows and investment positions. In this section, we will discuss effects on (1) the wage share and domestic demand, and (2) the structure of business.

3.1 The Wage Share And Domestic Demand

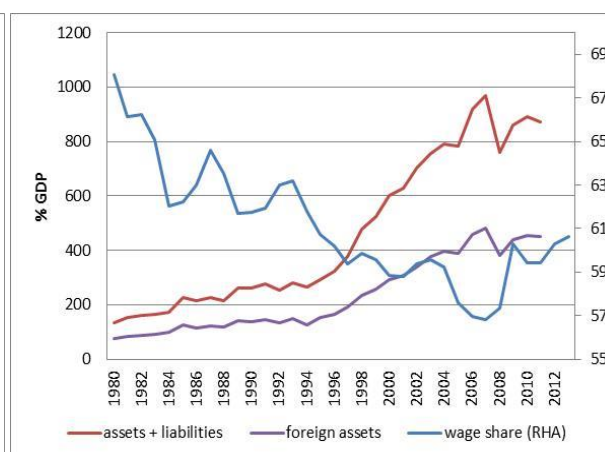
Figure 38 shows that Dutch foreign assets exceeded liabilities from 1980 to 1998 (we suspect that the 1994 dip is a statistical outlier) so that the Netherlands was a net investor abroad. Here assets and liabilities include both FDI and other investment and borrowing/lending, including those of Special Financial Institutions. However, after 1998 and until the crisis in 2008, liabilities exceeded assets, principally due to large borrowing by Dutch banks (the deposit financing gap, discussed in section I.1.2). Since the crisis, banks have reduced their borrowing and repatriated capital, and MNCs have saved and invested abroad, so that the Dutch economy is a net lender to the rest of the world again. Further work must address the relative contributions of these and other factors driving the net investment position.

Figure 38 Foreign financial assets minus liabilities



Source: Lane and Milesi-Feretti

Figure 39 Foreign financial assets and liabilities in the Netherlands, 1980-2014.



Source: AMECO data base; Lane and Milesi-Ferretti

More important than the net position is perhaps exposure (foreign assets and liabilities, scaled by GDP). A common measure of financial globalization is the sum of a country’s foreign assets and liabilities, scaled by GDP. By this measure, the Netherlands is very globalized (Figure 39): its foreign assets and liabilities rose from 135% of GDP in 1980 to 871% of GDP in 2010, the latest data point in Lane and Milesi-Feretti’s data set on the ‘External Wealth of Nations.’ This constitutes a more than six-fold rise over the last 35 years.

³⁴ See, e.g., Krugman and Layard’s *Manifesto for Economic Sense*. www.manifestoforeconomicsense.org/

Despite strong theoretical priors on the benefits of financial globalization, the empirical literature is mixed. For advanced economies, a possible explanation is the decrease in domestic demand due to financial globalization. If more of an economy's surplus is channelled into profits funding foreign investment, then less must go into wages, so that domestic demand is falling. Stockhammer (2011) estimates robustly negative effects from financial globalization on the wage share. If an economy's growth is wage-led, then a decline in the wage share would lower growth, other things being equal, where 'wage-led' is defined by the presence of a positive response of growth to an increase in the wage share. Alternatively, economies can be profit-led. Empirical work suggests that most European economies are wage-led. For instance, Naastepad and Storm (2007) and Stockhammer and Stehrer (2011) found that the Dutch economy is wage-led.

The Dutch wage share is included in Figure 39. It is measured in the Eurostat AMECO data base as the compensation per employee as percentage of GDP at market prices per person employed. By this measure, the Dutch wage share declined from 68% in 1980 to a low of 57% in 2007. Since then, the wage share has increased again to 60%. At the same time, as noted, the Dutch economy increased its foreign financial exposure. The correlation between the two indicators is -82%. On the basis of theory, other empirical evidence, and the Dutch data, it is pertinent to consider that financial globalization may have changed the functional distribution of income, and that this may have cost growth. Increased preference to invest revenues abroad (that is, increased financial globalization) at the cost of wage growth is not necessarily good for growth. It may also have contributed to a dichotomy in the business sector, as we will discuss below. Naturally, wage moderation may also have other causes, to do with public finances, the demise of labour unions, increased supply of cheap labour abroad, and export policy considerations. It appears fruitful to investigate the importance of these factors compared to financialization as a driving force.

