

Editorial

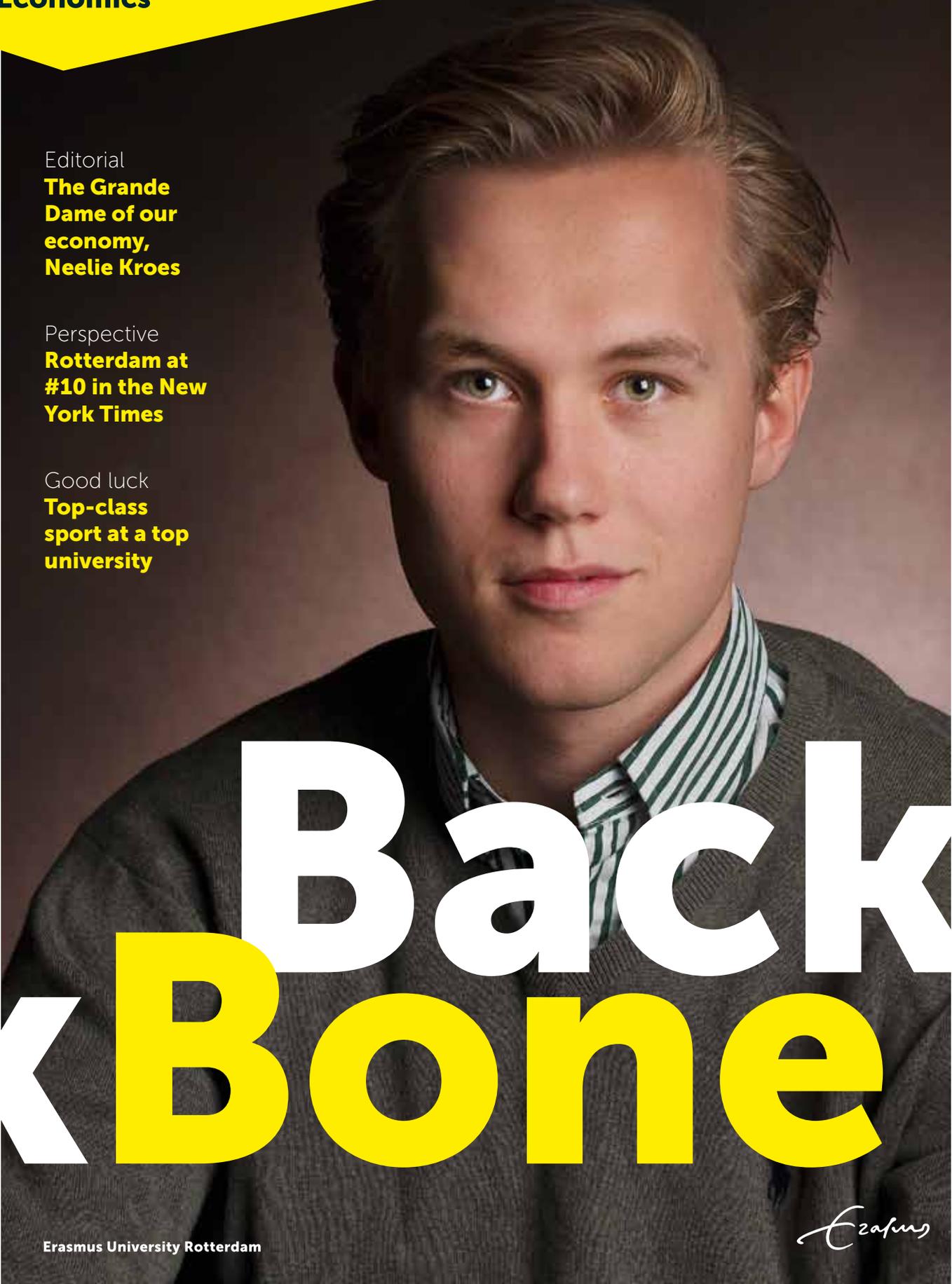
**The Grande
Dame of our
economy,
Neelie Kroes**

Perspective

**Rotterdam at
#10 in the New
York Times**

Good luck

**Top-class
sport at a top
university**



Back to Bone



The
New York
Times

Rotterdam: First-class architecture in the Netherlands' second largest city

Where should you go?
Read more on page 36.

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BECOMING A LEADER OF TOMORROW

Even though the studies Economics and Econometrics are very popular, they are definitely not simple. It's because economics deals with the behavior of individuals and institutions which can change over time.

Compare that with the moon, which will still look the same over many years. Second, people respond to economic forecasts (made by econometrists) and institutional changes (such as the introduction of the euro) and may consequently change their behaviour. This in contrast to the weather: it totally ignores forecasts. Third, everyone seems to have an opinion on economic issues and it may lead to heated discussions. It shows that Economics and Econometrics are fascinating disciplines, whose Dutch educational roots of course lie in Rotterdam for over more than 100 years. In 1913 the Netherlands School of Commerce (forerunner of Erasmus School of Economics) was founded and the Econometric Institute in 1956. As Dean of Erasmus School of Economics, I take pride in saying this.

For a long time now Erasmus School of Economics has had its focus on the single discipline of Economics and Econometrics, recruiting top talent and senior scholars, acquiring research grants, reviving a focus on alumni who can tell the story of our School. Most importantly, we believe that our academic staff should teach and do research. In a way Erasmus School of Economics dedicates its full attention to something that was already one of

the rules of the School in 1914: "Who is called to a professorship, has the task to devote himself entirely to the practice of science and education... His work must always receive full dedication, as it requires quiet concentration and continuity". At present, many of our senior professors lecture our first year bachelor students, so that students immediately get attracted by the enthusiasm of dedicated academics.

Our faculty and support staff make sure that students of Erasmus School of Economics are treated seriously. We tell them honestly what it is like to study in Rotterdam, and we even tell them that if they fail they have to leave. But if they do not fail they will have a shiny future.

Our brand value is set by more than 25,000 alumni, who are making the difference as leaders of today. Simply choosing for Rotterdam is learning all about Economics and Econometrics and becoming a leader of tomorrow!

Prof. Philip Hans Franses
Dean of Erasmus School of Economics

On 15 May 2014 in the presence of the Minister of Finance, Jeroen Dijsselbloem, the farewell lecture took place of the twice Minister of Finance and the former IMF director, Professor Johan Witteveen (1921) as well as the presentation of the book about the life of alumna and European Commissioner Neelie Kroes, entitled '*Neelie, brave meisjes schrijven zelden geschiedenis*'. [*'Neelie, good girls seldom write history*']. For numerous prominent people, including former politicians and directors of organisations such as De Nederlandsche Bank, Netherlands Bureau for Economic Policy Analysis, the Court of Audit, the Social and Economic Council of the Netherlands, it was a reunion with their Alma Mater, the Nederlandsche Economische Hogeschool (the predecessor of the current Erasmus University Rotterdam).



ART

WHAT IS IT REALLY WORTH?

By: Patrick Verwijmeren

Record prices for paintings are regular features of the evening news, and usually the buyers are hedge fund managers who pay huge sums for the works. But is art really such a good financial investment?

'Only invest in art if you appreciate its aesthetic value'

Investors are constantly looking for investments that increase their return. The goal is not to have a single painting that may by chance dramatically increase in value, but rather to earn good returns on the investment for a broad portfolio of art works, such as paintings. Several studies have shown that investments in art meet these criteria, with returns on investments of approximately 10 per cent and a low correlation with the returns on shares. This means that paintings retain their value, even when the stock market crashes.

However, an important characteristic of investing in art is that returns on art investment are much more difficult to determine than returns on shares. Where share prices for listed companies are easy to observe at any moment, the prices for paintings are only observable when they are actually traded. And often more than 30 years can pass between successive auctions of a painting.

In a recent article that I co-authored with Arthur Korteweg (Stanford University) and Roman Kraussl (Luxemburg School of Finance), we showed that the paintings that are actually traded are not representative of the total painting market. Paintings are offered for sale when the seller thinks that he or she can obtain a high return on investment, so paintings in styles that are not in fashion at the moment are considerably less represented in the market. Estimating returns on investment based on

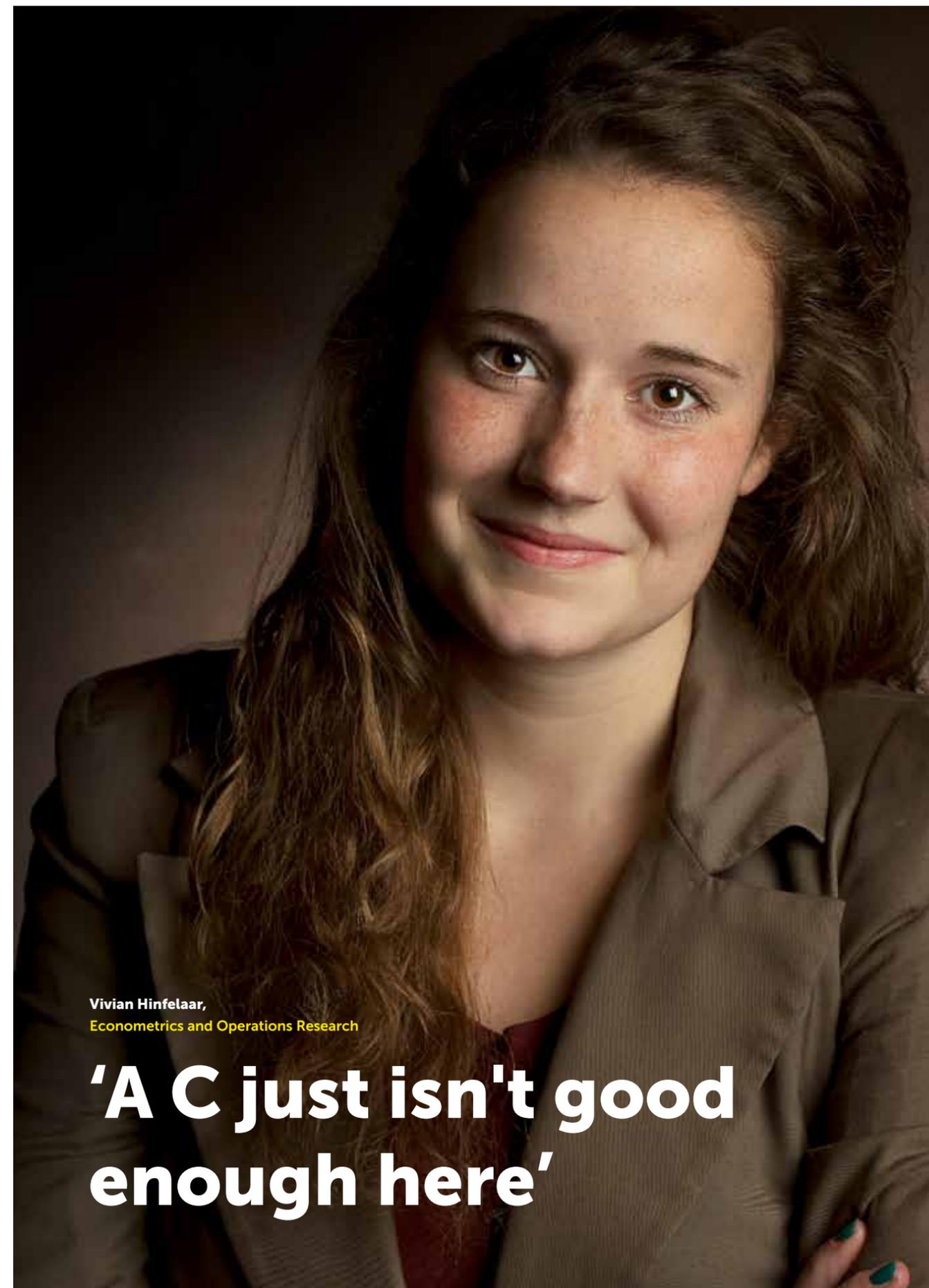


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paintings sold therefore often results in a too bright image of investments in art. In times of economic recession, the paintings that are actually sold seem to earn good returns on their investment, but these are usually the exception rather than the rule.

