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Title: An advice to boycott Holland till the censorship of science by the directorate of the Dutch Central Planning Bureau is lifted. An update given the 2007+ world economic crisis

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Abstract

The author is an economic scientist and he protests since 1990 against the censorship of science and the abuse of power by the directorate of the Dutch Central Planning Bureau (CPB). Up to now he has been able to make available only part of the analysis and the full analysis can only be presented when he is restored in office. Since the Dutch apparently cannot solve the censorship by themselves he advises the world since 2004 to boycott Holland till the issue is resolved. The issue is relevant for the economic crisis of 2007+. The analysis is updated here on the crisis and his December 26 2011 email message to the Independent Evaluation Office (IEO) at the IMF with respect to an inaccurate report about the CPB in the IMF October Outlook. Theory and experience show that democratic nations are advised to adapt their Trias Politica checks and balances of the Executive, Legislative and Judiciary powers with a fourth power, a constitutional Economic Supreme Court, grounded in science and open to society and the scientific community but with the power to veto the budget if it contains wrong information. In that manner parliament and political policy makers keep the power to decide what policy will be but they will have less control over the information for voters.

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Introduction

As an economic scientist I protest since 1990 against the censorship of science and the abuse of power by the directorate of the Dutch Central Planning Bureau (CPB), see Colignatus (1990). Up to now I have been able to make available only part of the analysis and the full analysis can only be presented when I am restored in office. Since the Dutch apparently cannot solve the censorship by themselves I advise the world since 2004 to boycott Holland till the issue is resolved, see Colignatus (2004). The economic crisis of 2007+ adds to the drama. The analysis in 1990 concerned unemployment and is directly connected to the present, both in the onset of the crisis and for the future resolution. Since policy makers could not resolve unemployment back then they decided to deregulate markets, see Colignatus (2011a). If the world wants to resolve the economic crisis then it requires the proper economic analysis. Perhaps other economists can develop the analysis too or policy makers might randomly hit the proper policy but up to now there is little to show for that. The best solution would be that the Dutch government resolves the censorship. Since this apparently does not happen by itself I advise the world to boycott Holland till it is resolved. PM. I have my hesitations about the notion of a weblog but in February 2012 I set up <http://boycottholland.wordpress.com>.

The IMF has an Independent Evaluation Office (IEO), <http://www.ieso-imf.org>, see also Wolf (2011). On last "Boxing Day" I wrote its director Moises Schwartz with respect to a misleading discussion about the Dutch Central Planning Bureau (CPB) in the October Outlook, IMF (2011). Next to describing the situation, I also included this statement:

"Hence, if you allow some logic: the current most advanced economic theory causes the advice to boycott Holland till that censorship of science is lifted. Economic scientists who do not support that advice are behind in theory. My proposal is that the IMF adopts that analysis as well, and supports that advice in its reports to governments." I also explained: "I am also advising the dismissal of Dutch professors of economics, for their neglect of the integrity of economic science."

I have some doubts about the PAE-network, see Colignatus (2005). I consider myself to be a neoclassical economist in the tradition of Keynes and Tinbergen. Both were open-minded about all kinds of approaches but savoured the combinations that worked. It seems best when advice can be put into the neoclassical mold that every economist knows by training. Mathematics is crucial but must be applied correctly. For example, I protest when Kenneth Arrow and Amartya Sen apply mathematics in a wrong manner, in a way that indicates that they apparently do not understand what democracy means, see my book "Voting Theory for Democracy", Colignatus (2011b). I don't see much consistency on this in the PAE-network, e.g. there is criticism on the use of mathematics but Sen still would be some kind of hero even though his bad application of math is destructive for democracy. In a discussion in the Monthly Review, see Thomas Palley (2010), there is still the suggestion of class struggle, but this is kind of strange since Labour parties once were big in Europe, and the problem was and is that their economists want so much to be respected that they stop thinking. But we see this in virtually all political parties. Whatever this be, it seems relevant that also the PAE-network hears about both my advice to boycott of Holland and message to IMF-IEO.

I noticed that some Dutch economists have been publishing in the "Real-World Economics Review" but readers of that journal are now warned that these Dutch economists have been misguided or deficient on integrity for years. Arjo Klamer has an international reputation as a critical economist but he has been silent about the censorship. At www.feed-charity.org I see today that one of the trustees has been the chief editor of a Dutch economics magazine ESB that has consistently blocked my protest against that censorship.

UNESCO (2012) has an ethics programme and database under the header of Social and Human Sciences, where the ethics are directed at Science and Technology, where economics apparently is not counted as a science. Economic theory has a lot to say about ethics but professional organisations of economists haven't done much on it. Facts are sacred but censorship isn't a fact ?

