Speech by the Minister of Finance, Wopke Hoekstra, at the Dies Natalis of Erasmus University Rotterdam, 8 November 2019

Ladies and gentlemen,

We’ve just watched a wonderful Polygoon news item: fifty years ago, Jan Tinbergen was joint recipient of the very first Nobel Prize in Economics. The first, and so far the only Dutch person to receive this honour. The Committee showed great foresight, for Tinbergen’s work has lost none of its relevance today.

We are marking this anniversary with the ‘Tinbergen year’. And of course we are celebrating here in Rotterdam, where Tinbergen taught for many years at the Netherlands School of Commerce, the predecessor of Erasmus University Rotterdam. This institution, in its various forms, has been in existence for 106 years. That too is a cause for celebration. And for a one-hundred-and-six-year-old, you’re in pretty good shape! Many congratulations.

We also have the honour and good fortune to have the most recent recipient of the Nobel Prize in Economics here with us today.

Madame Duflo, permettez-moi de m’adresser à vous en français : vous êtes la plus jeune lauréate d’un prix Nobel d’économie et la deuxième femme, parmi quatre-vingts hommes. Je vous remercie pour votre discours éclairant sur la nature de vos travaux. L’esprit qui anime vos recherches est dans la lignée de Tinbergen : en vous appuyant sur
l’étude de questions mesurables, limitées et précises, vous faites avancer la lutte contre la pauvreté. C’est un honneur de vous rencontrer aujourd’hui à Rotterdam.

I always enjoy being here in the dynamic and versatile city of Rotterdam. I was fortunate enough to live at the Kop van Zuid area for six months, which I’m sure you’ll agree was far too short. But my father grew up in this city, and so I came here often as a child to visit my grandmother. It’s a city with a very Dutch, very practical mentality. Just roll up your sleeves and get on with it. Actions speak louder than words. ‘Niet lullen, maar poetsen’. U kent dat wel. En nee, ik laat de vertaling even zitten.

Maybe that’s why Jan Tinbergen wanted to work in this city and at this institution. After all, he wasn’t a typical academic, poring over dusty books and pondering complicated issues at length. Yes, he was a thinker. But he was also a man of action, preferably on matters where he could really make a difference. He combined his academic curiosity with idealism and a strong sense of responsibility. He believed knowledge should be used to contribute to a better society, a better world even. And in doing so he saw no reason to think small.

What is the essence of Tinbergen’s legacy? I think it’s the combination of sound analysis, a rational outlook, audacity and long-term vision. It’s hard to overstate his contribution to academic research, and to the way we use economics to shape future policy.

For Jan Tinbergen, education was the key to a better world. Not only was he an outstanding teacher himself, he saw education as the best route out of income inequality.
So how do you ensure better education for as many people as possible? Tinbergen considered measures like ‘contributions to the cost of living, the granting of a student’s wage, and a campaign of persuasion and propaganda.’ Because he saw a problem too, namely ‘the lack of willingness among young people to educate themselves.’ He wrote, ‘So in part this also concerns a process of teaching people to look ahead more; they will be grateful for it later.’

Ladies and gentlemen, let me add something else to Tinbergen’s message. I believe that the most important lessons you learn as a student are learned not only in lecture halls, but outside of them, too. Your student years are a time not only for intellectual development, but also for personal development.

The combination of academic learning, life lessons and standing on your own two feet is invaluable, as I myself have experienced too. Not here in Rotterdam, by the way. You’ve invited a graduate of Leiden University to speak at your anniversary celebration. I studied Dutch law there, basically for no other reason than curiosity and interest. The same goes for the foundation year of history I did there too. I loved walking through that beautiful city to my lectures – when I actually attended them, that is.

In Rome, I studied economics and politics. A magnificent city where you can emerge from the metro to find yourself standing next to the Colosseum, large as life. Like it’s the most normal thing in the world. Later, when I had started my working life, I did an MBA in Fontainebleau and Singapore, to learn more about the fundamentals of business. There were students from all over the world, and the
largest contingent was from India, not northwestern Europe as you might think. All these experiences have enriched me.

I think the goal we must all set ourselves – and this brings me back to Tinbergen – is to make use of our talents. Education is an excellent investment in yourself and in society. After all, oil and gas supplies may not last much longer, but brainpower is here to stay. And it’s up to the Erasmus University, and all those other outstanding Dutch universities, to develop that brainpower. And sow the seeds of a flourishing future.

Ladies and gentlemen, I’m a firm believer in long-term thinking. But my fellow politicians and I are often caught in the grip of short-term issues. As former UK Prime Minister Harold Wilson said, ‘a week is a long time in politics’. And even if we do look beyond a week, it’s seldom much further than the next general election. I think we should force ourselves to truly look at the longer term.

‘But how?’ you may ask. Nobody knows what the world will look like tomorrow, never mind in thirty years’ time. And that’s true. Making predictions is difficult, particularly when they involve the future. That’s my favourite quote, and one I like to use to deflect hypothetical questions from journalists. Still, I’d like today to try to look ahead. No matter how imperfect that attempt may turn out to be.

