



# Implementing Regional Economic Policy: An Analysis of Economic and Political Influences in The Netherlands

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IMPLEMENTING REGIONAL ECONOMIC  
POLICY: AN ANALYSIS OF ECONOMIC  
AND POLITICAL INFLUENCES IN  
THE NETHERLANDS

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## FOREWORD

During the past year some of the research effort of the Manpower Analysis Task has taken the form of a collaboration with the Regional Development Task in the General Research Area of IIASA. The focus of this collaborative activity has been an examination of regional economic policies in a number of countries. This paper, a part of that effort, focuses on the influence that political and economic factors have had in changing the implementation of regional economic policy in the Netherlands. The authors conclude that political factors played a negligible role, whereas the importance of economic factors reflected secular economic trends. The relative attention accorded to regional economic problems declined as the general health of the economy worsened.

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## ABSTRACT

The purpose of this paper is to extend our understanding of government behavior in the area of regional economic policy for the case of the Netherlands. The study seeks to investigate systematically the role of economic and political factors in determining changes in the implementation of regional economic policy. It is concluded that political circumstances did not play any discernable role in regional policymaking, and that the influence of economic circumstances on regional policymaking has been dominated by a secular trend. A short-run cyclical influence is found for qualitative changes in the policy package ; for quantitative changes in the amount of financial resources devoted to policymaking only the actual expenditures appear to possess a consistent cyclical component.

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IMPLEMENTING REGIONAL ECONOMIC  
POLICY: AN ANALYSIS OF ECONOMIC  
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1. INTRODUCTION

In most developed countries governments have acquired an increasing influence on the distribution of economic welfare among the people during the past three decades. A typical example of this growth in government intervention is provided by regional policy, which has extended considerably in several European countries, especially during the sixties and seventies (compare Vanhove and Klaassen 1980; Yuill, Allen, and Hull 1980; for more evidence on this matter).

Although the extension of government influence on economic life has regularly been criticized by certain groups in society (notably liberal-conservative political parties and representatives of the business sector), it does not seem to have received wide criticism in the past. Only in the most recent years has this changed rather drastically. In several countries government is seriously under attack. The effectiveness of several of its activities is questioned, and some observers point to the government sector as one of the main contributors to rigidity in economics, which reduces the possibilities for a quick adaptation to the structural changes that have become apparent during the seventies (see Van Duijn 1981, for a more extensive discussion).



It seems at first glance that the state of the national economy is a crucial factor in determining the role of the government in mixed economies. A long period with favorable growth rates for the national economy has provided the basis for a remarkable expansion of government intervention, while the economic problems during the second half of the seventies have created a more hostile attitude with respect to government. But if economic circumstances have indeed been so crucial in this process of growing government activity, one would be inclined to conclude that the shaping of this process has hardly been affected by clear political choices in the past (in De Jong 1981, a discussion of this opinion can be found). It is obvious that such a conclusion has very far reaching implications, e.g., concerning the functioning of parliamentary democracy in the developed world.

This brief impression of a more general discussion of the role of government in economic life demonstrates how important it is to acquire good knowledge of the changes in government activities in the past and the possible relations with economic and political factors. This knowledge is indispensable for the discussion about the desired role of the government in the years to come.

It is the purpose of this paper to extend our understanding of government behavior in one particular area, regional economic policy, for the special case of the Netherlands during the last three decades. Since a careful analysis of policy implementation requires very detailed information about various aspects of policymaking, such specific case studies seem to offer the best possibilities to obtain sound conclusions.

Systematic analyzes of changes in the implementation of regional policies and the underlying forces are scarce. In several studies information on the changing contents of regional policy is given (compare, e.g. Armstrong and Taylor 1978), but mostly little or no systematical attention is given to the processes causing the changes. Another group of policy studies

has preferred to investigate the impacts of the different policy instruments on the economic development of regions (compare Bartels, Nicol, and Van Duijn 1981, for a review of such studies). The present study intends to investigate systematically the role of economic and political forces in determining changes in the implementation of regional economic policy. For policy implementation we shall concentrate on the changing use of instruments during the past, and the financial resources that were devoted to the application of the instruments. First, however, we shall give a more theoretical discussion of the factors that could be relevant for an understanding of the dynamics of policy implementation. Then we proceed with the empirical part of this study. In Section 3 we consider the timing of significant changes in the policy package, and in Section 4 the financial resources devoted to policy implementation will be analyzed. The results obtained from this empirical study are used in Section 5 to derive some interesting conclusions on the process of regional policymaking.

## 2. FORCES INFLUENCING ECONOMIC POLICYMAKING

Several forces can be indicated as possible determinants of the dynamic features of economic policymaking. If we first consider economic policymaking in general, then at least four important influences require attention.

*First*, as has been stated already in the introduction, the *economic conditions* existing at the time of policy formulation and/or implementation may affect the contents and intensity of policy. These economic conditions may be considered as being composed of a long-run structural component and a short-run cyclical deviation from the structural trend (compare Van Duijn 1979, 1981, for evidence on the importance of long-run trends in economics). As noted before, the structural trend may determine to a certain extent the possibilities and/or willingness for expansion or contraction of government activities. In periods of favorable growth rates an expansion of collective activities will be accepted easier than in times of slow growth, when expansion

of the collective sector may require a contraction of the possibilities for private consumption. In addition to the structural trend, the existence of the business cycle causes fluctuations in economic circumstances. Economic policy based on Keynesian demand management will attempt to dampen the oscillations in such short-run fluctuations by means of an anticyclical economic policy. However, it has also been argued that attempts of Keynesian demand tuning have in fact frequently resulted into a procyclical role of the government, mainly because of the lack of sufficient flexibility in the policymaking process (compare, e.g., Dempster and Wildavsky 1980). Hence, it is a matter of empirical investigation in what direction the cyclical fluctuations influence the intensity of economic policy.