By examining more than 20,000 paintings that have been auctioned more than once since 1972, we can see that they have an annual average ROI of approximately 10 per cent, and a negative correlation with the yields on shares. Art therefore seems to be an optimal element of an investment portfolio. But when we correct for the fact that paintings that have increased in price are more likely to be auctioned, and therefore to appear in our data set, then the return for a representative painting sinks to around six per cent. This therefore shows a positive correlation with shares. Although this is not a bad return on investment, paintings do not seem to play an important role in optimal portfolios. The same applies when only investing in certain art movements, such as old masters, impressionists or modern art.

When we include transaction and insurance costs, then this conclusion is even more pronounced. Investments in art are therefore not attractive enough from a purely financial perspective, unless perhaps the investor has an excellent understanding of the future demand for art. We therefore recommend only investing in art if you appreciate its aesthetic value. <



Vivian Hinfelaar,
Econometrics and Operations Research

'A C just isn't good enough here'

'Big Data is not new. For years, econometricians have worked to obtain useful information from large amounts of data'

bonus cards, but not with random customers. Bol.com can save this data for all of its customers. This allows them to identify which people display comparable purchasing behaviour. They do not know if the customer wears glasses or owns a dog (unless they buy books about dogs every week), but at bol.com they can still compile a general customer profile about you.

The customer histories are then compared to one another, and if someone whose buying behaviour is similar to yours buys the new book by Tommy Wieringa, then you will probably receive a discount offer for that book later that week. After all, you resemble the other person, so maybe you share the same interests. Bol.com cannot know for sure, but it makes a prediction about your future buying behaviour. If you then go ahead and order the book, then bol.com learns more about you as a customer. So if you don't want to live your life as a profile, you should buy your books at a bookshop, where they don't know you or your buying behaviour, instead of via bol.com.

So Big Data gives us the opportunity to predict unobserved intentions, with emphasis on the



Philip Hans Franses is a professor of Applied Econometrics and a professor of Marketing Research at Erasmus School of Economics. He has worked at the School since 1987, and has been ranked highly among Dutch economists for many years. Philip Hans Franses is also Dean of Erasmus School of Economics.

'unobserved'. There are other interesting phenomena that can be predicted, even without being observed. Some examples include 'satisfaction' (as indicated by your weekly buying behaviour), 'consideration' (you know about 50 car brands, but you are only considering four), 'loyalty' (you don't just talk about it, you do it), and 'mindfulness' (do you look at advertisements, or do you compare prices?). Since there is so much Big Data, it is possible for econometricians to estimate the variables that cannot be observed. It requires very complex models, and it costs considerable time to calculate, but it is possible. Thanks to the large data sets, the field has developed considerably, which in turn offers excellent challenges for students and researchers.

The question, of course, is how Big Data relates to your privacy. Econometricians only make predictions, and they are never 100 percent certain. You will probably receive completely unexpected offers that indicate that the prediction was way off. However, the debate about privacy should rather deal with what happens at the start of the chain, because that is where the trail that you leave on the Internet, via your telephone or your bank card all begins. <

ABOUT THE EFR!

The Rotterdam Economic Faculty Association (EFR)

is affiliated with Erasmus School of Economics. With more than 4,500 members, EFR has grown to become one of the largest student associations in Europe and one of the most active in the Netherlands. EFR organises a wide range of career-oriented, academic and social events for students of Erasmus School of Economics and of other institutions.



EFR in figures 4,500+ members, of which 130 are active • More than 50 events each year, with 5,000+ participants • Five international activities each year, along with several charity activities • Two conferences with top CEOs, politicians and world leaders • More than 100 companies at the largest on-campus recruitment event in Europe • Party leader debate on national television, with more than 1 million viewers • Cooperation with more than 125 companies • For more information, visit: www.efr.nl

Membership of the EFR gives access to a wide variety of events and discounts, without further obligations. And of course, you have the opportunity to build up your social and professional network. Would you like to have a truly educational year? Then become a member of one of our committees.

EFR CORE VALUES

Teaching

Mission: The EFR offers academic support to the students of Erasmus School of Economics.
Examples: Discounts on textbooks, advocating the students' interests.

Development

Mission: The EFR supports students in the development of personal and professional skills.
Examples: Mentoring active members, EFR Academy

Networking

Mission: The EFR helps expand the students' personal and professional networks.
Examples: Networking receptions, introduction events and group activities

Orientation

Mission: The EFR acts as a link between the student's school years and the start of their career.
Examples: Erasmus Recruitment Days, EFR Business Week, EFR Orientation Cycle

ARE SMART STUDENTS ALSO MORE ATTRACTIVE?

By: Willem Verbeke

We usually keep it to ourselves, but most people would rather be attractive. And many think that being attractive is very important.

Attractive people are often admired. They usually also have better positions in society, the business world and politics (Hosoda, et al., 2003; Dion, Berscheid and Walser, 1972; Elder, 1969; Hamermesh, 2011), and people are often jealous when others receive more attention because of their looks. Some give this observation ethical connotations: it's not fair that attractive people have better opportunities in society, or that less attractive people are discriminated against (Fleener, 2005).

What is beauty?

Let us first consider what beauty entails. I view beauty from two perspectives. First, it is a subjective measurement by which one person is considered attractive by another. Think of a scale from 1 to 7, in which 1 stands for 'not at all attractive', and 7 stands for 'very attractive' (ex. Hamermesh and Biddle, 1999). Secondly, beauty is also equated with symmetry: people with a symmetrical face are considered more attractive. This works just like the golden ratio (see Rhodes, 2006 for a good overview).

It has been found that both the subjective and the symmetrical standards for beauty are related to health, power or dominance. The latter is a phenomenon from evolutionary psychology: men and women both have a preference for attractive



Willem Verbeke is an endowed professor of Sales and Account Management affiliated with the Department of Business Economics of Erasmus School of Economics. He is also the founder of the Institute for Sales and Account Management. Verbeke's research focuses on issues such as self-conscious emotions and the application of neuroeconomics.

partners of the other sex, because attractive partners produce healthier offspring. Although today we live in a society where medical science has advanced to the point that even less healthy individuals can lead long and healthy lives, this preference still exists. In extremely competitive environments, such as professional sports, people appear to think that the strongest athletes are also the most attractive. One recent study by Postma (2014) found that a higher ranking in the Tour de France corresponded to being considered more attractive, by both men and women.

Inspired by this reasoning, I asked my Neuromarketing students the following question: Is it possible that the top business schools in the United States attract people who are smarter, and therefore more attractive, than people from lower-ranked business schools? The average scores for the Graduate Management Admission Test (GMAT) are often higher for the top American business schools, and GMAT scores are very important.

The opportunities of American students

My students made a random selection from 160 photographs (80 men and 80 women) of students at top American universities (Harvard University, University of California-Berkeley, University of



Frederique van der Wal, alumna Erasmus University

Chicago, University of Dartmouth and University of Virginia). They also downloaded 160 photographs (80 men and 80 women) of students from lower-ranked universities (University of Florida, Brandeis International Business School, University of Arizona and Southern Methodist University – Cox Business School). They then asked 136 students (77 men and 59 women) whether they considered the subjects attractive or less attractive, without knowing which business school the subjects attended. They determined that the students from the top schools were rated as more attractive. The answer to the research question is actually a matter of 'the chicken or the egg'. Today, business school students must sit for a personal interview as part of the admissions process. Is it possible that physical beauty plays a role in the recruitment and selection of students? We cannot prove it, but attractiveness could play a decisive role in the selection process. In short, we can state that students at top business schools have greater opportunities in society, because they are both smart and attractive - and that there might be a positive correlation between the two.

University or University of Applied Sciences?

In order to eliminate the possible influence of physical attractiveness on the admissions procedure, we repeated the same study in the Netherlands. In our country, the choice of study and the decision to attend a university or a university of applied sciences depends on self-selection. My students (from another team in the Neuromarketing course) again took random photographs of students at Leiden University (75 women and 75 men) and at The Hague University of Applied Sciences (75 women and 75 men). We can generally consider Leiden University as a top university, while The Hague University of Applied Sciences is ranked a bit lower. My students then asked 100 other students to rate the people in the photographs, without knowing which school they attended. Remarkably, the students of Leiden University were considered to be more attractive.

Physical attractiveness has an economic and biological value

While the selection procedure at top business schools in the United States is very strict, the Dutch schools admit any student who qualifies. However, both selection systems lead to the same conclusion: assuming that the leading American business schools and Leiden University are more challenging, and that the students at those schools must therefore be smarter, then smarter students are also considered to be more attractive. Intelligence and attractiveness therefore go hand in hand. This indicates that the thesis that attractiveness is only a secondary 'advantage' is not entirely correct. It probably indicates a biological component, and it is worth conducting further research into the biological and economic value of physical attractiveness. Of course, researchers such as Hamermesh (2011) have already studied the subject extensively. I tried to give the topic a more biological accent with my Neuromarketing students. Perhaps it will help us better understand why people are willing to spend so much money to make themselves more attractive. In the United States, women spend \$ 426 billion on beauty products every year. However, this is only a side effect of what is probably a fundamentally biological-economic issue. <

Facts & Figures

Erasmus School of Economics strives to be **the best in its disciplines** (economics, econometrics) and seeks to achieve excellence both in its research and teaching. This can be measured by its performance in rankings.

6 different objective indicators are used by the Center for World-Class Universities (at Shanghai Jiao Tong University) to rank world universities: alumni or staff winning Nobel Prizes and Fields medals, number of researchers with most citations selected by Thomson scientific, number of articles published in journals and, of course, per capita performance with respect to the size of an institution. The Academic Ranking of World Universities (ARWU) actually ranks over 1,000 universities every year.

In 2014, ARWU ranked Erasmus University Rotterdam (subject Economics & Business) as follows: 1st place in The Netherlands, 1st in continental Europe, 28th in the world.

First

In 2014 the QS World University Ranking ranked the Erasmus University Rotterdam (subject Economics & Econometrics) as follows: place 1 in The Netherlands, place 3 in continental Europe.

2,000 universities

QS World University Rankings is one of the multi-faceted rankings where Erasmus School of Economics scores particularly well when it comes to Economics & Econometrics. The study currently considers over 2,000 universities, and ranks over 700.

37th in the world

For the subject of Accounting & Finance: 1st place in The Netherlands, 10th in Europe and 37th in the world.

4

people from Rotterdam in the top 5

The ESB Top 40 has a new number one: David de Cremer. The Social Psychologist affiliated with Rotterdam School of Management, Erasmus University made it to the number one spot with an impressive score, forcing Philip Hans Franses (Erasmus School of Economics) into second place. The remarkable number 3 is Richard Tol, the environmental economist from Ireland with a part-time appointment at the VU Amsterdam.