3.2 The Dichotomy in Business

In the Netherlands, increased retained profits in large, mostly multinational corporations (MNCs) are mainly invested abroad, partly for tax evasion reasons.³⁵ This is accompanied by a declining wage share, which implies decreasing consumption and falling domestic demand, as noted. Apart from consumer demand, demand is also likely to be lower due to lower investment demand, if profits are invested abroad in financial products. While this may be depressing domestic GDP growth, it may boost MNC profit. MNCs are investing abroad, largely in financial assets (Figure 28), which still are kept afloat post-crisis because of the accommodating actions of central banks around the world. These tendencies have been widely observed in the literature (for a survey, see Detzmer and Hein (2014, section II.2) and Kohler (2014, section 3.3)). As Detzmer and Hein (2014, p. 21) observe:

Financialization has been characterized by increasing shareholder power vis-à-vis management and workers, an increasing rate of return on equity and bonds held by rentiers, and an alignment of management with shareholder interests through short-run performance related pay schemes, as bonuses, stock option programmes, and so on. On the one hand, this has imposed short-termism on management and has caused decreasing managements' animal spirits with respect to real investment in capital stock and long-run growth of the firm. On the other hand, it has drained internal means of

³⁵ An example is that, according to *NRC-Handelsblad* of 18 December 2014, the Russian Energy giant Gazprom directly owns 36 subsidiaries in the Netherlands and indirectly, through Gazprombank, another 22 subsidiaries. They have accumulated assets in the Netherlands worth €41 bln. Their profits are €2.37 bln, on which a total tax is paid of €5.4 mln: 0.24% on directly owned subsidiaries and 0 (zero) per cent on Gazprombank subsidiaries.

finance for real investment purposes from corporations, through increasing dividend payments and share buybacks in order to boost stock prices and thus shareholder value.

The small and medium sized business (SME) sector was also growing strongly in the past, in line with the growth of the economy prior to the financial crisis, and facilitated by the banks' willingness to provide loans. SME growth was also stimulated by the flexible labour market and the strong increase in single-person enterprises. However, due to the decline in domestic demand due to decreased consumption and post-crisis investment, the profitability of the SME-sector has suffered. As a consequence, their access to financing is problematic, and their investments have fallen dramatically. The precarious position of SMEs in the wake of the financial crisis has not been systematically documented. We only found country-specific studies, such as SER (2014) and OECD (2014, Ch. 2) for the Netherlands. The results of these studies were discussed in section I.4.4 above.

Both developments combined have created a dichotomy within the nonfinancial business sector. MNCs make large profits and save much; they have continued access to financing on international markets and operate mainly abroad. SMEs hardly make any profits, if at all, and their savings are low; banks and financial markets are reluctant to provide finance to them, and their investment is very low. To our knowledge, this dichotomy has not been widely recognized in the literature. However, it appears to be quite important for both analysis and policy.

Analytically, the dichotomy helps us understand how there could be a trade-off rather than a symbiosis of business profits and quality and quantity of employment. The common driving factor is the short-termism and shareholder orientation discussed by Detzmer and Hein (2014) above. This may cause MNC managers both to reduce long-term employment and to invest profit in financial products abroad (or engage in share buybacks), where returns may be larger than in domestic fixed capital investment. The flexibilization of the labour market increases the share of SME and single-proprietorship employment in total employment. Foreign investment of profit breaks the link with domestic investment and employment.

The dichotomy also sheds light on the relation between private savings and the current account balance. Most business saving is done within the MNC sector. Since this sector is investing abroad, net corporate savings translate directly into a positive current account, as we saw in Figure 37. Recall that a positive current account must imply that the combined government and household sectors are in deficit. With government deficits constrained by policy, the dichotomy implies rising household deficits, so rising household debt.

There are economic policy implications. Tax facilities have clearly been instrumental in creating the dichotomy. The currently growing pressure to curb those facilities might have an important impact on the behaviour of MNCs and their interconnection with the current account.³⁶ The dichotomy also suggests that demand deficiency may be a binding constraint on SME development and broader economic growth, as suggested by Naastepad and Storm (2007) and Stockhammer and Stehrer (2011). With half the value added and employment in SMEs, this may be in the interest of a healthy Dutch economy.