*Second*, we may mention the influence of general *social norms* prevailing in society. The evolution of society is generally characterized by the existence of a certain social consensus with respect to what is considered as social justice. Such a social consensus will determine to a certain extent the way in which a government reacts to the perception of certain social problems. In this paper we shall not discuss the possible forces behind the changes of such social norms. (According to some opinions the dominant force would again be an economic one.)

*Third*, policymaking may be affected by the *political factor*, i.e., the distribution of political power in a democracy. If different political parties have notably different views on the ways of solving social problems and on the role of the collective sector in economic life, one would expect that changes in political power have implications for economic policymaking. Such implications will be best identifiable if one has the possibility of distinguishing separate periods with different party compositions of the government.

*Fourth*, it has been argued widely that a powerful *bureaucracy* may influence the preparation and implementation of policy considerably (compare, e.g., Dempster and Wildavsky 1980, and

De Jong 1981). Possible consequences of this influence are: a built in tendency of a continuous increase in the budget (in Dempster and Wildavsky 1980, it is argued that the budget behavior of government agencies is in general incremental; they request in the budget preparation a proportional mark-up of the previous years appropriation) and an increasing dissatisfaction about the working of the parliamentary democracy when a political technocracy plays a dominant role.

It is obvious that insight into the working of each of these factors is of great importance. Such insight would help us to understand the role of government in the economic system (e.g., does government behave as an endogenous or an exogenous factor?) and the actual working of the political system.

In the remainder of this paper we shall use information on regional economic policy in the Netherlands for the last three decades, to investigate part of these forces in a more detailed way. The characteristics of the data that will be used imply that we shall have to concentrate mainly on the influence of the economic and political factor. An analysis of the bureaucratic factor would require a different type of data, e.g., on the behavior of certain governmental agencies, while an investigation of the role of social norms would ask for information for a more extended period of time. With this restriction in mind, we now consider which typical influences of economic and political forces one might expect *a priori* on the properties of regional policymaking.

With respect to *the economic factor* we are interested in knowing to what extent the pursuance of regional policy objectives has been affected by the state of the national economy. A first aspect of this relation is the impact of long-run economic development on regional policymaking. Is it true that a long period of sustained high levels of national economic growth has created a good basis for expansion of regional policymaking, and that a worsening of the national economic situation has put regional policy more into the background? This type of association would be consistent with a view expressed *inter alia* by

Richardson:

Regional development becomes a politically unacceptable diversion when the future of the national economy is in jeopardy. (Richardson 1978:264)

For our postwar analysis on the structural development of the national economy can be briefly described as follows. The first period since World War II was characterized by a concentration of forces on the rebuilding of the national economy, which was among others characterized by relatively high levels of unemployment especially in the beginning of the fifties (see Table 1, page 11, for information on unemployment figures). A very favorable economic situation prevailed during the sixties, with relatively low unemployment levels, for example. Structural problems in the national economy have come to the fore around 1974 and have been especially revealed not only by the high rates of unemployment but also by the development of real national income which declined in 1975 for the first time in the last thirty years. Hence, in postwar economic development a structural component seems clearly to be present, so that we can analyze policy changes against this context.

A second aspect of the relation between economic circumstances and regional policymaking concerns the reaction of policymakers to the national business cycle. On several occasions the opinion has been expressed that the solution of regional problems attains less attention during periods of economic recession, when the concern of government would move more towards influencing the level rather than the geographic distribution of economic welfare. As a consequence, problem areas would possibly be hurt relatively more by economic recession. However, one could equally well expect an opposite attitude of policymakers. National recessions have been characterized generally by an increase in interregional differences in the levels of unemployment (at least in the Netherlands), and have consequently put the regional problem more to the foreground. Combined with more political pressure from regions where the impacts of the recession are largest, one could expect an increasing activity of the government with respect to the solution of regional problems.

For an empirical analysis of the influences of short-term cycles on policymaking we need an operational indicator that allows us to distinguish periods with a relatively good economic situation from periods with a worse economic performance. It is our impression that a popular indicator among policymakers has been the rate of unemployment. This is understandable since economic policymaking has been directed so much towards the goal of full employment. Below, we shall primarily use unemployment figures to judge the state of the national economy, but we also present some information derived from other more refined indicators of the cyclical performance of the national economy. From a more detailed study on postwar business cycles in the Netherlands performed by one of the authors (Van Duijn 1978), it can, however, be concluded that the unemployment variable represents a rather good and simple proxy for short-run economic fluctuations, at least up until approximately 1973/74. (Since then, the structural component in unemployment dominates.)