The following mentions some aspects of the advice.

The general issue concerns democracy and science

Let me first outline the general problem, then indicate the economic process behind the current crisis, and then return to the advice to boycott Holland. More details can be found in my book *Definition & Reality in the General Theory of Political Economy* (DRGTPE), Colignatus (2011a), and on my website. Note that all this remains an indication only since the full analysis can only be published when I am restored in office.

When we consider the various economic crises across nations and across time we best look for common factors. The basic factor that we can identify is the Trias Politica structure of Western democracies, the separation of power over the Executive, Legislative and Judicial branches. The present checks and balances are imperfect. This structure allows too much leeway for forces that are detrimental to the economic well-being of the population at large, their economic security and their pursuit of happiness. The structure of economic policy making allows politicians, bureaucrats and special interest groups too much room to distort the contribution of economic scientists. The conceptual scheme of the Trias Politica was a useful ladder to climb out of the situation of feodality and absolute kings. But a ladder is not a goal in itself. Democracy is a living concept and can develop further. If we find that the Trias Politica fail with regards to our needs, then we should adapt it. The general notion is that we need a constitutional amendment for an Economic Supreme Court that will be open to the scientific community but that also has the power to veto the budget if it misstates information.

The current economic crisis fits this diagnosis. It would be a project by itself to identify the various legitimate warnings by many others over the last decades that weren't properly used for policy. See some comments on this below. Presently we focus on the censored analysis of 1990.

Europe and the euro in January 2012

Holland had growing unemployment in the wake of the oil crisis around 1973, partly because of its own resources of natural gas ("the Dutch disease"). Policy makers concluded to a low wage policy and export led recovery. See the record of export surpluses, Colignatus (2009a). The policy implies the export of unemployment. If Japan had run such surpluses then the world would protest loudly, but Holland is a small country. After 2000 Germany started to copy the Dutch example, see Burda & Hunt (2011). For Southern Europe it has become very difficult to compete. Clearly, Southern Europe has issues of economic management too but the unfair competition from Germany and Holland does not help.

Suppose that Southern Europe would tell Germany and Holland that they should stop their aggressive export policies. Will voters in Germany and Holland believe them? No, they will respond that the Southerners are using a self-serving argument, and cannot be trusted. Hence, the issue should be resolved in Germany and Holland. Holland is in a special position, given the censorship of science that already lasts 20 years.

In the discussion on the euro in 2011, it is curious to see Germany and Holland accusing Southern Europe of lax management but neglecting their own contribution to the problem. Greek statistics are a huge topic in common discussion but the censorship of science in Holland is absent there. The IMF visits Greece on its import deficit but doesn't visit Germany and Holland on their export surpluses.

The Dutch government proposed tough implementation of the budgetary rules, see ECFR (2011). The first element is: "Zunächst einmal bedarf es verlässlicher Zahlen. Es müssen unabhängige nationale Institutionen für Statistiken und Schätzungen eingeführt werden." (First there need to be reliable data. There must be independent national institutes for statistics and estimates.) This request has been adopted in the official decisions and documents. Thus, each eurozone nation would have its own CPB. There are some obvious objections: (a) independent is not the same as scientific, (b) there is still censorship at the CPB, so the Dutch example is not inviting.

The Dutch media don't seem to care about a dismissed econometrician who relates about events 20 years in the past. But of course, these are mere media, and the responsibility falls to fellow scientists. The president of the Dutch Academy of Sciences, Robbert Dijkgraaf (who will head the Institute of Advanced Study in Princeton) refuses to respond on the issue of the censorship. In Holland he is popular in the media but apparently he focusses on physics and has not looked into the failure of economic science in Holland to deal with the mass unemployment and the current crisis. It is not impossible that he thinks that economic policy comes about by alchemy anyway.

Foreign scientists have "inspected" the Dutch Central Planning Bureau (CPB) but they neglected me and my protest against censorship of science. For example professor Zimmermann in 2003 or professor Hellwig in 2010. Once trust is corrupted, it is difficult to restore. At the Levy Institute I recently noted that there is a link to professor Robert Haveman, see my comment here: <http://boycottholland.wordpress.com/2012/02/07/on-the-economic-synthesis-including-minsky-and-godley>. A special position has the "inspection" of 1997 when I happened to meet Anton Barten at a CPB-reunion and actually was invited to tell about the case, see my report at <http://www.dataweb.nl/~cool/Thomas/English/TPnCPB/Audit/Index.html>. The committee judged the matter to be "old" which is a misstatement of pure fact, since the censorship continues till this day. Member of the committee was professor Richard Blundell, who recently was part of the IFS Mirrlees Review on the taxes of the United Kingdom, see <http://www.ifs.org.uk/mirrleesReview>. I haven't checked but it seems likely that "tax specialists" still neglect my analysis on the tax void and the dynamic marginal tax rate, see DRGTPE. The UK pays a high price for professor Blundell's misconception of what censorship factually means.