A clear trend towards younger researchers is clear in the first seven spots: this group of economists were all between 37 and 47 years old. Those rated lower ranged in age from 38 to 65. The all-new approach by the ESB Top 40 resulted in new perspectives on a number of fronts. The first thing that leaps out is the younger ages of the top-ranked researchers. Next is the new economists who had previously been hidden below the horizon. Finally, there is the new leader of the pack. The only constant factor over the past few years has been the total dominance by Rotterdam's economists.

Ranking	Name	University	Year of Birth
1 (-)	D. de Cremer	EUR	1972
2 (1)	Ph.H.B.F. Franses	EUR	1963
3 (-)	R.S.J. Tol	VU/ESRI Dublin	1969
4 (7)	D. van Knippenberg	EUR	1966
5 (4)	W.B.F. Brouwer	EUR	1972

20th in Europe

In 2013, Times Higher Education World University Rankings rated the Erasmus University Rotterdam as follows: **3rd place in The Netherlands, 20th in Europe and 73rd in the world.**

The Times Higher Education ranking is the only global ranking that judges **world class universities** across a number of core disciplines such as research, teaching, knowledge valorisation and internationalisation.

87,013

In the 2009 Top Institutes, Erasmus University **Rotterdam was in first place**, with a score of **87,013 points**. Wageningen University came in second, with a score of 67,062, and University of Groningen was third with 38,556.



PRIME MINISTER RUTTE VISITS ECE

The objective of Erasmus Centre for Entrepreneurship (ECE) is to encourage and prepare students and researchers to apply the knowledge and skills they have acquired in an entrepreneurial manner. This includes starting their own business, but also working as an entrepreneurial employee within an organisation. In order to achieve this objective, ECE organises a variety of events and programmes.



Co-creation and cross-pollination

At the ECE Startup Campus, everything is geared towards realising good ideas and creating value. The goal is to create an environment with every opportunity for co-creation, cross-pollination and interaction. The ECE Startup Campus also offers knowledge and coaching for every phase of growth. For example, new entrepreneurs can participate in the Get Started programme, which helps them move from a simple idea to drawing up a business model. The next step starts with the development of a business model and continues to the realisation of a turnover of € 250,000 (the Get Business programme). The follow-up programme deals with the step towards revenue of €1.000.0000 within three years (Accelerator).

ECE offers state-of-the-art facilities, where entrepreneurs can learn, work and network with one another. At the ECE campus on the 11th floor of the Rotterdam Science tower, entrepreneurs have access to flexible workplaces, meeting rooms, lecture halls and they can even reserve the entire campus for events for up to 200 people.



The ECE community is a combination of members and activities that inspire and support one another to grow. The community is made up of entrepreneurs, experts and partners who participate via online and offline activities. Events such as the Day@theCampus, ECE conference and Get in the Ring are excellent opportunities to bring these people into contact with one another. At the moment, 10 partners are working together with ECE, including ING, APMT, BDO and the Investors Club. ECE also has a large network of alumni, the 'EntrepreneURS', which was founded in 2014.

CONSUMPTION

ARE WE FOOLED BY 'LIGHT' AND 'LOW-FAT' PACKAGING?

By: Iris Versluis and Philip Hans Franses

The population is getting fatter. According to Statistics Netherlands (CBS), in 1981 only 27 percent of the Dutch population was overweight, but by 2011 that percentage had increased to 41 percent. The growth of our waistbands has been mirrored by the number of light and low-fat products in supermarkets.

We want to lose weight, but at the same time we want to continue to enjoy our favourite products. So light products seem to be the ideal compromise: fewer calories but almost the same taste. Recent studies have shown that the 'light' and 'low-fat' claims on packaging can have psychological side effects on our consumption patterns. We feel less guilty eating a product that contains fewer calories than the regular variant, so we eat more of it. One of the more famous studies in this area was conducted by Brian Wansink and Pierre Chandon (2006). Visitors at an open house were given the opportunity to fill a bowl of M&Ms. The presence of the word 'low-fat' in the description of the M&Ms led to significantly fuller bowls than when the description did not state 'low-fat'. This can lead to the consumption of significantly more calories when choosing the low-fat variant than for the regular variant. So should we all start drinking regular cola instead of diet, and eating normal yoghurt instead of low-fat?

The experimental studies such as those by Wansink and Chandon (2006) used exactly the same M&Ms, biscuits or muesli for both the light and the regular variant. The participants in these studies therefore think that they are eating a product with fewer calories, when this is in fact not the case. This is a very valid method for experimental testing. The only difference between the light and ordinary variants is the claim, and all other factors that could influence consumption are excluded. But reality is much different. To the disappointment of many, there are still no light products with the exact same taste, texture and price as the regular variant. All of these different variables may result in us consuming far less of a light product than the experimental studies would have us believe.

We put our money where our mouth is. With the help of the data from the food consumption survey (VCP) 2007-2010, we determined how much of the light and regular versions of 36 different products the Dutch actually eat. The VCP is conducted regularly among a representative sample of the Dutch population, and accurately measures what the participants have eaten over the previous two days. In total, we examined the consumption patterns of 2,400 people. The products included in the survey included milk, yoghurt, cheese, crisps, margarine, jam, non-alcoholic beverages and mayonnaise. This led to a diverse set of light categories, including half-fat, low-fat, low-sugar, light and 20+. In the analysis, we controlled for other influences that can affect the amounts consumed and



Iris Versluis is a PhD candidate affiliated with Erasmus School of Economics. She earned both her Bachelor's there, and graduated Cum Laude for her Master's of Economics & Business. Her research focuses on the influence of external factors on eating behaviour, such as packaging size or the presence of a light label.

the choice for light products, such as age, gender, BMI, the place the product was consumed and whether the person is following a certain diet.

The results show that only a few products displayed larger portions of the light variant consumed than the regular variant. These were mainly the beverages and butter products. And even for these products, the total calories consumed were still lower for the light versions than the regular variants. In addition to portion size, we also studied the frequency of consumption. Are light variants consumed more often than the regular variants? This too appears to be the case for only a limited number of products. Some of these products were not surprising, such as cola or condensed milk for coffee. In these cases, there is a high likelihood that the availability of a light variant did not lead to more frequent consumption, but rather that frequent consumption prompted a switch to the light variant. After all, the co-worker who is addicted to caffeine is a common sight in many workplaces. And for all of these products, it is more beneficial in terms of total calorie intake to choose the light variant than the regular version.

So in practice, the consumption-increasing effect of light labels is marginal at best. Of course, the use of non-experimental data cannot fully exclude the possibility that self-selection has resulted in the lack of difference observed in the amounts of light and regular products consumed. For example, people who choose light variants may be consciously trying to live healthier and eat smaller portions. But even if this is the case, we can conclude that the presence of light claims in the Netherlands does not lead to excessive consumption of these products.

However, users of light products are advised to keep an eye on the rest of their consumption pattern, especially if they are trying to lose weight. Intervention studies have shown that in some cases, users of light products start to eat more of other products. Choosing to drink a glass of skim milk at lunch, for example, should not be an excuse to eat a large slice of apple pie later in the afternoon. We can therefore conclude that persons who would like to lose weight could do much worse than to choose light products. However, it is important that the choice for light products is not used to justify eating less healthily later in the day. <

For the complete report see:
<http://hdl.handle.net/1765/41389>.

NEELIE KROES

THE *GRANDE DAME* OF OUR ECONOMY

By: Wieneke Gunneweg

Neelie Kroes is perhaps one of the most famous alumni of Erasmus School of Economics. Journalist Alies Pegtel has written a biography of one of the most successful women in recent Dutch history.

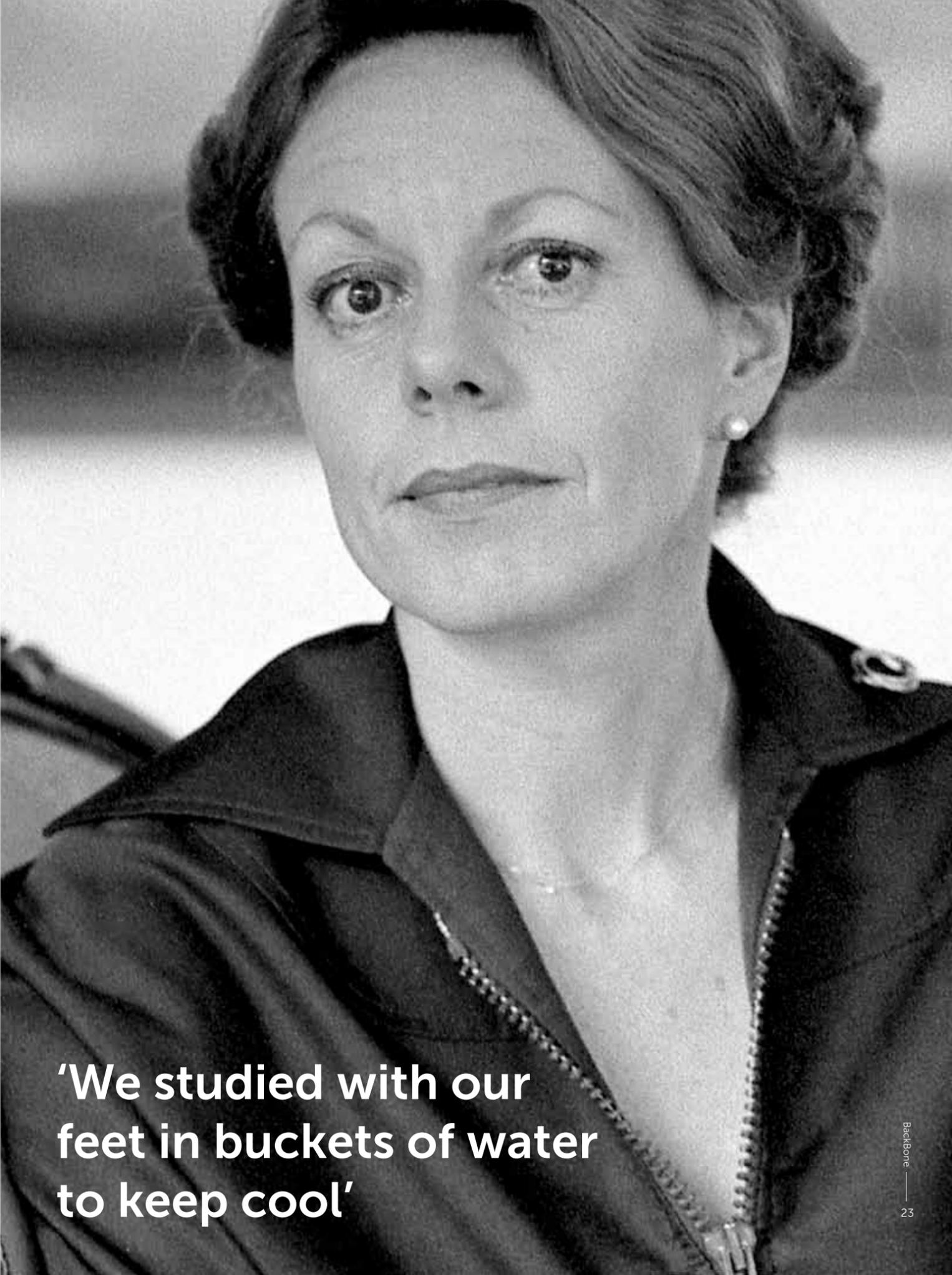
The European Commissioner reluctantly participated in the publication, and Pegtel interviewed many who know Kroes intimately, including friends, family members and former colleagues. On 15 May 2013, Kroes was presented with the book in Rotterdam, on the location of her old Alma Mater, the Nederlandse Economische Hogeschool (NEH). The event celebrated the presentation of the book *'Neelie, brave meisjes schrijven zelden geschiedenis'* (Neelie, Good Girls Don't Write History), and the farewell lecture by Professor Emeritus Johan Witteveen. Their time together at the NEH is described in detail in Pegtel's book.