With respect to *the political factor* it is of interest to know if the regional problem receives more attention from certain political parties. This insight could provide a basis for the voting behavior of people living in the problem areas. *A priori* we are inclined to expect that social-democratic parties will give a higher priority to the solution of regional problems than the more right-of-center or conservative parties like the Conservative-Liberals and the Christian-Democrats. (For example, in Logan 1978, this association is demonstrated for regional policymaking in Australia.) This is because social-democrats generally give a high weight to the goal of obtaining a more equitable distribution of personal welfare (including its distribution over space), while especially Conservative-Liberals put more emphasis on the general level of economic welfare rather than on its distribution. In the Netherlands postwar politics is characterized by a permanent presence of the Christian-Democrats in government. During most of the period they had to form a coalition with other parties: either the Social-Democrats or the Conservative-Liberals. Hence, the political scene has changed

several times, and this allows us to investigate the possible consequences for actual policymaking.

Our analysis will be based on changes in regional economic policy, as far as being coordinated by the Ministry of Economic Affairs. This implies the following restrictions:

- only regional policy of the *central* government has been considered
- instruments not belonging to the package of regional policy, but in fact used in a regionally differentiated way and possibly contributing to the solution of regional problems have been excluded from the analysis
- regional instruments coordinated by other agencies, and possibly affecting the economic conditions of regions, have also been excluded

In order to assess the importance of the economic and political forces in regional policymaking, we shall first consider the timing of important qualitative changes in the policy package and then present a more quantitatively oriented analysis of the financial resources devoted to policy implementation over time.

### 3. THE TIMING OF QUALITATIVE CHANGES IN THE POLICY PACKAGE\*

Before we start with a description of the timing of changes in the regional policy package, it may be informative to give a bit more background information on regional policy in the Netherlands. The dominant objective of regional economic policy seems not to have changed over time and can be described as: diminishing discrepancies at spatial labor markets. To attain this objective, a policy strategy has been used with the following basic characteristics:

1. The emphasis has been on influencing the location of the *demand for labor*, much more than that of labor supply.

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\*The information on regional economic policy is based on a monograph on the same subject written by the same authors, which is however only available in Dutch (see Bartels and Van Duijn 1981).

2. The policy relied very much on instruments that may affect the location decisions of private actors in *an indirect way*. Investment incentives and infrastructural investments have dominated the policy package as long as regional policy exists. Only since the end of the sixties have some instruments with a more direct effect on the location of economic activities come into use, but they have not been applied very intensively. (Examples are: the relocation of public offices, a system of investment permits for congested areas, and direct government investment through regional development companies in certain problem areas.)
3. The policy package consisted almost completely of measures aiming at *promoting* the economic development of the backward regions. During the last decade some new *restrictive* instruments have been added for the congested areas, but these have hardly been used in practice.
4. The selection of areas to be assisted has been based mainly on indicators for labor market discrepancies, especially the level of local or regional *unemployment*. (In the first years of regional policy, migration data served as an additional indicator.)

Aside from these general characteristics, the policy package has changed considerably over time. Regional economic policy started in 1951 with a special development program for one area, where a considerable shortage of jobs resulted from the structural decline of its dominant economic activity. During the first years of regional policy the economic policy package contained in fact only two policy measures: infrastructural investments and incentives for industrial investments. This situation did not change much up until approximately 1966/67. Since then several new measures have been introduced and the use of old ones has been extended, and at the end of the seventies the policy package of the Ministry of Economic Affairs contained: infrastructural investments, investment incentives for industrial firms and for certain service activities, interest subsidies and guarantees on loans, special investment incentives for areas with very high unemployment levels, relocation subsidies for activities that left the inner areas of the large cities, resources for four regional development funds, and special expenditures for the two largest problem areas - the North and South Limberg.



Hence, the policy package has been extended in a very radical way. This extension has dominated policymaking: there are no examples of an introduction of new policy measures accompanied by an abolition of old ones. Only the geographical coverage of policy has been widened and reduced, and the level of investment incentives has been lowered in a few cases. This suggests that there have existed conditions in the past that favored a structural extension of government intervention in regional development.

A more careful investigation of the extension of the policy package will be based on the timing of significant changes in the policy measures. We made a listing of those events that can be considered as important qualitative changes in policy implementation, i.e., the introduction of new measures and important changes in the application of old ones (geographical coverage, level of incentives, award conditions, etc). In Table 1 this information is presented, together with indicators for short-run fluctuations in the state of the national economy. This makes it possible to investigate the possible role of the economic factor in regional policymaking.

First, it appears that the structural worsening of the national labor market since 1973/74 has not contributed to a decreasing attention for the regional problem. On the contrary, the second half of the seventies has been one of the periods with a most active regional policy, so far as the changes in the policy package are concerned. Another active period was the second half of the sixties, when economic conditions were on the whole rather favorable. Hence, this information does not reveal a clear linkage between the structural development of the economy and the attention given to regional policy.