Also Paul Krugman recently argued: "And you don't have to be a right-winger to acknowledge that yes, very high marginal tax rates act as a disincentive to productive activity. So real GDP may well fall significantly." <http://krugman.blogs.nytimes.com/2011/12/28/more-on-the-burden-of-debt/>. However, see DRGTPE p140-145 on the dynamic marginal tax rate, and p222-224 on Krugman's (earlier) distance from the literature on taxation. Krugman hopefully awakens from his dogmatic slumber.

See Colignatus (2011cd) for a solution approach to the euro problem.

The US in 2009

The US federal minimum wage in 2009 provides for an annual net minimum of approximately \$10,800. Because of taxes and FICA the gross minimum wage costs rise to about \$12,700. However, nobody is allowed to work below the minimum wage and hence those \$1,900 of taxes and premiums are not collected. US laws thus create a "tax void". Levies are officially declared on paper but not collected because of that other regulation. On top of that there is a sales tax with an average value of 8% which wedge both reduces the net minimum and increases gross costs at the sales window. Total minimum wage costs may be as much as 25% above the actual net minimum that many would be able and willing to work for. Millions of low productivity workers are pushed into unemployment, poverty, the illegal economy or crime, and get trapped there because this experience does not add to productivity.

The situation comes about by various curious rules. FICA is collected without exemption or tax credit because it is supposed to be an "insurance". It should be obvious that it is rather nonsensical to use that label at the subsistence wage. Indeed, the tax system does not fall into that category mistake and has a proper Earned Income Tax Credit. Here, however, the convention is to adjust tax rates for inflation. But subsistence is a social phenomenon and rises with the level of general welfare that consists of inflation and the average real growth of income. Fifteen years ago a poor household would not have had a computer but nowadays it seems like a requirement for participation in society, for example to apply for a job and let the kids do their homework. Hence, over the last 60 years there have been different indexations of taxes and the social minimum, which has caused tax exemption to linger behind, so that an ever increasing gross minimum wage was necessary to provide for the proper net income. The proper approach would have been to index both subsistence and tax exemption on the general rise in welfare.

In the first months of 2008 most people tended to think that our financial system was basically sound. Banks were well respected, Fannie May a steady rock and Alan Greenspan the ultimate sage. Things turned out a bit different but that does not stop most of us to think that other parts of our social system must be sound. Perhaps only the insane assume spooks everywhere while we the normal people have to assume a minimum of stability in order to maintain that mental health. Alas, it pays to be more critical on more issues, also on taxes and social welfare.

Both Europe and the USA

We now find that our system of taxation, social welfare and the minimum wage is as well managed as the financial system. The managers of our social system do not look at the overall outcome but only consider their own subsystem. In our financial system, the crash causes some attention since it are

companies and the rich that seem to suffer. In our social system, it have been the poor and powerless that have been suffering for decades but here it could be blamed on their character.

A crucial notion is that the two malfunctions hang together. Since the basic cause of the gradual rise of unemployment at the **bottom** was not noted, it was misconstrued as a **general** rise of unemployment, and then fought, first in the 1970s with vulgar Keynesianism that caused inflation, then in the 1980s with symbolic Monetarism that worked only temporarily, then since the 1990s with Deregulation. We can see a doctor at work who guesses at the diagnosis and tries various treatments. Afraid that the patient would succumb under the cost of Iraq the doctor allowed the non-regulation of some financial markets but thereby caused its actual disintegration.

Since the 1990s stagflation has been repressed by Deregulation, but it returns now that we start to regulate again.

At the Levy institute it is popular to hold that Hyman Minsky and Wynne Godley forecasted the current crisis with their analysis on debts, see also Bezemer (2009). I don't quite agree because the Deregulation was intentional. Aggregate demand was stimulated not by government deficits but by releasing capital from constraints. The "supply side" years were also "Keynesian" years. The intention of Deregulation was risky but precisely therefor it was not something that came about automatically. We can look at Canada that managed a more conservative path, and not by mere chance. Alan Greenspan entertained a belief but wasn't entirely in the dark about what he was doing.