Prepublication version of chapter 2 from 'Neelie - Good girls rarely write history' by Alies Pegtel.

The student associations of the 1960s were the nursery for today's Dutch elite. The vicissitudes of the study associations, whose members were often in personal contact with mayors, professors and other dignitaries, were considered worthy of the news. Before the start of the RSVS lustrum celebration, Neelie Kroes and the

Praeses of the lustrum committee, the Czech Jana Beranova, were able to draw the attention of the press. Newspapers published articles about the RSVS with headlines such as: 'Educated women found among pots and pans'. On the afternoon of Thursday, 16 February 1961, the RSVS lustrum officially opened with a game of ninepins between club members and professors. The students then attended a reception at City Hall hosted by PvdA Mayor Gerard van Walsum, with a 'fanfare by the police marching band'. According to the report the next day in the NRC Handelsblad, it was a successful reception "that turned into an especially pleasant event". Ms. Kroes, Praeses of the RSVS, answered the speech by Mr. Van Walsum with a clever gesture: she offered him a beer stein with an image of the Euromast tower. Mrs. van Walsum received a bouquet of flowers."

The almost legendary run-in between Neelie Kroes and Onno Ruding, which would be remembered in the media decades later, did not make it into the paper. As Rector of the RSC,

A black and white close-up portrait of Neelie Kroes. She has short, dark, wavy hair and is looking slightly to the right of the camera with a neutral expression. She is wearing a dark jacket with a visible zipper and a small pearl earring.

**'We studied with our
feet in buckets of water
to keep cool'**

‘So few girls study economics, but it is so groovy and it gives you so many opportunities later’

Ruding had congratulated ‘the little sister’ on her 45th birthday in the auditorium. Neelie didn’t hesitate, and answered cuttingly: “I am not aware of any family connections.” Ineke Noteboom was amused to see her put him in his place. “Onno said something risqué, about ripe apples falling from the tree. Neelie took offence, so she stood up and gave a speech.” Ineke explained that Neelie often expressed herself differently in public than in private situations. “One-to-one, she was much warmer and heartfelt than she seemed in front of the public. Then she put on a straight face.” The event was followed by several other festivities, climaxing with a gala ball in the Euromast. Dancing in the 104-meter high viewing platform was a top attraction. The year before, ‘the pinnacle of Rotterdam’s persistence’ had just opened. The remarkable building deviated from everything that Rotterdam had been known for up to that point: you couldn’t live or work in the Euromast, and the building had no useful purpose except for enjoying the view. Another organisational masterpiece was the international transport conference she had organised. It was Neelie’s idea to tie the lustrum to a practical real-world event. The transport conference was held in the Chamber of Commerce. That gave the event prestige, because its Chairman, Karel Paul van der Mandele, was also the President Curator of the NEH and a Rotterdam man with considerable power and influence. He had been the driving force behind a number of reconstruction projects, including the Botlek, Europoort, the construction of the airport Zestienhoven and the Floriade, an event intended to give the city new élan. The lustrum conference ‘*La politique européenne des transports*’ was opened by VVD founder and former Minister of Foreign Affairs, Dirk Stikker, who would be appointed to the post of NATO Secretary General just a few weeks later on 21 April. Foreign

guests also attended the conference, so the discussions were simultaneously interpreted into English through headphones.

The energetic 20 year-old Neelie was pleased that she had been able to organise everything with just a handful of peers. Her brother Til says that he first became aware that his sister had ambition during her university studies. “At school it was less noticeable, because there were fewer opportunities to present herself. My parents were proud of her. Although they never said so, I could see it in them.” Whether they were proud or not, Neelie’s father was of the opinion that her studies were the highest priority, before her other activities. Elly de Jonge, who had been a member of the lustrum committee board, remembers how they had both been given deferments for their candidate exams to help with the lustrum organisation. As third-year students, they were required to sit for their candidate exams, and that was considered a very serious matter at the time. Students attended the exams in suits or formal dresses and sat for oral exams with their professors. “We both studied very hard at Neelie’s house; I practically lived there for three months”, says Elly. Neelie remembers that time as well. “On the wall of my garret room, we pasted large sheets of shelf paper that you would normally use to cover shelf planks. We then wrote down what we had to remember on the sheets. It was summer, and it was extremely warm up there. So we sat with our feet in buckets of water to keep cool.” Neelie passed her candidate exam, and the moment came for her to leave her parental home. She moved into room in the RVS house. “After my candidate exams, I immediately started looking for a job to help pay for my room”, she said. “I found a position as a student assistant under Professor Henk Kuiler, of Transportation Economics.”

After her exams, she focused her studies on her own personal interests. As a part of her general economics studies, she chose to specialise in international monetary relations. “It was a tough course, but I had the idea that I wanted to go to Washington, to the World Bank or the IMF. That seemed like a fantastic idea.” At the time, people were very optimistic about international cooperation. On 25 March 1957, The Netherlands and five other Western European countries signed the Treaty of Rome, creating the European Economic Community (EEC). The world was getting smaller, even for students. Student organisation AIESEC, which was founded just a few years after the war, organised international student exchanges, and since she wanted to go on to work in America, Neelie joined AIESEC for an internship in Chicago. The United States were a popular destination, in part because the young President John Kennedy entered office in 1961, accompanied by his fashionable wife Jackie, representing a new generation.

Her father approved of her doing an internship on the other side of the ocean, explains Neelie “He said: ‘I’ll pay for the trip, but when you get back home you have to pay me back.’” She sailed to New York aboard the *Groote Beer*, “a ship that made everyone seasick”. From there, she took the Greyhound bus to Chicago, where she moved into a room in a house for girls. The internship was initially a disappointment. “I was only allowed to get coffee and stack papers. So I complained about it, and I was allowed to do more interesting work.” In retrospect, she regretted not taking advantage of the opportunity to travel around America. “I saw almost nothing of the country. But I had to pay my father back for the internship as soon as I got home. So you can see how big an impact the man had on my life.”



Erasmus



ROYAL VISIT

FOR THE OPENING OF ACADEMIC YEAR

Erasmus University received a guest of honour in Rotterdam on 2 September for the opening of the 2014-2015 Academic Year. President of the Executive Board Pauline van der Meer Mohr presented a special centennial sculpture to King Willem-Alexander.

OUR JOHANNES WITTEVEEN

FAREWELL INTERVIEW

By: Sandra Phlippen

On Thursday, 15 May, Prof. Johannes Witteveen gave his farewell lecture at Erasmus School of Economics, titled 'The meaning of our enormous structural balance of payments surplus'. Its sub-title – 'A neglected opportunity' – gives a hint as to the answer.

There is a clear message in your farewell lecture. You observe a surplus on current accounts in the Netherlands and state that this could have offered an opportunity to moderate the negative effects of some of the imbalances in the economy. Which imbalances do you mean, and why do they pose a problem?

"It mainly concerns movement processes in the economy. Most economists today believe in the general balance theory: they assume that all markets are always in balance. However, there is also a time element involved. That balance can occasionally be disrupted, which releases forces that make the economy tend towards a new balance. But the process of adapting to a new balance sometimes takes longer than necessary, or is more painful than necessary, because the forces of restoration can be disturbed by policies or institutions."

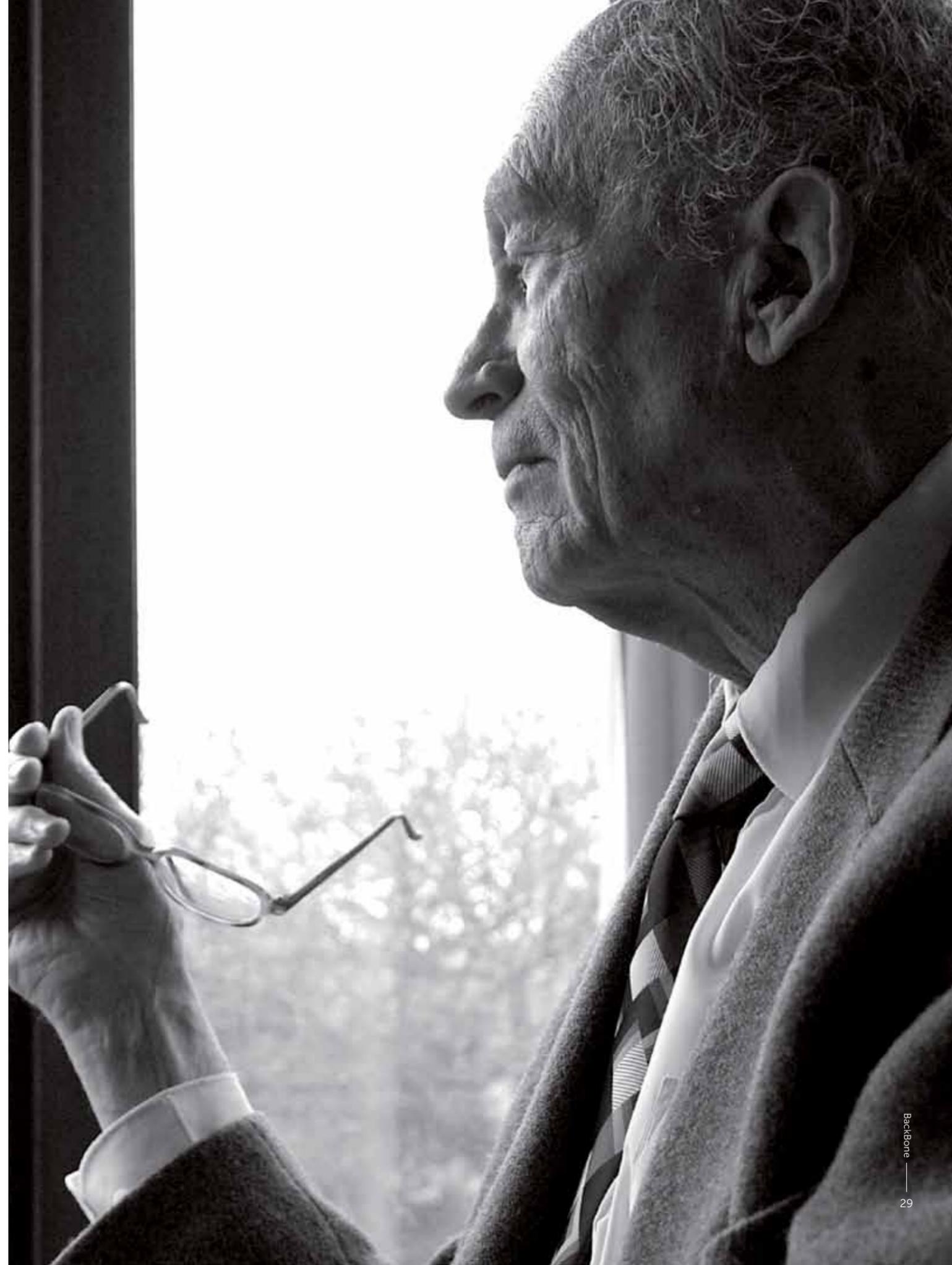
So you argue for intervention in the process of restoring a new balance?