For the short-run changes in economic conditions the picture is clearer, however. Most extensions of stimulation policies occurred at times of a high national unemployment rate: 1951-53, 1957, 1959, 1967/68, 1972, 1974/75, 1977/78, with the only exceptions in 1964/65, and in 1966. (In this year regional policy was extended to South Limburg, where the closure of coal mines

Table 1. National economic situation and important qualitative changes in the regional policy package.

|      | Recession years | National unemployment rate | Changes in regional economic policy  |
|------|-----------------|----------------------------|--|
| 1949 |                 | 2.3                        |  |
| 1950 |                 | 2.9                        |  |
| 1951 | X               | 3.3                        | First development program for one area (13/7/1951)   |
| 1952 | X               | 4.9                        | Development programs for 8 other areas, containing mainly additional infra-structural projects (23/6/1952)   |
| 1953 |                 | 3.7                        | Introduction of incentives on investments in industrial buildings with a minimal employment requirement (29/7/1953), and introduction of subsidies on labor migration (towards the core areas)                               |
| 1954 |                 | 2.6                        |  |
| 1955 |                 | 1.8                        |  |
| 1956 |                 | 1.3                        |  |
| 1957 | X               | 1.7                        | In the beginning of the year restrictions in the application of investment incentives; at the end of the year again reinstalment of old conditions and extension of the geographical area                                    |
| 1958 | X               | 3.1                        |  |
| 1959 |                 | 2.4                        | New incentives on investment in buildings and land for industrial use with a minimal employment requirement (20/4/1959); extension of the geographical area; new subsidies for labor migration (towards development centers) |

Table 1. (continued)

|      | Recession years | National unemployment rate | Changes in regional economic policy  |
|------|-----------------|----------------------------|--|
| 1960 |                 | 1.5                        |  |
| 1961 |                 | 1.1                        |  |
| 1962 |                 | 1.0                        |  |
| 1963 |                 | 1.0                        |  |
| 1964 |                 | 0.9                        | Further extension of geographical area   |
| 1965 |                 | 1.0                        | New incentives on investment in buildings and land for industrial use, with no employment requirement (1/1/1965)   |
| 1966 | X               | 1.2                        | Extension of policy to South Limburg with several measures applied to this region (13/7/1966)  |
| 1967 | X               | 2.3                        | Introduction of regionally differentiated depreciation (10/1967); start of relocation of public offices  |
| 1968 |                 | 2.1                        | Assignment of Tilbury as a new problem area and Lelystad as a development center; new incentives for all investments in fixed assets in new industrial settlements (15/5/1968) |
| 1969 |                 | 1.6                        | Extension of the investment incentives to new settlements in part of the service sector and to expansion of existing industrial activities (1/1/1969)                          |
| 1970 |                 | 1.4                        |  |
| 1971 | X               | 1.7                        | Restriction of the geographical area (15/8/1971): two large problem areas (the North and South Limberg) and the development center Lelystad                                    |
| 1972 | X               | 2.8                        | Special employment premium for the North; publication of plans for a more intensive relocation of public offices   |

.../cont.

Table 1. (continued)

|      | Recession<br>years | National<br>unemployment<br>rate | Changes in regional economic policy  |
|------|--------------------|----------------------------------|--|
| 1973 |                    | 2.9                              |  |
| 1974 | X                  | 3.5                              | Creation of the first regional development fund (NOM) with the possibility of direct state participation in the private sector   |
| 1975 | X                  | 4.9                              | Creation of two new regional development funds; higher levels of accelerated depreciation; investment incentives for expansion of certain service activities; extension of geographical coverage of policy, reaching the maximal coverage ever; higher levels of incentives; introduction of a system of investment levies and permits for part of the country (1/10/1975) |
| 1976 |                    | 5.3                              | Adjournment of the investment levies (9/6/1976)  |
| 1977 |                    | 5.2                              | Further extensions of investment incentives, among other things higher levels in special assistance areas; official decision to relax the relocation of public offices   |
| 1978 |                    | 5.2                              | Introduction of a new scheme of investment incentives (18/7/1978), together with reintroduction of investment levies for the congested areas   |
| 1979 |                    | 5.3                              |  |

The information on recession years is based on Van Duijn (1978) where several indicators have been used to identify the phases of the business cycles.

The unemployment rate is the labor reserve as a percentage of the dependent labor force (source: Central Planning Bureau, Central Economic Plan, several years).

The changes in regional policy have been taken from Bartels and Van Duijn (1981).

caused structural employment problems.) Restrictions on stimulation policies have been imposed rarely, but if they occurred then it was at times of a favorable national economic situation (e.g., the beginning of 1957 and 1971). On the other hand, restrictive policies (including the relocation of public offices) have been relaxed in times of a high national unemployment rate (especially since 1976: the renewed introduction of investment levies in 1978 was more than offset by a new scheme of investment incentives, also applicable in the congested areas). From these observations it can be concluded that attention for the problems of backward regions increased in times of less favorable national economic conditions, possibly because of a relative worsening of the situation in such regions in times of national economic recession.

The other possible determinant of policy changes to be investigated here is the political factor. In Table 2 we have presented information on the parties represented in the government in different time periods. This information can be compared with that in Table 1. The start with regional economic policy was made under coalitions including the Social-Democrats (SD), the Christian-Democrats (CD), and the Conservative-Liberals (CL). Changes in the policy package that were meant to favor the backward regions more have been introduced under CD/SD and under CD/CL coalitions with certainly not a more intensive activity under SD presence in the coalitions. Policy changes favoring instead the core areas (such as relaxation of restrictive measures) also occurred under both types of coalitions. For example, in 1976 the adjournment of investment levies was decided upon by a CD/SD cabinet and in 1977 a CD/CL government decided officially to relax the relocation of public offices (although this relaxation started in practice under the previous CD/SD coalition). Thus the timing of policy changes did not possess a clear association with the changes in the political conditions. Now it could be possible that a clearer relationship existed with specific characteristics of policy measures used. But also this hypothesis finds no support in this information. Typical "leftist" instruments like the creation of regional development funds and the use of investment permits and levies in congested

Table 2. Party composition of coalitions.