³⁶ The political pressure and underlying analysis is well documented on the Base Erosion and Profit Shifting (BEPS) project of the OECD, which can be followed on <http://www.oecd.org/tax/beps-about.htm>.

SUMMARY AND CONCLUSIONS

In this background paper, we discussed the financial sector and then analyzed the situation of households, the government, firms, and the foreign sector. We discussed their financial balances and their relation to the financial sector.

In summary, the financial overdevelopment of the Netherlands has two dimensions: a bloated domestic banking sector and financial globalization. Both have been accompanied by a policy preference for private over public finance growth.

The domestic financial sector is extremely large by historical and international standards. International research suggests that this comes with a number of disadvantages: lower investment, more inequality, lower growth, and fragility. In the Dutch context, we identify three problems:

- Excessive household debt. Most of the growth in private debt relative to GDP was growth in household debt. Research indicates that growth in household debt slows down economic growth, increases probability of financial crisis, and increases the output loss from a financial crisis.
- Boom and bust. The excessive growth and then stagnation of the financial sector has amplified the Dutch business cycle. Research indicates that the losses in a financial cycle downturn are usually larger than the gains in a boom. The net effect of the financial boom-and-bust sequence from the 1990s to 2008 on growth might have been negative.
- Debt overhang. As the private sector is trying to reduce its debts (built up over the previous decades), private balances turned positive after 2008. With external balances given in the short run by international trade conditions and government spending constrained by 'Maastricht' rules, it is possible that private debt rebalancing was an important reason for the five years of negative or near-zero growth in the Netherlands after the 2008 crisis.

Financial Globalization. The expansion of foreign financial assets and liabilities held by (or owed by) Dutch counterparties, in particular banks, pension funds, and multinational corporations, has created high returns in the past but also creates three problems:

- The deposit financing gap. Banks have increasingly funded mortgage growth from international assets rather than domestic deposits. There are two problems. International funding is costlier and has plausibly increased mortgage costs in the Netherlands as compared to other countries. International funding is also more volatile than domestic deposits. The deposit financing gap increases the financial fragility of Dutch banks.
- Lower wage shares, less demand, lower growth. While several factors constrained wage growth (such as the 1982 'Wassenaar' agreement), there is also evidence that expansion of foreign financial assets and liabilities is associated with a functional redistribution of income, away from wages and towards profit. In a wage-led economy, the resulting reduction in domestic demand slows down economic growth. Research indicates that the Dutch economy is a wage-led economy. Expansion of foreign financial assets and liabilities, therefore, may not have supported economic growth in the Netherlands.
- The dichotomy in business. The combination of declined domestic demand and increased retained profits in large, mostly multinational corporations (MNCs), largely invested abroad (partly for tax evasion reasons) has led to a dichotomy within the nonfinancial business sector. The small and medium-sized business sector (SMEs) has been growing, but their profitability is squeezed, their access to financing problematic, and their investments have fallen dramatically. MNCs make large profits, save much, and have continued access to financing on

international markets. With half the value added and employment in SMEs, this may not be in the interest of a healthy Dutch economy.

The preference for private over public finance. Permeating each of the above issues is the mistrust towards government finances, and trust in private financial markets. The latter is part of the financial globalization ethos that came to dominate since the 1980s. Government spending, for instance, could have compensated for the fall in demand, and larger government deficits could have prevented the growth of private deficits. This, however, was incompatible with assumptions (written into the 'Maastricht' rules and into the ECB mandate, among other things) that booms in financial asset prices are unproblematic while goods and services inflation is a problem; that it is more valuable for markets to discipline governments than for governments to finance themselves; and that private deficits are no problem but public deficits are.

In conclusion, it is clear that financial development, both domestic and international, over the last three decades has brought large gains in profit and welfare to parts of the Dutch economy. This did not encourage much discussion of the drawbacks of financial development, which had long been identified in the academic literature on financialization but remained marginal in the academic discourse. After 2007, such concerns have taken centre stage, and the destructive potential of financial overdevelopment for inequality, investment, labour markets, and growth have become widely appreciated.

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