"Yes. The Dutch savings surplus offers an opportunity to invest in the economy, which would shorten and ameliorate the recession and the process of the economy restoring a new balance. By

that I don't mean that the pension savings are not a factor for good, but rather that those funds should have been invested in the Netherlands, such as in the Delta works. No one doubts the necessity of these investments in the long run. Plus, the interest rate is currently so low that it would be an ideal investment for stimulating the economy in order to create more employment in the Netherlands. This type of conjunctural policies are rarely implemented, and unfortunately that is a missed opportunity."

Your ideas for turning the switches of the economy were characteristic of your mentor Jan Tinbergen. To what degree have his ideas served as an inspiration to you?

"Their influence has been enormous. Tinbergen focused mainly on economic politics. His idea was that the benefits of the free market were most pronounced in a climate that had been moulded by the government. Back then, during the Great Depression of the 1930s, Tinbergen was working on simply identifying economic relationships. He worked with simple models that he then used to distil his clear insights. That was inspiring. When the CPB (Netherlands Bureau for Economic Policy Analysis) was founded, the idea was that policy would shape the climate that would allow



'We should have invested the pension savings here in the Netherlands, such as in the Delta works'

the free market to work better. A centrally planned economy was never the intention of the CPB, despite what people later thought. They did, however, have a big dose of idealism. Everyone was hugely positive. Working at the CPB was the best work that you could find: helping to rebuild the country after the war. But in order to restore the free market economy, Tinbergen formulated the rule that there should be as many variables as policy goals, so that each policy instrument could effectively serve a single policy goal."

There is a lot of debate about the CPB today. The large macro models have become too complex, and the politicians put too much value on them. What is your opinion on the CPB's current macro models?

"The more complex the models are, the more difficult they are to understand. Ultimately, you will always have to ask whether the results correspond with your practical observations of reality. That's generally not the case anymore, but the complexity makes it impossible to test. The IMF worked using models based on relationships that exist when the production apparatus is utilised normally. But in a recession, those relationships work differently. This has led in turn to discussion about what is the right multiplier. The IMF gave the wrong advice during this crisis by using a model that was based on the wrong assumptions. This led to excessive budget cuts in Greece. People underestimated the negative multiplier effect of budget cuts in that country. In my opinion, the IMF should have been more focused on growth. Some structural reforms were indeed necessary, but there should also have been an agenda geared more towards growth."

So despite the increased complexity of the macro models, the impact of the financial sector on the real economy was insufficiently expressed in the models?

"Even Jan Tinbergen had great difficulty including the financial

sector in his model of the American economy, so that problem is nothing new. But it is difficult to realise in principle, because financial markets are partially driven by mass psychology. That is difficult to capture in a model. Mass psychology deals with the state of long-term expectations, which Keynes wrote a wonderful chapter about. In their models, economists take major investments into account, but these are surrounded by major unknown factors that are influenced by what people expect in the long run. That is a mass-psychology phenomenon. Another example is that financial markets play a major role in financing the government budget. This initially made it easy to finance government expenditure, but when the crisis happened that became almost impossible."

Since the start of the crisis, we have learned that financial markets have a big influence on the effects of policy on the real economy. Do you consider that this transmission channel may have an inhibiting effect on the possibility for influencing the economy using policy?

"It is always difficult to influence the real economy. According to Keynes, monetary policy alone cannot sufficiently influence the economy, so budget policies are also needed. It is interesting that during the celebration of the 200th anniversary of De Nederlandsche Bank (DNB), almost all of the attention was focused on monetary policy. It is as if there are no other instruments that can be used to steer the economy. But monetary policy is not always effective. We see today that setting interest rates low has no effect on people who have low expectations of the future. My suggestion is to differentiate between structure and conjuncture when making policy. Structural reforms that are necessary to bring a new balance to the economy often have negative effects on the conjuncture. So we must instead implement conjunctural measures, such as the 'wobble tax'. The wobble tax is a temporary tax (discount)

that has the effect of inhibiting conjunctural extremes and does not affect structural reforms. Unfortunately, it is difficult for politicians to credibly explain this dual message. The wobble tax could have encouraged consumption, which would in turn have activated the familiar multiplier. The current structural reforms are fine in themselves, but we need another instrument as well."

When people have low expectations of the future, don't they save tax refunds or use them to pay off debt?

"That is unlikely, because it has a marginal effect. People are already spending their savings, so if they had spent that extra money, it would have increased demand and given a boost to confidence, which would have in turn encouraged investment, which would result in increased employment. Small companies on the edge of bankruptcy would also benefit from that little bit extra."

Do economists participate enough in this debate?

"No, we as economists have the obligation to remind politicians of the contra-cyclical role of the government. Shouldn't a good politician be able to explain this to the people? For example, by explaining the difference between a structural measure and a conjunctural one. But that's not easy for politicians. On the one hand, you are asking for painful reforms, while you're lowering taxes on the other. Another conjunctural measure would be to accelerate long-term investments, such as a new Delta Plan."

Why is it that economists are so silent on the matter?

"Developments in the study of economics have drifted away from the politics of economic conjunctures. The current trend in economics is rooted in the general balance theory, which is based on rational expectations and behaviour. This leaves almost no role for the government. That suited the political climate in the time of Reagan and Thatcher, but today politics still tends towards the idea that if we would only reduce budget deficits and keep the government from interfering with the economy, then the free market would solve all of the problems on its own. But as I said earlier: a budgetary policy is needed to guide the rebalancing process, so that the free market can regain its balance as quickly as possible and resume its good work."

Do you see a conflict in your liberal ideas and your thoughts on government interference in society?

"Absolutely not. Liberal doesn't mean *laissez faire*, *laissez passer*, but rather that a government is necessary to correct the free market economy. If you don't do that, then the free market will bring so many problems in its wake that it would be grist for the mill to left-wing parties. A completely free market economy would mean unemployment and leave us at the mercy of big capital. At the moment, Capital is not limited enough. See what happened to ABN Amro. DNB saw that the takeover would be harmful, but did not have the authority to limit capital if it would

harm national interests. Another aspect is that the government must redistribute wealth. Reducing inequality helps the free market work better. But inequality is increased by the high degree of mobility of capital, which tends to accumulate in the places with the lowest taxes. Plus, the flight of capital to tax havens makes it increasingly difficult to have access to the capital, as it becomes more scarce. This in turn causes wages in the financial sector to increase. This was a direct consequence when China and India started exporting to the global market. Labour became more scarce there, so wages went up. We, on the other hand, have a surplus of labour, and you see that here and in America the real wages have barely risen over the past few years. This has resulted in a shift from income to profits."

What could the government do about that without placing too much of a burden on small companies and without chasing capital out of the country?

"We could introduce a financial transaction tax (Tobin tax). The financial sector must be kept in check, because otherwise it can withdraw a disproportionate amount of capital from society too easily. We have to sprinkle sand in the gears of the financial sector. Other options include an inheritance tax and taxes on wealth. But in order to make that politically feasible, you would have to appeal to the feeling of solidarity among the elite. The book by

Piketty will work on that. Good social cohesion is important for the development of society as a whole. The IMF used to have instruments to limit the international movement of capital, and today it still allows some countries to implement measures for limiting capital, such as blocking major takeovers."

In conclusion, I would like to ask about confidence. You stated in your farewell lecture that everything revolves around confidence. Recent studies have shown that in times of peak conjecture, there is too much confidence, which led to credit being offered on financial markets without sufficient checks on the quality of the collateral. At the time, transactions were too easy precisely because of confidence. What is your opinion on the matter?

"In peak conjuncture periods, there is occasionally too much confidence, and then there is too little in periods of low conjuncture. To balance out the insecurity of the conjuncture, we need confidence based on spiritual power. Confidence that everything will turn out fine in the long run: long-term expectations. What we need, is general confidence that the economy will find a new balance. Just as we occasionally experience difficulties in our individual lives that unexpectedly result in good things at a later time. Confidence in the importance of every situation at every moment." 

This interview previously appeared in *Economisch Statistische Berichten* (Economic Statistical Reports, ESB), volume 99 (4685).

'We have to sprinkle sand in the gears of the financial sector'



BANKERS BONUSES

DOES BETTER PERFORMANCE DESERVE HIGHER COMPENSATION?

By: Sjoerd van Bekkum • Illustration: Carolyn Ridsdale

Earlier this year, the daily evening newspaper NRC Handelsblad reported that George Osborne had submitted a complaint to the European Court of Justice in Luxembourg. The British Minister of Finance is trying to prevent the European Union from placing a limit on the amount of bonuses paid to bankers.

'Because what would you do if your bonus was capped in such a way? You'd ask for a higher salary'

His appeal comes in response to a bill that was approved by the European Parliament last April. According to the provisions of the bill, starting in 2014 the annual bonuses paid to bankers may not be more than a single year's salary, or two years' salary with the approval of the shareholders. This bill was primarily intended 'to prevent risk-seeking behaviour'.

Although Osborne perhaps fears that this kind of regulation may chase London City bankers to other countries, he also suggested a less opportunistic argument: What would you do if your bonus was capped in such a way? You'd ask for a higher salary. That was almost certainly not the bill's sponsors' intention. Plus, by raising salaries we would be throwing out the baby with the bath water, because bonuses allow personnel costs to go up and down with the business cycle. Higher salaries would increase expenses during recessions, which would in turn actually increase the risk to banks. But the wording of the bill has other weaknesses in addition to these unintended side effects.

Bonuses are a mechanism to reward managers for better performance. Let us begin by assuming that we know what we mean by 'better'. Lower bonuses in relation to the base pay (whether or not as a result of pay increases) would mean that poor managers are punished less for 'poor' performance. That cannot be the bill's intention.

What is 'good' performance? That is the question. The wording of the bill is fairly clear: to limit the risk to banks. This is a good point, because securing a constant flow of credit is just as important to a productive society as a constant flow of gas, water and light. But at what point do managers get paid their bonuses, actually? In many cases, it is when



Sjoerd van Bekkum has been assistant professor of Financial Economics at Erasmus School of Economics since January 2011. Van Bekkum earned his PhD in Economics at the Tinbergen Institute, and his research focuses on manager compensation, business investments and the predictability of share profits.

the profits from shares reaches a certain percentage. For banks, this percentage is sometimes as high as 15 to 20 per cent, which means that managers have to take higher risks to earn bonuses. This makes any limitation to the bonus to prevent risks pointless, as long as no arrangements are made to address the stimulus provided by the bonus.

Ambitious goals should be compensated with generous bonuses. But is profit on shares really the best measurement for good performance? There is no proven positive correlation between stimuli to encourage shareholders and risk monitoring; in fact, there is a negative correlation. Instead of yield on shares, a number of studies recommend linking bonuses to other performance indicators. Although not all of these ideas would be easy to implement, objective measurements for bank risk are excellent standards. For example: why not link bonuses to the profits from bonds issued by the bank, or on the premium on credit default swaps that can insure these bonds? After all, the bank's profits go entirely to the shareholders, while losses are shared among bond holders. So the latter would benefit from limiting the risk, as is the intention of the proposed legislation. And if 100% risk limitation is a step too far for the shareholders, then a compromise may be to stop linking the bonuses to the profits on shares, but rather to the total profits of shares and debt.