---

| Period            | Composition <sup>a</sup> |
|-------------------|--------------------------|
| 07-08-48/15-03-51 | SD , CD , CL , others    |
| 15-03-51/02-09-52 | SD, CD, CL, others       |
| 02-09-52/13-10-56 | SD, CD, others           |
| 13-10-56/22-12-58 | SD, CD                   |
| 22-12-58/19-05-59 | CD                       |
| 19-05-59/24-07-63 | CD, CL                   |
| 24-07-63/14-04-65 | CD, CL                   |
| 14-04-65/22-11-66 | SD, CD                   |
| 22-11-66/05-04-67 | CD                       |
| 05-04-67/06-07-71 | CD, CL                   |
| 06-07-71/11-05-73 | CD, CL, others           |
| 11-05-73/22-03-77 | SD, CD, others           |
| 22-03-77/-----    | CD, CL                   |

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<sup>a</sup>SD = Social-Democrats (PvdA)

CD = Christian-Democrats (KvP, AR, CHU; in recent years CDA)

CL = Conservative-Liberals (VVD)

In some cases a small number of participants from other parties was included in the government, which has been indicated by "others".

Source: The information for this table stems mainly from Van den Bergh and Vis (1977).

areas have indeed been introduced by CD/SD coalitions. But the CD/SD government also took the decision not to use the investment restrictions; and a CD/CL coalition reintroduced the levies again. The first use of labor subsidies, another "leftist" instrument, was a CD/CL initiative as well. From all this evidence we can conclude that the political factor has had no discernable influence on the actual contents of regional economic policy in the past.

#### 4. FINANCIAL RESOURCES FOR POLICY IMPLEMENTATION

In this section we shall use quantitative information to investigate the hypotheses formulated before. We analyzed all the budgets of the Ministry of Economic Affairs since 1949 to obtain an indication of the financial resources devoted to the implementation of regional economic policy. Two types of data could be used for this purpose. First, the *intended* expenditures as given in the yearly budgets that are submitted for parliamentary approval give the best indication of the intentions of policymakers. Second, the *real* expenditures that can be estimated afterwards indicate to a certain extent the efforts made by the administration to realize its intentions. But in general these real expenditures are less easily interpretable, since they are affected by several factors. They depend on the use that is made of instruments with a free participation of private decisionmakers and on the time lags in the execution of certain long-run investment programs (e.g., infrastructural investments). So it is clear that intended and real expenditures may differ considerably over time and that also the interpretation of changes in the size of these resources will frequently be different. Below, we shall use both types of data, taking into account the implications for the interpretation.

The basic information for the rest of the analysis is contained in Appendix A. It gives figures for the intended and real expenditures for regional economic policy expressed in constant prices (calculated from more detailed data, so that we could use three different prices deflators according to the type of expenditures) and for the share of such expenditures in

the total economic budget. Since the series show sometimes a rather erratic behavior, we also calculated smoothed series of 5-year moving averages, that can be found in Appendix B. These series show the long-term trends in the series much better. (In fact, the use of a 5-year moving average implies that short-run cyclical components have been removed from the data, because the average length of postwar business cycles was somewhat less than 5 years; see Van Duijn 1978.)

If we look at the figures in Appendices A and B we first notice the tremendous increase in absolute expenditures for regional economic policy. Intended expenditures rose from an average of 8 million guilders in the period 1951/55, to an average of 230 million in the period 1975/79. (In reality the increase might have been a bit smaller, since in the fifties certain expenditures on infrastructure that did later appear on the economic budget were registered elsewhere. But the size of these amounts has been such that they do not affect the interpretation of the data significantly.) The realized expenditures rose from an average of 5 million in 1951/55 to 254 million in 1975/79. The figures for the share of regional expenditures in the total budget reveal that the relative attention devoted to regional policy also increased considerably. In the fifties regional policy did not receive much attention. This changed at the beginning of the sixties and since 1965 the share of intended expenditures fluctuated between 13% and 24% (for the realized expenditures: between 8% and 22%), with a peak in the first half of the seventies.

Is there any association between these figures and the economic and political circumstances? We start with an analysis of the political factor. In Table 3 we have distinguished periods with a different political "color", i.e., according to the presence of Social-Democrats in the ruling coalition. Then we identified the expenditures that could be influenced by the different coalitions; e.g., the coalition ruling at the end of 1966 has influenced the intended expenditures for 1967 and the real expenditures for 1966. In this way average numbers were calculated for all periods. Of special interest are the share



Table 3. Regional expenditures under different coalitions.

| Period  | Participation of SD | Average of                              |                                     |                                    |                                |
|---------|---------------------|---|-------------------------------------|------------------------------------|--------------------------------|
|         |                     | intended expenditures (constant prices) | real expenditures (constant prices) | share of intended expenditures (%) | share of real expenditures (%) |
| 1949-58 | yes                 | 5.6                                     | 4.0                                 | 1.3                                | 0.8                            |
| 1959-64 | no                  | 72.5                                    | 55.8                                | 14.7                               | 8.8                            |
| 1965-66 | yes                 | 126.9                                   | 85.6                                | 18.0                               | 11.0                           |
| 1967-72 | no                  | 215.6                                   | 226.9                               | 18.7                               | 19.5                           |
| 1973-76 | yes                 | 224.8                                   | 207.9                               | 17.8                               | 13.7                           |
| 1977-   | no                  | 251.6                                   | 304.0                               | 14.9                               | 15.1                           |

