

Dutch elections confirm the top four parties

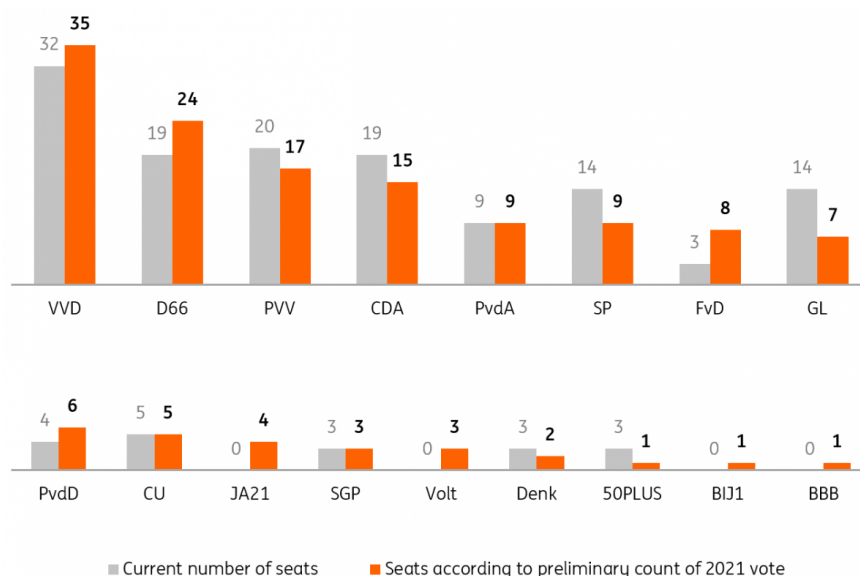
The preliminary vote count of yesterday's Dutch elections suggests the four largest parties have so far received the most votes. While VVD remains the largest party, D66 and FvD have gained the most seats. Whatever the new coalition looks like, the direction of fiscal policy is likely to be expansionary



People Going To The Polls During The 2021 General Election In The Netherlands, Nijmegen

Source: Shutterstock

Election results confirm top four parties of the Dutch House of Representatives



Source: Tweedekamer.nl and NOS.nl based on ANP, 18 March 2021

Dutch elections confirm top four parties – in different order

Based on at least 79% of the votes counted so far, with 35 seats out of the total of 150, the liberal-conservative VVD of the prime minister, Mark Rutte, is by far the largest party yet again and is therefore expected to take the initiative for the formation of the new government.

Given the 24 seats for the centrist liberal democrats D66, 15 seats for the centre-right Christian democrats CDA, and five seats for Christian social party ChristenUnie, it is mathematically possible that these parties with a total of 79 seats will seek to continue their existing cooperation.

Since VVD, D66 and CDA lack only two seats in the preliminary results for an absolute majority, we can't rule out that final results would eventually lead to the required 76 seats for such a three-party coalition.

D66 adds most seats and may cause a shift towards the left

D66 and Thierry Baudet's populist FvD gained the most seats – five each – compared to the current composition of the House of Representatives, while the green progressive left GroenLinks (-7) and socialist SP (-5) lost most seats. The four large parties remain in the top four rankings, albeit D66 surpassed CDA and PVV.

Such changes could be taken into account in the coalition formation process, besides the absolute number of votes. The gains for D66 could lead to a policy shift to the left within a continuation of a centre-right government or lead to the inclusion of left-wing parties in a coalition. This could, for instance, mean more focus on combatting climate change, equality of opportunity and European cooperation, as D66 campaigned on these topics.

Complicating factor for a possible move towards a centre-left government is that left-wing parties (GroenLinks, social-democrats PvdA and SP) went from a combined 37 seats to 25 and that at least

two parties would be required to join VVD and D66 to ensure a majority.

Four new entrants

Even though most of the votes largely confirmed the status quo of the top four, and left-wing parties stayed in the middle of the pack, a lot has changed in the lower echelons of parliament. As the preliminary results suggest, no fewer than four new parties will enter parliament, resulting in an increase in the number of parties to 17.

Newcomers include: JA21 with four seats, former members of the populist FvD, the pan-European VOLT have gained three seats, farmers' BBB have one seat, as does BIJ1, who primarily focus on equality of opportunity.

Krol and Van Kooten-Arissen, which both held one seat in parliament, have no seats anymore.

Net fiscal stance depends little on composition of next coalition

If the incumbent parties continue to govern, which seems perfectly plausible, the direction of fiscal policy is likely to be expansionary, with increased spending and possibly lower taxation and a shift of the tax burden from labour to profits, wealth and pollution.

If more left-wing influences enter government, fiscal policy would still be expansionary, but then we'd expect the direction of discretionary taxation to increase rather than decrease and a larger push of the tax burden towards businesses.

The next coalition agreement will likely contain policies that will nevertheless have a net positive effect on GDP in the short-term until 2025.

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