All of these suggestions could be implemented with an arrangement that is no more complex than the current proposal. The idea of limiting risk through paychecks can also be applied to the total compensation package, not just to bonuses. So let us give George Osborne the benefit of the doubt this time, and consider European regulations that actually address the problem. <

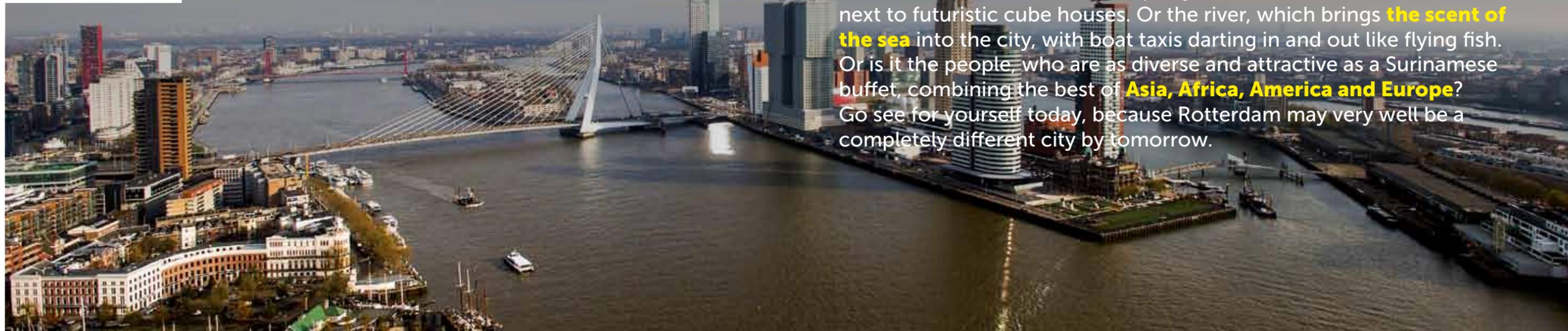


Frank Berning, Business Analyst at KPN

Studying at Erasmus School of Economics gave me the perfect preparation for my current job. In my daily activities I have to use skills and knowledge from a broad range of subjects, from Finance to Marketing, and from Microeconomics to Accounting, often all mixed into one single project!

'A perfect preparation'

The New York Times



'It's not done yet', the **New York Times** writes about Rotterdam. The newspaper put the city in its Top 10 Places to Go list. The biggest port in Europe, a spectacular skyline, world-class architecture, excellent museums - the city has it all. And they were right: Rotterdam isn't done yet! What makes Rotterdam a city to see according to the New York Times and the **Rough Guide**? We think that it's the mix of old and new. At Blaak, for example, you can find a **Gothic cathedral** next to futuristic cube houses. Or the river, which brings **the scent of the sea** into the city, with boat taxis darting in and out like flying fish. Or is it the people, who are as diverse and attractive as a Surinamese buffet, combining the best of **Asia, Africa, America and Europe**? Go see for yourself today, because Rotterdam may very well be a completely different city by tomorrow.

THERE'S STILL MUCH MORE TO ROTTERDAM



Fashion on the Maas
176 nationalities and styles. Adidas and business suits, vintage couture and designer track suits, hand-made gentleman's brogues and Chinese container sneakers. Shopping starts at the Nieuwe Binnenweg.



Watch the world at the IFFR
Spectacular events to satisfy every taste are given free rein: the Summer Carnival, the Marathon, City Racing and of course the International Film Festival Rotterdam in January, showing films from every corner of the world.



The ideal factory
UNESCO World Heritage, 'poetry in steel and glass'. Back in 1931, you would be proud to work in the Van Nelle coffee, tea and tobacco factory, where the workers' welfare came first. Today: Ontwerpfabriek design factory.



MegaMarkthal
The next big architectural masterpiece is always being built in this dynamic city. This is the home of the world's largest art work, suspended above the first covered market in the Netherlands. Always fresh.



Melting pot of flavours
Chips in a paper cone, standing at the counter at Bram Ladage. Or would you rather have a Vietnamese baguette for lunch? And what's for dinner? Michelin stars or the Chinese takeout down the road?



A pier as decor
From the outside, the new film and music theatre Lantaren/Venster is already beautiful enough. Especially after sunset, *cinemaphiles* on the Wilhelmina pier can lose themselves in the futuristic Alphaville.



Rotterdam = music
From throbbing ship engines to pounding pile drivers: Rotterdam is music. The North Sea Jazz festival in July hosts the biggest names and must-hear new talent. Here you can hear the past, present and future of jazz, soul and pop.



Harbour with a heart
I lost my heart in Katendrecht. The opium dens and women of easy virtue are gone now, but this peninsula is becoming the city's newest hot spot, where sailors on shore leave are making room for coffee and cuisine.



BOSS

ON THE WATER

By: Werner Bossmann

No top university without top athletics Erasmus School of Economics supports the rowers of A.R.S.R. Skadi, who celebrate successes at all major international rowing events. How you can grow from an inexperienced student athlete to a Rotterdam rowing champion in just a few years' time.

How long ago was it that he mastered the basics of the rowing stroke? Three or three and a half years ago? It can't be much longer than that. But today, on Sunday, 20 October 2013, Reinier Spillenaar Bilgen was suddenly rowing with the Old Eight of Skadi in the greatest rowing contest in the world: the Head of the Charles Regatta in Boston, among the shells of the American Ivy League universities and the club rowers of the Netherlands and France. "When I saw the competition, I started to doubt myself a bit", Reinier admits.

A team you want to belong to

During the first year of his studies at Erasmus University Rotterdam, he joined Skadi: or as it is officially known, the *Algemene Rotterdamse Studenten Roeivereniging* Skadi. By the time Reinier had mastered the basic rowing stroke - catch, drive, draw, feather, recover, catch, drive, draw, feather, recover - he had caught the rowing fever. He went from training three times per week to twelve. In the summer before the American adventure, he managed to obtain a place in the Old Eight at the under 23 World Championships.

But he certainly wasn't lacking confidence that Sunday on the Charles River. "I really had the feeling that we belonged in the Champions Eights", says Reinier. More than half of the men in the boat had already won a medal that year during a World Championship, a World Cup or a Universiade. Four of the eight rowers on board had even participated in the Olympic Games. "It's really a team that you want to belong to", he says about his teammates during the Head of the Charles. "They're men with experience and a lot of rowing know-how. They actively explain what they want you to do and how they want you to do it. As a relative newcomer, I learned a lot, and I learned it quickly."

"You learn so much more than just rowing"

The team took 15 minutes and 12.7 seconds to cover the three miles over the North American river, earning them 15th place overall, behind the French, the team from the US Naval Academy and the Holland Eight. But the Rotterdam boat finished before several of the Ivy League teams, which is something to be proud of. And Reinier enjoyed every minute of it. "The Charles may be one of the prettiest rivers in the world, but it is certainly one of the most meandering rowing rivers in the world." The banks are dotted with the impressive boathouses of Boston University, MIT, Harvard and North Eastern University. Rowing history.

The two-day regatta draws more than 9,000 participants from 2,000 clubs, along with 300,000 spectators. The winner earns the title of 'Head of the River'. After their performance that day, the Rotterdam team felt as if they too had earned the title. Reinier: "When I arrived in Rotterdam as an ordinary student, I never would have dreamt this. The nine of us in the boat had to invest many hours to get this far, and together we must have eaten kilograms of pasta and meat. And then of course there were the many hours spent in preparation in order to arrange the stickers, uniforms, tickets and accommodations. But I can recommend it to anyone. You learn so much more than just rowing."

Rotterdam rowers make an impression

In Rotterdam, they know that you're not a top university without top athletes. The Erasmus Trust Fund, which is dedicated to 'promoting the growth and development of Erasmus University Rotterdam', contributed to the expenses for participation in the prestigious rowing contest. The team also received sponsorship from Erasmus School of Economics for the occasion, in order to mark the 100th

anniversary of Erasmus School of Economics.

"We pose a challenge to the Ivy League", Skadi President John Veerman had said before the match, in the conviction that Rotterdam was the equal of the respected American universities. And he was proven right. The world took note of the rowers in their yellow sweaters with the black ESE letters on their chests. They held their own amid the *crème de la crème* of varsity rowing. The Young Eight also made an impression in Boston; the first-year students came in 12th in their class. *100 years of impact, indeed.*

Studying in an athletic city

Rotterdam has plenty to offer its athletic students, with many high-quality sports facilities throughout the city. The city lives and breathes championship athletics. Rotterdam has no fewer than three professional football clubs, competes in the highest levels in baseball, is home to a renowned tennis tournament and a top marathon, and in 2010 the city on the Maas was the official starting point for the Tour de France. And then there is the mighty river that flows through the city to the sea; a symbol of the city's openness and its ambition to 'conquer the world'.

Students who compete at championship levels can apply for top sport status via the Erasmus Topsport Bureau, which makes it easier to combine their studies with athletic competition. Competitions and training are arranged around a special study schedule. But Rotterdam is always true to its no-nonsense roots: even student athletes have to earn the required number of ECTS credits. Exams are not rescheduled for sports at the University for Thinkers and Doers.

Team spirit, aboard AND ashore

Since 1926, Skadi has grown to become one of the biggest student associations in Rotterdam. "At Skadi, team spirit is vital, both aboard AND ashore", explains John. "It's a place to meet other students who can help you and with whom you can study. It's easy to get to know upperclassmen who have already taken some of the exams, and who can give you tips." Students of the university and of the university of applied sciences are eligible for membership. A.R.S.R. Skadi, which has been around for 90 years, works together with the university to provide extracurricular tuition for the rowers. The board also plans its activities around exams as much as possible. "Several Skadians have performed administrative functions at the university during their studies", John emphasises. "That shows that it is possible to combine student life at Skadi with university studies."

'We belonged here', Reinier participated in the best rowing competition in the world

Winning everything they can win

In any case, the team's athletic performance doesn't seem to suffer. A former Skadian with the stereotypically Rotterdam name of Koos Maasdijk won gold in the 1996 Olympic Games in Atlanta. He also won gold at the Skiffhead, the Holland Cup, the World Championship and the Varsity, making him the Netherlands' most successful rower of all time.