The calculations have been based on the data in Appendix A and in Table 2. For more information see the text.

figures, since they indicate the relative attention devoted to regional policy. If we would calculate the average share of regional expenditures for SD and non-SD coalitions over the whole period, it would be higher under the non-SD governments because of the low values in the fifties. Concentrating on the sixties and seventies, the score of the intended expenditures share is quite good under SD coalitions. But the dramatic increase at the beginning of the sixties occurred under a government without SD's; the maximal share was reached in 1967/72 under governments without SD's; and the share started declining in 1973/76 under a coalition including SD's. Hence, it cannot be concluded that the intentions of SD's favor the problem areas most. Besides, the figures of the real expenditures reveal an interesting tendency: they seem to be higher than the intended ones under non-SD governments but lower than the intended ones under SD governments! Using the realized expenditures as an indicator, the problem areas have definitely been served better

by the non-SD governments than by coalitions including SD participants!

Now we turn to a discussion of the possible impacts of economic circumstances on the financial resources reserved for regional policymaking. As we observed before the national economy performed relatively well in the sixties and the beginning of the seventies, whereas serious structural problems have arisen since approximately 1974. From our data in Appendix A and Appendix B, it can be learned that the "good" years for the national economy have also been the good years for regional policy: the moving-average series for intended expenditures increased continuously from 1958 to 1973/75, and for real expenditures from 1958 to 1972. Afterwards, both series first declined, but in the most recent years again an increase can be noted to a value exceeding all previous values. If we further know that during the second half of the seventies several non-regional instruments have been applied with a regional differentiation, then we cannot conclude that the structural problems of the national economy did result into less financial resources for regional policymaking. But the continuous growth during the "good" years has clearly been ended.

For the figures on the shares the picture looks different, however. From these it is observed that the regional problems received *relatively* an increasing attention during the sixties and beginning of the seventies, but since approximately 1971/72 this trend has been reversed: national problems seem to have crowded out the regional problems in actual policymaking.

In order to detect a possible association with short-run economic fluctuations we analyzed our data in two different ways. First, we used the original data and calculated averages for subsequent periods with relatively high and low national unemployment rates (using 2% as a critical value and associating the intended expenditures again with the unemployment situation at the time the budget was prepared, i.e., the year before). See Table 4 for the results. It appears that for intended expenditures the average amount has always been higher during periods of high

Table 4. Regional expenditures in different circumstances in the national labor market.

| Period, and characterization of national unemployment situation | Average of                              |                                     |                                    |                                |
|---|---|-------------------------------------|------------------------------------|--------------------------------|
|   | intended expenditures (constant prices) | real expenditures (constant prices) | share of intended expenditures (%) | share of real expenditures (%) |
| 1949-54 : high  | 7.2                                     | 3.1                                 | 1.3                                | 0.4                            |
| 1955-57 : low   | 4.7                                     | 6.9                                 | 1.2                                | 1.4                            |
| 1958-59 : high  | 27.8                                    | 2.2                                 | 7.3                                | 0.6                            |
| 1960-66 : low   | 91.0                                    | 58.0                                | 15.8                               | 8.8                            |
| 1967-68 : high  | 193.7                                   | 148.2                               | 17.1                               | 15.5                           |
| 1969-71 : low   | 196.0                                   | 238.0                               | 18.0                               | 20.0                           |
| 1972- : high  | 245.8                                   | 236.3                               | 17.2                               | 15.5                           |

The calculation has been based on the data in Table 1 and Appendix A.

High unemployment means a rate  $> 2\%$ , and low unemployment a rate  $< 2\%$ .

national unemployment than during the preceding period with low unemployment. But on the other hand, this also holds true for periods of low unemployment compared with the preceding period of high unemployment! For the resources actually used the picture looks a little different. During the fifties and seventies these resources declined on the average in periods of high unemployment. This can be explained by a less intensive use of certain incentives in times of economic stagnation. But in the sixties this association did not exist. For the share figures a similar picture emerges. It is interesting to see that the share of actual regional expenditures has decreased during two periods of high unemployment, which implies that the actual use of regional incentives has a higher cyclical sensitivity than the actual use of nonregional policy instruments. From these remarks it can be concluded that the size of regional

policy expenditures, as far as affected by policymakers (i.e., the intended expenditures ) has not been related to short-run changes in the state of the national economy.

Since the data in Table 4 again suggest the dominance of a long-term structural trend, a second way of analyzing the short-run component is calculation of a trend-free series. This has been done by calculation of the deviations from the five year moving averages series (those deviations can be considered as being composed of short-run changes and erratic components mainly). If we look at the sign of these deviations (see Appendix B) we can make the following observations:

- of the 18 years with high unemployment, the intended expenditures exceeded in 10 cases the secular trend, and the real expenditures in 7 cases;
- of the 13 years with low unemployment, the intended expenditures exceeded in 4 cases the secular trend, and the real expenditures in 8 cases.

This suggests that the intended expenditures have the tendency to be anticyclical (i.e., diminishing the fluctuations in aggregate demand) during the expansion phase and cyclical neutral during the depression, and that the real expenditures are rather procyclical (i.e., reinforcing the fluctuations in aggregate demand), both during depressions and expansions. It can be noted that this general characteristic does not change if we delete the period since 1973 (because of the possible dominance of structural problems since then) from the data.

