



Utrecht, June 3 2020

Subject: Advice to Dutch politicians for a sustainable recovery

Esteemed politicians of the Netherlands,

Your response to the corona crisis determines our future quality of life. Across the world communities are coping with this acute crisis by providing support packages. In this the government plays an indispensable role. At the same time, citizens and entrepreneurs need room to take their own responsibility.

It is important to look forward and strengthen society's resilience. The corona virus shows the fragility of our complex and globalized society. Operating with minimal inventories and buffers has left us vulnerable. And that applies not only to a pandemic, social tensions or environmental disasters also threaten to disrupt society. We pay a high price for an unbridled pursuit of efficiency to ensure maximum financial profit in the short term.

We, all members of the Sustainable Finance Lab, offer you the following proposals:

1. Ensure access to essential services and equal opportunities for all. In this crisis too, it is flexworkers who suffer the most. Ensure, as government, that no one is deprived of good quality education, care and sufficient income. Develop for self-employed a basic insurance for disability and a pension. Invest in active labor policies.
2. Sustain the economy, but also give direction. Demand from companies in need of support a business plan outlining how they can reduce their carbon footprint and contribute to the Sustainable Development Goals. Companies that focus on these challenges are indispensable for the future earning capacity of the Netherlands.
3. Wait with austerity and broaden the tax base. Economic recovery requires time and effort. Do not therefore reduce support too quickly. Broaden the tax base in order to achieve a more efficient and effective tax system and a more sustainable funding of government.
4. Put a price on ecological damage. Prevent ensuing ecological disasters, from a warming planet to a shortage of raw materials and fertile soil. Make sustainable use of the living environment profitable for businesses. Put a price on CO₂-emissions across the whole economy and abolish tax-exemptions for fossil fuel, such as those for kerosene. Also put a price on the external effects of waste and resource use, including nitrogen in animal feed and fertilizer.

5. Strengthen the buffers in society, the economy and the financial sector. The Sustainable Finance Lab has always emphasized the importance of buffers. In 2008 inadequate buffers of banks necessitated rescue with tax money. Now we see that higher buffers are important more widely in the economy. High debt levels result in crises, worsen these and undermine recoverability.
- Reduce therefore incentives to take on debt. Abolish the tax benefits of debt, such as the remaining mortgage interest relief for households and interest deductions for businesses. Establish equal tax treatment of debt and equity. Determine a healthy relationship between equity and debt for companies in the *corporate governance* code so that supervisory directors can be held accountable.
 - Focus on further strengthening of the financial sector. Sufficient risk capital in banks remains a concern, as well as the dependence of Dutch society on three uniform banks. Promote, therefore, diversity of the banking landscape, and invest in public fallback options such as a public backstop for the payment system through digital central bank money.
 - Rely for support of companies not only on credit guarantees and loans. Make use of risk-bearing (equity) instruments for companies which cannot sustain higher levels of debt.
 - Reduce also the debt burden of households. Focus on faster and more effective debt restructuring for households with a hopeless debt position.
6. Invest in the involvement, responsibility and countervailing power of citizens. Stimulate local initiatives which are self-organizations of citizens outside of government and the market. For example: citizens who generate their own energy in an energy cooperative or who make use of mutual disability support ('broodfonds'). Organize citizen influence in those private sectors where major public interests are at stake. Establish social advisory councils at banks, comparable to the client councils in healthcare institutions, i.e. with a legal status. Consider applying this also to large companies in sectors such as media, pharmaceuticals and food, including supermarkets.

Global problems require global solutions. Within three months, a tiny virus in China transferred to humans and shut down much of the world economy. Hopelessness and unequal opportunity lead to geopolitical unrest and migration. The climate is changing worldwide. These challenges require international cooperation. A common European approach is an indispensable first step.

7. A sustainable multi-year European approach. With these unprecedented challenges the EU budget must be made both more goal oriented and larger. Draw up a framework for support and reconstruction measures, including an investment plan, to be implemented by the European Commission and the European Investment Bank. Focus this on future-proof economic activities, such as acceleration of energy, circularity and mobility transitions. Consider fiber optics networks, heat, biogas, smart grids, regional light rail and high-speed cross-border railnetworks. Invest likewise in a European approach to medical challenges, such as the production of vaccines and other medical supplies. This is needed for both '*shovel ready*' projects and research and retraining projects — and the accelerated development of projects.

8. Utilize the International Monetary Fund (IMF) for vulnerabilities in developing and emerging countries. Europe is a prosperous continent with a strong currency. Europe can therefore bear the costs of the corona crisis. Many developing and emerging countries cannot. The corona crisis presents them with unprecedented challenges, in addition to the environmental and social problems they already face. Realize therefore a social and sustainable investment agenda through the IMF. The IMF can issue new *Special Drawing Rights (SDRs)*. Rich countries can offer their SDRs as a gift and make them exchangeable against their currencies.

The current crisis offers a glimpse into a future where more disturbances are imminent. Disruption through social unrest, floods or drought. Partly predictable disasters that we can avert and partly unpredictable ones for which we can prepare. Economically and financially this is definitely possible. Actually, the socially inclusive realization of the energy and circular transitions, and the strengthening of our buffers, are probably the only way to maintaining our well-being and prosperity.

With our kindest regards,

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