Indeed, none of us knows what the world will look like tomorrow. But we do know that the way we earn our living is going to change. Already, new technologies like artificial intelligence, algorithms and biotechnology are starting to have a profound effect on the way we work and live. And the impact will only get bigger. Nobody knows how quickly, or exactly what form this will take, but it’s clear to me that that
these changes will have a huge impact on many people’s jobs: from professors to radiologists, and from shop assistants to mechanics.

And although the Netherlands is among the world’s leading players in many areas – consider ASML’s computer chips and Wageningen’s sustainable agriculture innovations – all too often we, and Europe as a whole, allow the tech giants from the US and Asia to call the shots in this field.

What’s more, we pay high taxes in the Netherlands. And with good reason. It allows us to provide excellent healthcare, education and pensions. But the ageing population means that it’s going to get harder and harder to foot the bill.

Also, while economic growth here is stabilising and holding up for now, in countries around us we see growth grinding to a halt, or even the threat of a downturn. And Brexit and international trade tensions are fuelling uncertainty at global level.

All these developments together make a case for change. We need to think about our country’s future earning capacity. How can we make sure that the incomes of households and companies will be guaranteed in the future?

At the same time there’s an opportunity here. It stems from the exceptionally low interest rates combined with our solid credit rating. The Netherlands is a triple-A country that has reduced its national debt by tens of billions of euros in recent years. And so we now find ourselves in the bizarre situation that if we borrow money for a period of thirty years, we actually get paid for doing so. It defies logic, but that’s the reality. Those low interest rates work against us in the debate
on pensions, and they are not beneficial to people with modest savings in a bank account either. But when it comes to government finances, they certainly provide us with opportunities.

Now, if I combine that case for change with the opportunity provided by low interest rates, it raises the following question: shouldn’t we, under specific conditions, be investing in our long-term earning capacity?

Well, that is why the government is developing an investment fund. You may have read about it in the newspaper, or even talked about it during lectures.

Civil servants from various ministries are currently working out the details. The fund’s success depends on the guarantee that the money will indeed go to projects that contribute to the economy of the future. So there are still some tricky issues to resolve and obstacles to remove. And there will no doubt be unforeseen glitches to deal with.

That said, I’d still like to tell you a bit more about the idea behind this fund. Why do I think that an investment fund can help solve the problems we anticipate with regard to our country’s future earning capacity?

The Netherlands has a high labour productivity. But productivity growth is under pressure in all developed economies. In the Netherlands, too, it has dropped. So how can we still keep growing the pie?

The most basic lessons of economics teach us that the size of an economy is measured by its labour, capital and technological progress.
Labour participation has increased sharply over the past few decades, mainly because more and more women are in paid employment. But these gains will decline in the decades to come, due to the ageing population. What’s more, in highly developed economies like ours, there’s no low-hanging fruit to be harvested from increasing physical capital. We already have a solid basis when it comes to infrastructure and reliable electricity and water supplies, and in principle everyone has access to the internet.

So what’s needed is very specific capital investments and an increase in productivity, as these can strengthen our earning capacity in the future. That leads us to three areas: R&D and innovation; infrastructure; and human capital or knowledge development.

The last category is the most relevant to you. Investment in human capital is the most effective way to prepare for an uncertain future. After all, we don’t know what tomorrow’s economy will look like and what tools and skills we will need. All we can do is educate the minds that over the next few decades will invent things we can’t even conceive of yet – and we need to start with kindergarten. With rock-solid primary, secondary and tertiary education we can build a strong and durable foundation for our country’s future. And it’s important to remember that after we leave the classroom and the lecture hall, we won’t be finished yet. We’ll need to keep on learning throughout our working lives. Further training and retraining will become much more common than they are now.

Finally, it’s crucial that we make use of all the talents our country possesses. And don’t worry, I’m not going to suggest we introduce Tinbergen’s talent tax. But I do believe that anyone who has a capacity
for learning should have access to the education that is right for them, regardless of their parents’ income. That studying space technology should be no more unusual for a girl than it is for a boy. And that if learning a practical skill suits you best, you shouldn’t be struggling through a law degree because that’s what your parents want.

And that brings me back to the students in this room. You are the ones who are going to be running things: you represent the Netherlands of 2050. Our human capital is sitting right here in front of me. My most important message to you today is this: do not underestimate your own impact. No, we’re not all going to become the next Jan Tinbergen, but all of us can make a difference in the world, big or small. Use your talents, as Tinbergen did. Choose your own path and don’t be afraid to think big. If you then crash and burn, that’s okay. In the long run you’ll learn from the experience. But don’t let the failures of people who are thirty years your senior make you believe that you must follow a certain path.

And to the academics in the room, I’d like to ask you to keep the spirit of Jan Tinbergen alive. That entails a number of things. Tinbergen combined reason with idealism. He thought beyond his own discipline. And he was always mindful of the relevance to society of various issues. I gather that your university has put these principles at the heart of its plans for the coming year.

Ladies and gentlemen, I’d like to close now in the spirit of Jan Tinbergen. The story goes that, when he was director of the Netherlands Bureau for Economic Policy Analysis, he would have a meter ticking away at each meeting, showing how much money was being spent on the highly paid employees around the table. In that
same amount of time, they could have been producing useful calculations to make the world a better place. Or, as he himself once wrote, ‘For some queer and deplorable reason most human beings are more impressed by words than by figures, to the great disadvantage of mankind.’

Thank you.