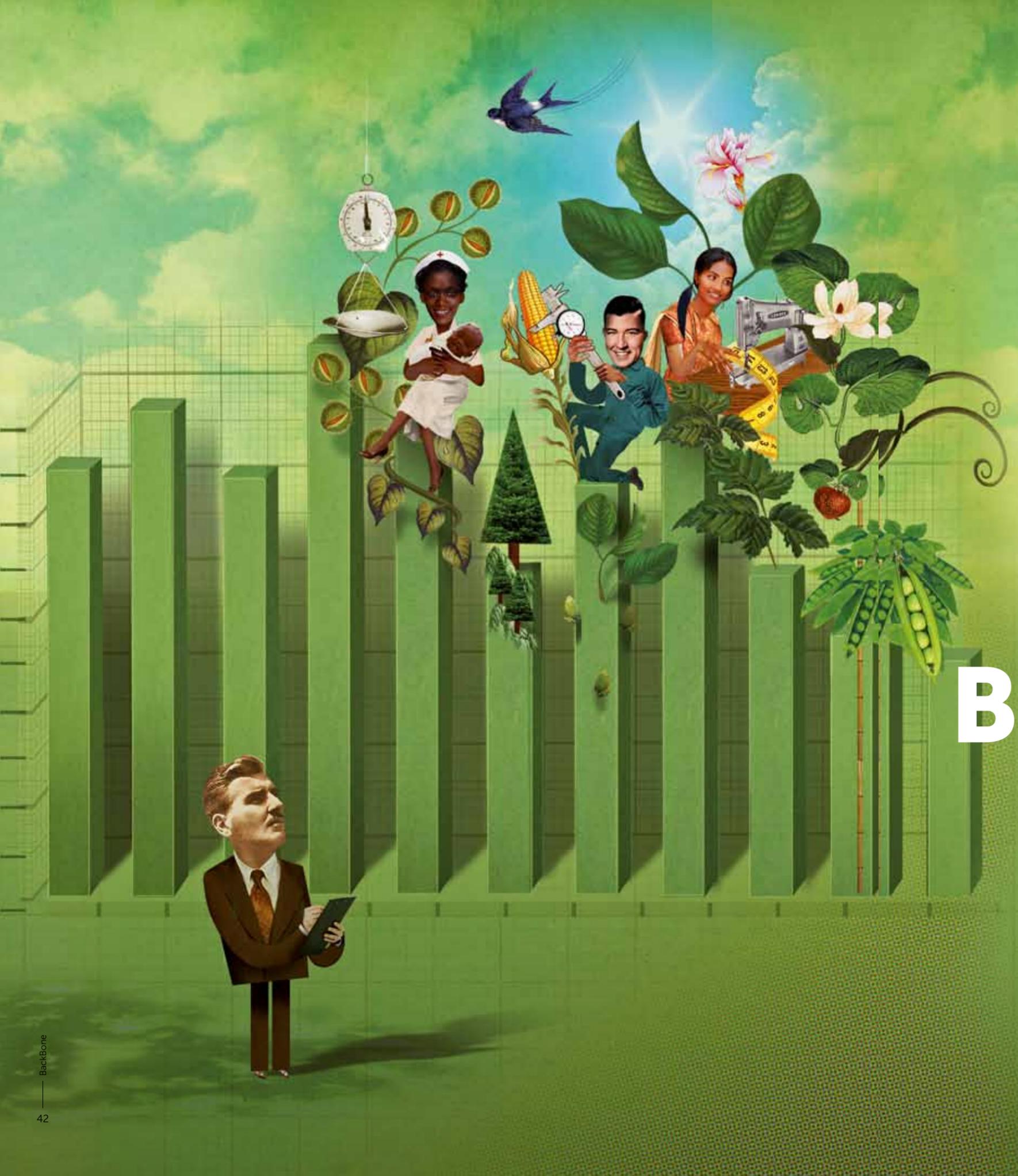
Successful Skadians like him are important symbols for the Rotterdam university, and an important reason for Erasmus School of Economics to continue sponsoring the club. On the water, the rowers are the boss. ⚡



Sebastian Korteweg,
Development Manager at RTL Netherlands

'Studying is more than just earning a diploma. In my case, I led a student association during an administrative break at the Economic Faculty association Rotterdam. Then I travelled around New Zealand. Once I got home, I decided to follow my heart and started working in the world of film and TV.'

'Studying means exploring your world'



MAKE THE WORLD A BETTER PLACE

MEASURE THE IMPACT OF CSR

By: Kellie Liket • Illustration: Carolyn Ridsdale

Corporate Social Responsibility (CSR) is all the buzz at the moment. Proud pillars of the Dutch economy, such as Philips, Heineken and Shell, have joined forces in the Dutch Sustainable Growth Coalition, with a promise to contribute to solving today's major social challenges. They have also expressed their ambition to turn the Netherlands into one of the world's 'sustainability valleys'.

'40% of the most sustainable companies in the world do not measure their social impact'

But how good are businesses actually at solving social problems? Distracted by the urge to argue that CSR makes 'business sense', we have gradually begun to simply assume that the social effects of CSR are extremely positive. However, my research has shown that we actually have little understanding of the social impact of CSR, because most companies do not measure their social results.

The most sustainable companies in the world have earned a spot in the Dow Jones Sustainability Index. My research focused on this group of companies, with the assumption that they would be the leaders of the back when it comes to CSR. I specifically studied one of the most common and traditional forms of CSR: philanthropic programmes. But even this group of leaders appeared to pay little attention to the social effects of their activities.

Of the 531 'sustainability leaders' in 2007, almost 40% reported that they had no system in place to measure their social impact. I then studied a group of 262 companies to determine the degree to which organisations have measured their impact on society and on the company in the subsequent years; the rhetoric behind the strategic implementation of CSR. But only 60% did so. And even this figure should be taken with a grain of salt, because we know nothing about the quality of these measurement systems.

CSR fanatics are quick to respond that the conclusion that few companies measure their impact should be put into context, because my research involved only a single type of CSR - philanthropy. But empirical research has shown that the group of companies that understand and implement CSR with what the



Kellie Liket earned her PhD in 2014 with her dissertation titled: *Why Doing 'Good' Isn't Good Enough; Essays on Measuring Social Impact.* Kellie Liket's PhD research has been published as part of the ERIM PhD series.

fanatics describe as a 'core business' perspective is still very small. New data from the Erasmus CSR Expert Panel, the Global Entrepreneurship Monitor and the Innovation Monitor all point in the same direction regarding CSR: few companies measure their impact.

My results triggered a different reaction from a CSR manager: "All that quantification costs money that should be spent on solving the problems." If only it were so simple. History teaches that social problems are not easy to solve. Reality often turns out differently than theory would have us expect. The CSR manager then followed with the statement; "It's difficult to measure impact". Ultimately, social impact depends on the value that the person whose life needs improving places on the change. This in turn requires the collection of data, which requires proper methodology. "We have to keep it practical."

This involves selecting a set of indicators and collecting data in conversations with a group of stakeholders. This kind of impact measurement usually gives no insight into the degree to which a sustainable change has been realised. More importantly, good evaluations show that in some contexts there is a serious chance that the initiatives will have negative effects, despite their good intentions. The bottom line is that the efforts still haven't benefited society as a whole.

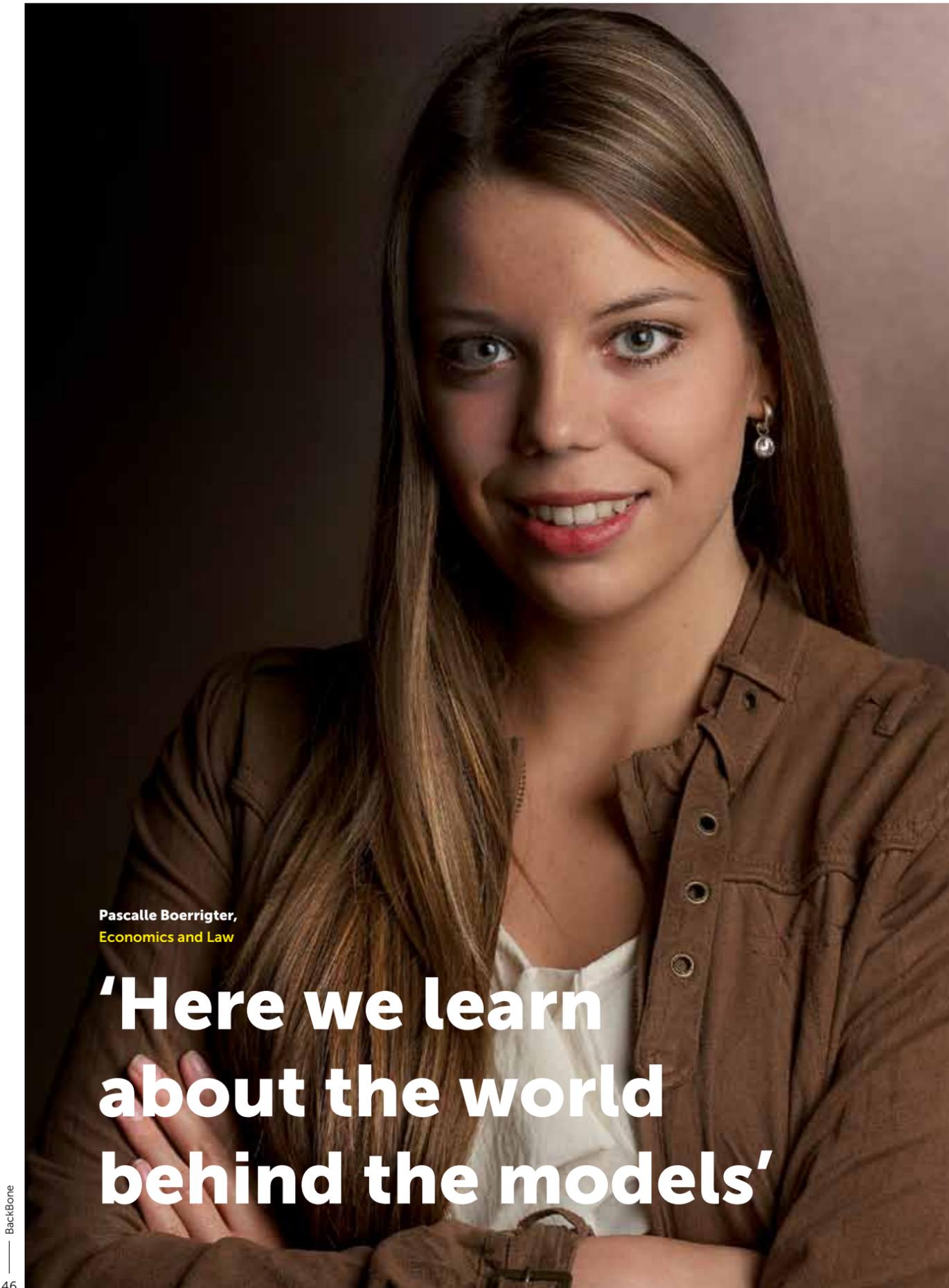
Companies should be more critical about the social impact of their CSR. This requires a focus on the social problems that are best suited to the company's unique characteristics. Choices should be based on existing knowledge of what works and what does not. And the impact of the initiatives should

be measured in an effective manner, regardless of the costs involved. The chance that all of the energy invested does not result in actual solutions is (too) real, and each action runs the risk of having unintended negative consequences. Even though companies have much more money to spend than charity organisations, for example, they still have to watch how much money they spend.

Some companies, such as Puma, Unilever and a few others, deserve praise for accepting the challenge of measuring their impact. But we should try to avoid two common fallacies: First, we cannot draw any conclusions on the larger group from these examples. And second, these examples involve only the environmental effects, which we have already been measuring in detail since the 1980s. The challenge today lies in quantifying the social effects. Fortunately, the number of companies that measure this impact and take the challenge seriously, such as DSM and Corio, is growing.

But if CSR is integrated into the company's mission statement, as is the case with Triodos Bank or Toms Shoes, then is all of that quantification still necessary? For a social business such as Toms, CSR is part of its core business. The business model is built on the partnerships with social organisations. The slogan is: 'With every product you purchase, TOMS will help a person in need. One for One'. Based on their mission statement and intentions, Toms Shoes is 100% CSR. But does this automatically make its impact 100% positive? Or would thorough measurements show that local shoemakers would go out of business as a result of the free shoes that social organisations give away on behalf of Toms Shoes? <





Pascalle Boerrigter,
Economics and Law

**'Here we learn
about the world
behind the models'**

The articles in this section have been previously published in Erasmus Magazine.



THROBBING BEATS IN THE LIBRARY

The University Library (UL) is usually populated by hard-working students and coffee drinkers, but during the Centennial Party on 7 November, the books made room for throbbing beats and screaming saxophones.