The trend deviations for the share variables suggest that the relative attention for regional policy, as measured both by intended and real expenditures, stays in high unemployment years behind the level that is accounted for by the secular trend.

## 5. CONCLUSIONS

The specific findings in the foregoing sections allow us to draw some interesting, more general conclusions with respect to the role of economic and political factors in regional policy-making in the Netherlands.

The discussion of changes in political circumstances, and in qualitative and quantitative policy implementation, reveals that these political circumstances did not play any discernable role in regional policymaking. The expected association between social democratic representation in the government and more concern with regional problems could not be proved. The explanation for this finding could be the fact that a constant factor in Dutch politics since World War II has been the continuous presence and dominance of Christian-Democrats in all coalitions. Therefore, it is not unusual to observe that certain policy-measures are prepared by one coalition and implemented by another with a completely different party representation. It is obvious that this continuity in policymaking makes it difficult or impossible for voters to recognize the party ideology in the actual government behavior. Such recognition is perhaps easier in political systems, with two dominating large parties, like in Great Britain and West Germany.

The influence of economic circumstances on regional policymaking has been dominated by a secular trend. The prosperity of the sixties has allowed both absolute and relative expenditures for the regions to expand considerably. In the past decade, the emergence of structural problems in the national labor market has caused a decline in the relative attention given to regional problems. The absolute amounts of financial resources, however, have still increased, but there are now signs that these have passed their peak and will also decline in the years to come (following perhaps the trend in Great Britain, where government spending on regional policy decreased from such levels as 612 million pounds sterling in 1969/70 and 611 million in 1975/76 to 322 million in 1979/80, all measured in real terms; see CEPG 1980). Compared with this secular economic trend, a short-run cyclical influence is most convincing for the qualitative changes in the policy package, which were concentrated mainly in years with high unemployment. For the financial resources, however, only the actual expenditures showed a consistent cyclical component, supporting the possibility of a procyclical working of regional policy expenditures.

In the long run governments' behavior with respect to backward regions seems to be procyclical, increasing the financial assistance mostly in times when the regions are less in need for it. This observation supports the view that the regional problem will not easily disappear from the political scene, contrary to the expectation at the time regional economic policy started.

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APPENDIX A: INTENDED AND REAL EXPENDITURES FOR REGIONAL  
ECONOMIC POLICY (absolute and relative figures)

| Year | Intended<br>expenditures<br>(constant<br>prices) | Real<br>expenditures<br>(constant<br>prices) | Share<br>intended<br>expendi-<br>tures (%) | Share<br>real<br>expendi-<br>tures (%) |
|------|--|--|--|--|
| 1949 | 0.6  | 1.1  | 0.1  | 0.1                                    |
| 1950 | 3.7  | 1.2  | 0.6  | 0.1                                    |
| 1951 | 10.7   | 2.1  | 2.2  | 0.3                                    |
| 1952 | 2.3  | 0.4  | 0.5  | 0.1                                    |
| 1953 | 9.8  | 1.6  | 1.6  | 0.2                                    |
| 1954 | 9.3  | 11.9   | 1.7  | 1.8                                    |
| 1955 | 7.5  | 8.5  | 1.3  | 1.4                                    |
| 1956 | 6.1  | 7.1  | 1.1  | 1.1                                    |
| 1957 | 4.0  | 5.1  | 1.3  | 1.8                                    |
| 1958 | 4.0  | 1.5  | 1.2  | 0.5                                    |
| 1959 | 3.8  | 3.0  | 1.2  | 0.8                                    |
| 1960 | 51.8   | 10.2   | 13.5                                       | 2.8                                    |
| 1961 | 113.1  | 45.1   | 22.9                                       | 10.6                                   |
| 1962 | 125.0  | 38.6   | 24.0                                       | 8.0                                    |
| 1963 | 35.9   | 65.2   | 8.3  | 10.1                                   |
| 1964 | 27.0   | 95.9   | 6.1  | 13.0                                   |
| 1965 | 82.2   | 79.7   | 13.5                                       | 8.4                                    |
| 1966 | 125.7  | 71.4   | 18.1                                       | 8.8                                    |
| 1967 | 128.0  | 100.3  | 17.9                                       | 13.1                                   |
| 1968 | 197.1  | 196.0  | 18.7                                       | 17.8                                   |
| 1969 | 190.3  | 213.2  | 15.4                                       | 19.5                                   |
| 1970 | 182.4  | 204.9  | 17.6                                       | 18.3                                   |
| 1971 | 207.7  | 296.0  | 19.3                                       | 22.2                                   |
| 1972 | 197.8  | 240.0  | 17.0                                       | 20.2                                   |
| 1973 | 318.1  | 211.2  | 24.3                                       | 18.9                                   |
| 1974 | 252.5  | 167.4  | 22.5                                       | 14.3                                   |
| 1975 | 209.1  | 165.0  | 17.4                                       | 11.9                                   |
| 1976 | 187.9  | 167.5  | 16.2                                       | 11.8                                   |
| 1977 | 249.7  | 331.5  | 15.2                                       | 16.6                                   |
| 1978 | 216.9  | 337.8  | 12.8                                       | 17.2                                   |
| 1979 | 286.3  | 270.1  | 14.8                                       | 12.9                                   |
| 1980 |  |  | 16.8                                       |  |
| 1981 |  |  | 15.2                                       |  |

The figures on absolute expenditures are in millions of guilders. Intended expenditures are the amounts of financial resources as these appear on the yearly budgets; realized expenditures are the financial means which have actually been used. Both series have been transformed into constant prices, using different deflators with base 1975 for different items. Since the deflators were not available for recent years, and since the real expenditures for these years are not yet known, not all the series could be complete. The share figures express the regional expenditures in current prices as a percentage of the total economic budget in current prices. Details on the different items included can be found in Bartels and Van Duijn (1981).