Richard Koo (2011) is enlightening on what is happening now. Yet I don't agree with Koo's statement: "The Maastricht Treaty with its rigid 3 percent GDP limit on budget deficits made no provision for balance sheet recessions. This is understandable given that the concept of balance sheet recessions did not exist when the Treaty was being negotiated in the 1990s." Perhaps the word "balance sheet recession" did not exist but the notion of a Jubilee has been with us since biblical times and not for nought. Keynes's General Theory deals with the Great Depression and not by neglecting debt. Instead, the gravest "error" of the Maastricht treaty is the absence of a rule on trade imbalances – and we must use quotation marks since that absence seems a deliberate error. Given the Dutch policy for surpluses on the external account it is no surprise that such a rule is lacking. The Dutch dogma on its export policy is apparently so ingrained that also Dutch economist Bezemer refuses to dig deeper into the censorship at CPB, see Colignatus (2009b).

With this the underlying economic process, let us return to the management of society. We thus can distinguish regulations and the managers who deal with them, with their scope of responsibility and the required integrity at the execution. Next to the various subsystems there is the overall co-ordination that might be done by a Central Planning Bureau or the US Council of Economic Advisors. On top there is the current political structure of the Trias Politica. DRGTPE contains a theorem and proof that clarifies that the present system does not work well. The facts confirm that conclusion.

In lay terms: People say that they respect science but they choose a system that disrespects it. How many stones do the non-donkeys require to revise their Constitution ?

Some notes on mathematics

An econometrician dismissed from a Central Planning Bureau can become a teacher of mathematics. The didactics of mathematics became a new problem area. It appears that mathematicians are trained for abstraction but when in class they are confronted with real life pupils and students. They resolve their cognitive dissonance by relying on tradition and structurally blaming the victim if he or she doesn't understand. Mathematics can be a tool for authority but also a tool for freedom. To enhance the scope for the latter, see my two books "Elegance with Substance" (EWS) (2009) and "Conquest of the Plane" (COTP) (2011e) and memo "Neoclassical mathematics for the schools" (2011f).

Richard Gill (2012) reviews EWS and COTP. It was special to me that I could find something about the notion of a derivative, as developed by Newton and Leibniz, but it is even more special that Gill is open to the novelty. He was trained in Cambridge, now professor of mathematical statistics in Leiden and member of the Royal Dutch Academy of Sciences. He is no expert on the didactics of mathematics and he doesn't discuss other improvements in EWS and COTP, but his open minded review can be greatly recommended.

I already referred to voting theory and misguided mathematical analysis. Where the CPB directorate not only blocked my analysis on unemployment but also the other papers, also the one on Arrow's

Impossibility Theorem, I had hoped on some support from mathematicians. On the contrary, it appeared that they did not understand the issue themselves either and were inclined to kill any messenger who showed that they did not understand it. A recent event causes Colignatus (2011g). Consider the consequences of the state of democracy in our modern nations ...

We need to distinguish between mathematicians and engineers, who will have more eye for reality. However, "financial engineering" may still lack the code of honour that bridge builders have, see Steinsaltz (2011), who favourably refers to Nicolas Bouleau. A good exception is also financial engineer Paul Embrechts who participated in Danielsson et al. (2001) in a warning on Basel II. On balance however, I maintain (also in "Elegance with Substance") that part of the responsibility for the current crisis falls to "mathematicians" as well. Let them work hard towards improvement.

PM. It is a pity that my education did not include a law degree, however, so that I could have reported about their role in the crisis.

Conclusion

Let us return to the situation in Holland. Stress in Dutch society has been building up. The misguided economic analysis at CPB causes mass unemployment for low wage workers, which conflicts with Dutch values, and which Holland has tried to resolve with a system of benefits financed by natural gas resources and aggressive export policies. The social tensions came with the murders of politician Pim Fortuyn in 2002 and the film maker Theo van Gogh in 2004, while Dutch demagogue Geert Wilders apparently was one of the sources of inspiration for that mass killer in Norway in 2011. There are many other events that draw less international attention. The economic crisis increases the stress but there still is no sign of respect for scientific liberty. To cut it short: let the world help out and boycott Holland till scientific liberty is restored.

People frequently wonder whether economic science allows a clear message. Now at least there is one. Please stop buying the flowers, Gouda cheese, Heineken beer, Philips appliances, Air France - KLM airlights, Shell gasoline, Aegon insurance, stop listening to dj Armin van Buuren or looking at fashion model Doutzen Kroes, and so on, with the exception of the internet and other sources for the freedom of thought. All this, till the integrity of science is restored.

<http://boycottholland.wordpress.com/>

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Thomas Colignatus is the preferred name of Thomas Cool in science.

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