The South African duo Goldfish shook the UL to its foundations with their dance music infused with trumpets and jazzy piano. And later, Bakermat, Prosper Rek and Nico Pusch pushed out throbbing, melodious deephouse beats and swinging saxophones where a serene silence normally rules the day. Miranda Qualm, UL spokesperson, looks back on a successful celebration. "We wanted to show that the UL is a place where the students can enjoy themselves, not just study", she said. Tickets to the event were easily sold. Qualm: "People were even trading tickets on Facebook, so apparently the students thought it was fun to be able to party in the Library." She thought it was a unique experience to see her workplace transformed into the setting

for an awesome party. "We installed a time-lapse camera, so we could watch all of the books being removed from the shelves, the bookshelves being moved, a podium was built in no time, and then the room filling with party people and library staff." During the party itself, the UL staff didn't need to worry about people spilling their drinks on the rare books. "All of the books and equipment were removed from the library. We even laid out a special festival mat on the floor and arranged for extra toilets." So the library management were able to party with a clear conscience. "They even put on special gold glitter suits for the occasion." After the party, cleaners swept up the plastic cups and other litter and the UL was returned to its student-proof condition. Qualm thought that the party was so successful, that it should be repeated in the future. "If we decide to renovate the UL, then maybe that would be a good opportunity to throw another party", she said. "Because we'll have to remove everything anyway."



THAT'S WHAT I CALL A SPECTACLE!

On Wednesday, 12 March, the Economic Faculty Association Rotterdam (EFR) launched a flyboarder in the pond near the pavilion. The prank was intended to promote the EFR Business Week, which was held from April 2 to 11. But the students had failed to take into consideration that the flyboarder could pull out plants from the pond as it ascended, so they had to stop the prank after just 15 minutes. "Luckily, the students watching didn't notice, so we still drew a lot of attention, which was the idea", according to Business Week Marketing Officer, Jeffrey Meerpoel.

Skating at Alcedo

It is almost time for the members of the Alcedo skating club to sharpen their skates for the winter. Club Chairperson and Master's student at Erasmus School of Economics Martin Schaaphok (23) looks back on last winter's successful first season. "When we founded Alcedo in the summer of 2013, we had no idea that so many people were interested in skating. But in no time we were surrounded by enthusiastic skaters." The two highlights of the skating season? "That's easy! The club championships in The Hague. During the contests, everyone could finally test just how fast they could skate. We had special start training and rehearsed the races in advance. Not that you're thinking about that during a sprint race", says Schaaphok, grinning. "Because you don't have time to think; you just have to go all-out".

Another highlight was the Rotterdam five-pub crawl with a stamp card. All of the members 'skated' in the ice skating posture along a five-kilometre route from pub to pub. "That drew a lot of attention", says Schaaphok. "But Rotterdammers have seen stranger things." At each pub, they stamped their cards and ate kebab and drank 'zopie'. "A pub crawl of eleven pubs, based on the famous Elfstedentocht - the eleven cities tour, would have been six pubs to far, because we would have had to start on the beer in the afternoon. So not many people would have been able to keep going for 11 kilometres. As it was, we still had a great time." The skates may be put away for the summer, but the members are still working on staying in shape. "We work on endurance training, strength exercises and technique. And we also run, cycle and skate through the woods in the Kralingse Bos. All so that we can pick up where we left off after the summer. And so that we can continue to do crazy stuff together."

Heart Beat Festival

The Erasmus University's Centennial is certainly cause to celebrate. So to mark the occasion, the university organised the Heart Beat Festival! Students and staff went crazy to the sounds of Kensington, Hed Kandi, Three/Third XL, Friends of the Family and Guus Blok & the Boogies. "It was an awesome day", says Koos van Kalsbeek, one of the organisers of the Heart Beat Festival. "The weather couldn't have been better, there were lots of people and everyone was completely happy. The campus really felt like a festival. People were sitting by the water, listening to music. Colleagues were partying together and with the students. Plus, it was a great way for the first-year students to become acquainted with the university." The man dressed as Erasmus was very popular with the international students, says Koos van Kalsbeek. "They all wanted to take selfies with him." The stage swinging on a crane above the audience was a real eye-catcher. "A lot of people sent us pictures of that." The Heart Beat Festival is a party for the students to celebrate the opening of the Academic Year."



Live broadcasted Party leaders debate on campus

The Economic Faculty Association Rotterdam (EFR) and the national television programme EenVandaag organised a party leader debate at the campus of Erasmus University Rotterdam. Two days before the council elections, national political leaders went head-to-head to win over the local voters. Thijs van Kemenade (21), student of Economics and Law and Chairperson of the EFR Activities Committee explains:

"A debate with the national leaders of the six largest political parties", the university website announced, although the PVV was conspicuous by its absence. Did party leader Geert Wilders not feel like participating?

"The PVV is one of the major parties nationally, but Wilders' party is only participating in two municipal elections. His influence on local politics is marginal. It would have been great for the media coverage, but we thought that it wouldn't be relevant to invite him. That's unfortunate, because I would have liked to meet him!"

The debate was scheduled for the eve of the council elections. Why did you decide to put national politicians to the question?

"Decentralisation and health care were the main themes of the evening. Those are the areas that pose the biggest

challenges to city governments. So we asked: how do the parties aim to organise them? That gave the debate a more local hue. Since it was broadcast live on Nederland 1, the choice for national political figures was obvious."

Whose one-liners were you most looking forward to hearing?

"I was mainly interested in the give-and-take between them. How would the parties in government stand up to the criticism? They would undoubtedly get hit from all sides. I thought Arie Slob's position was exciting, because he put further agreements into question over the issue of illegal immigrants. But I also expected fireworks from the SP, which had condemned the cabinet policy in the strongest terms from the very beginning."

You will act as host for the political leaders afterwards. Who are you looking forward to drinking a beer with?

"They are all very welcome!" I would like to ask each one of them how they deal with balancing the enormous pressure of their work and their family lives every day. What are their motivations? I am curious what it is that makes them willing to work long hours every day to make the world just a tiny bit better."

Bilingual university?

The university strives to promote bilingual proficiency. So the university's most important School Advisory Council wanted to lead the way by conducting meetings in English for a three-month test period. Although the Council members' level of proficiency was reasonably high, the Council concluded that the university is not yet ready to conduct meetings in English.

"Now that we have gone back to holding meetings in Dutch, I notice how much easier it is", explains René Karens, Chairperson of the University Council. "It is easier to follow discussions and to pick up on the fine nuances. But it went much better than I had suspected. Everyone was able to make themselves understood, while I had expected that people would quickly switch back to Dutch. Erasmus University Rotterdam expects to become increasingly international, so international students will eventually begin to become more active in the advisory bodies. By holding meetings in English for a few months, we've already helped prepare the way."

IN THE MEDIA

Our prominent academics regularly appear in the media on television, radio and in newspapers and magazines. An overview of these appearances can be found below.

Rotterdam: ports in other countries receive more state support Michiel Nijdam, RTL Nieuws **More influence in the harbour** Larissa van der Lugt, BNR Nieuwsradio **Kirsten Rohde in CPB Advisory Council** Kirsten Rohde, Nieuws CPB: Netherlands Bureau for Economic Policy Analysis **"Criticism on pay raise at ABN Amro is exaggerated"** Sjoerd van Bekkum, Radio 1 **Low parking fees do not help retailers** Giuliano Mingardo, Het Financieele Dagblad **Icon Neelie Kroes honoured with book Elsevier, NRC, Trouw, FD, BNR Nieuwsradio, RTV Rijnmond etc. Dutch tax system too complicated** Peter Kavelaars, BNR Nieuwsradio **Happy employees ensure higher profits** Guy van Liemt, Trouw **Erasmus Charity Run collects fantastic amount for good cause! Banks clog aorta of the economy** Bas Jacobs, New Financial Magazine **Casper de Vries on the recovery of the Dutch economy** Casper de Vries, BNR Nieuwsradio **FNV predicts mass layoffs at Port of Rotterdam** Bart Kuipers, Algemeen Dagblad **Dutch citizen could save 30 lives** Kellie Liket, Het Financieele Dagblad **"It's time to take out the trash"** Bas Jacobs, Het Parool **Peter Kavelaars on the end of bank confidentiality in Luxembourg** Peter Kavelaars, RTL Z **New interest in skirt length studies** Philip Hans Franses, El Mundo/The Week and other international media **Marloek Hoogewoud (EFR) on integrity in the financial world** Marloek Hoogewoud, BNR Nieuwsradio **Erasmus School of Economics scores well in QS World University Rankings** QS World University Ranking **Dick van Sprundel on deferred payment and business emigration** Dick van Sprundel, Taxlive **Bas Jacobs on how the pension system is disadvantageous to young people** Bas Jacobs, Het Parool **Ivo Arnold on the plans by Eurocommissioner Barnier to make European banks more secure** Ivo Arnold, de Volkskrant **Karen Maas on the lack of visionary leadership** Karen Maas, Management Scope **Michiel Nijdam on harbour hubs in the Netherlands** Michiel Nijdam, BNR Nieuwsradio **Robert Dur on fighting garbage in Rotterdam** Robert Dur, Studio Erasmus **Interview with Honorary Doctor Steve Levitt** Steve Leviitt, Economisch Statistische Berichten **Casper de Vries: Bitcoin, who still understands it?** Casper de Vries, RTL Z **CEO Philips Frans van Houten: "You have to be in Rotterdam for Economics"** Frans van Houten, Trouw **EUR Economists most modest** Bas Jacobs, Volkskrant **Fieke van der Lecq explains pensions to women** Fieke van der Lecq, Het Financieele Dagblad **Bas Jacobs on the US government shutdown** Bas Jacobs, Het Parool

STUDY PROGRAMMES OFFERED BY ERASMUS SCHOOL OF ECONOMICS

5 Bachelor's degree programmes (BSc)

- BSc International Bachelor in Economics and Business Economics
- BSc International Bachelor in Econometrics en Operations Research
- BSc² Econometrics/Economics
- BSc Fiscale Economie (in Dutch)
- Mr. drs. – Programma voor Economie en Rechten (in Dutch)

2 Research Master's degree Programmes

- MPhil in Economics
- MPhil in Business Research

4 Post-experience Master programmes

- Executive Master of Finance and Control (in Dutch)
- Maritime Economics & Logistics
- Master City Developer (MCD) (in Dutch)
- Master in Urban Management and Development

4 Master's degree Programmes (MSc)

- MSc Econometrics and Management Science
 - Econometrics
 - Operations Research and Quantitative Logistics
 - Quantitative Finance
 - Quantitative Marketing
- MSc Economics and Business
 - Behavioural Economics
 - Economics of Management and Organisation
 - Entrepreneurship and Strategy Economics
 - Financial Economics
 - Health Economics
 - International Economics
 - Marketing
 - Policy Economics
 - Urban, Port and Transport Economics
- MSc Accounting, Auditing and Control (also part time)
- MSc Fiscale Economie (in Dutch)

COLOPHON

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Based in Rotterdam, the economic and logistics centre of Europe, Erasmus School of Economics has provided excellent education and produced excellent research for over a century. Many successful careers have started here. Graduates of Erasmus School of Economics are ideally equipped for success in the business community, government positions and research anywhere in the world. You can recognise economists from Rotterdam by their effectiveness, drive, commitment and academic attitude. We not only devote attention to the issues of today, but we also focus on possible solutions to the problems of tomorrow.

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