APPENDIX B: FIVE-YEAR MOVING AVERAGES OF EXPENDITURES FOR REGIONAL ECONOMIC POLICY (and signs of deviations from these series).

| Year | Intended expenditures (constant prices) | Real expenditures (constant prices) | Share intended expenditures (%) | Share real expenditures (%) |
|------|---|-------------------------------------|---------------------------------|-----------------------------|
| 1949 | 5.0 <sup>a</sup> (-)                    | 1.5 <sup>a</sup> (-)                | 1.0 <sup>a</sup> (-)            | 0.2 <sup>a</sup>            |
| 1950 | 4.3 <sup>b</sup> (+)                    | 1.2 <sup>b</sup> (-)                | 0.9 <sup>b</sup> (-)            | 0.2 <sup>b</sup> (-)        |
| 1951 | 5.4 (+)                                 | 1.3 (+)                             | 1.0 (+)                         | 0.2 (+)                     |
| 1952 | 7.2 (-)                                 | 3.4 (-)                             | 1.3 (-)                         | 0.5 (-)                     |
| 1953 | 7.9 (+)                                 | 4.9 (-)                             | 1.5 (+)                         | 0.8 (-)                     |
| 1954 | 7.0 (+)                                 | 5.9 (+)                             | 1.2 (+)                         | 0.9 (+)                     |
| 1955 | 7.3 (+)                                 | 6.8 (+)                             | 1.4 (-)                         | 1.3 (+)                     |
| 1956 | 6.2 (-)                                 | 6.8 (+)                             | 1.3 (-)                         | 1.3 (-)                     |
| 1957 | 5.1 (-)                                 | 5.0 (+)                             | 1.2 (+)                         | 1.1 (+)                     |
| 1958 | 13.9 (-)                                | 5.4 (-)                             | 3.7 (-)                         | 1.4 (-)                     |
| 1959 | 35.3 (-)                                | 12.9 (-)                            | 8.0 (-)                         | 3.3 (-)                     |
| 1960 | 59.5 (-)                                | 19.6 (-)                            | 12.6 (+)                        | 4.5 (-)                     |
| 1961 | 65.9 (+)                                | 32.4 (+)                            | 14.0 (+)                        | 6.5 (+)                     |
| 1962 | 70.6 (+)                                | 51.0 (-)                            | 15.0 (+)                        | 8.9 (-)                     |
| 1963 | 76.6 (-)                                | 64.9 (+)                            | 15.0 (-)                        | 10.0 (+)                    |
| 1964 | 79.2 (-)                                | 70.1 (+)                            | 14.0 (-)                        | 9.7 (+)                     |
| 1965 | 79.8 (+)                                | 82.5 (-)                            | 12.8 (+)                        | 10.7 (-)                    |
| 1966 | 112.0 (+)                               | 108.6 (-)                           | 14.9 (+)                        | 12.2 (-)                    |
| 1967 | 144.7 (-)                               | 132.1 (-)                           | 16.7 (+)                        | 13.5 (-)                    |
| 1968 | 164.7 (+)                               | 157.2 (+)                           | 17.5 (+)                        | 15.5 (+)                    |
| 1969 | 181.1 (+)                               | 202.1 (+)                           | 17.8 (-)                        | 18.2 (+)                    |
| 1970 | 195.1 (-)                               | 230.0 (-)                           | 17.6 (+/-)                      | 19.6 (-)                    |
| 1971 | 219.3 (-)                               | 233.1 (+)                           | 18.7 (+)                        | 19.8 (+)                    |
| 1972 | 231.7 (-)                               | 233.9 (+)                           | 20.1 (-)                        | 18.8 (+)                    |
| 1973 | 237.0 (+)                               | 215.9 (+)                           | 20.1 (+)                        | 17.5 (-)                    |
| 1974 | 233.1 (+)                               | 190.2 (-)                           | 19.5 (+)                        | 15.4 (-)                    |
| 1975 | 243.5 (-)                               | 208.5 (-)                           | 19.1 (-)                        | 14.7 (-)                    |
| 1976 | 223.2 (-)                               | 233.8 (-)                           | 16.8 (-)                        | 14.4 (-)                    |
| 1977 | 230.0 (+)                               | 254.4 (+)                           | 15.3 (-)                        | 14.1 (+)                    |
| 1978 | 235.2 <sup>b</sup> (-)                  | 276.7 <sup>b</sup> (+)              | 15.2 (-)                        | 14.6 <sup>b</sup> (+)       |
| 1979 | 251.0 <sup>a</sup> (+)                  | 313.1 <sup>a</sup> (-)              | 15.0 (-)                        | 15.6 <sup>a</sup> (-)       |

See Appendix A for more information.

The absolute figures are again in millions of guilders.

Between the brackets is the sign of the deviation of the original figure from the 5-year moving average given.

<sup>a</sup> 3-year average

<sup>b</sup> 4-year average