

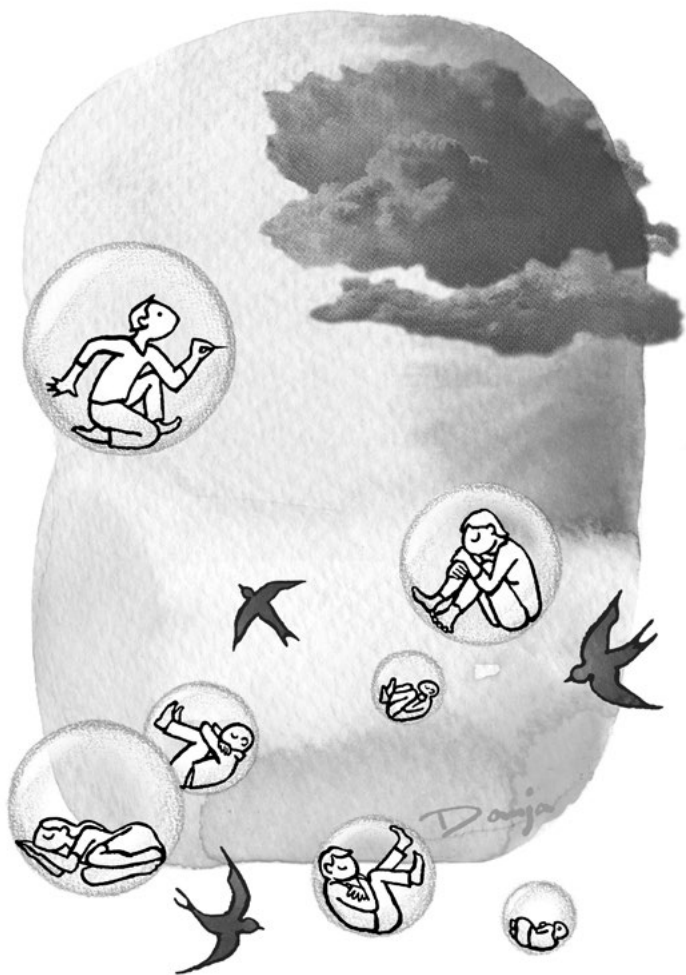
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THE
PERMANENT
BETA
PRINCIPLE



A NEW PERSPECTIVE ON THE
FUNDAMENTALS OF OUR LIVES: WORK,
EDUCATION, HEALTHCARE, GOVERNMENT
AND MANAGEMENT

business contact



Introduction

... zoom in ...

The fishmonger's has gone bankrupt.

They couldn't pay the rent.

Every shop is having a hard time.

"That's because of the internet," they say.

But is that the case?

Because, be honest, when was the last time you bought lobster claws on the internet?

... zoom out ...

The world was already very complex. And it's getting more complicated by the day. Everything is connected to everything else. Nobody can get the full picture any more. Who knows what the consequences would be for the Netherlands if a country like Spain were to collapse under its national debt, be unable to pay its interest, and go bankrupt? The Minister of Finance doesn't know. The CEO of a major bank does not know either. Really. They can only guess. We can hope that everything will work out. Or we can be scared that it will go wrong.

Statement

If you do not know what you have to do because you no longer understand it, you have two healthy options.

- ▶ Option 1: You have to try harder to do your best and to understand it.
- ▶ Option 2: You have to make things less complicated.

... zoom in ...

Hope is much more pleasant than fear. Hoping is preferable to being afraid. *Easycracy* was a positive and hopeful book. *Permanent Beta* will also be one. We are putting our faith in hope.

But let's not forget: both hope and fear are passive emotions. Can we also do something? Can we positively influence the outcome? Do we still have a grip on our future?

... zoom out ...

How can you still govern a country if it has all become too complicated to understand? How do you know what the right action is if you cannot oversee the consequences, because everything is connected to everything else? How can you, as CEO, still lead a major bank if you cannot predict with any certainty what the effects are of your decisions? Or that the outcome is too dependent on external events elsewhere, of which you have no control?

Just like in *Easycracy*, in *Permanent Beta* we also examine both options. We do our very best to understand complicated things, and at the same time we try to make things easier. One tried and tested method for understanding things better is to zoom in. If the world is too complicated, first zoom in on one country. If the country is too difficult, first zoom in on one city. Or one neighbourhood. The neighbourhood of the fishmonger's that went bankrupt. Then it becomes easier to get an overview. Then you can really understand things. You can always zoom out again later.

... zoom in ...

The fishmonger is back again! He has made his life a lot less complicated.

He did this by buying a second-hand mobile fish shop. A fish van. He parks it in the car park in front of a shopping centre. His fish van costs him a couple of thousand euros less per month than the rent for his shop used to. This means that he can now be profitable and keep his business running. There was too little demand for fish, they told him when he had to shut his fishmonger's shop. But in retrospect there were actually still enough people wanting to buy fish. It is still possible to earn a living from selling fish. There is a simple solution, we now see. Was there actually even a problem? The problem clearly did not pertain to the supply and demand of fresh fish, but to the infrastructure. In how things are organised.

But there is still something wrong with this solution. The fishmonger's is still there, it's outside in the car park, but the building where the fishmonger's used to be is now empty. No-

body expects that the empty retail unit will be leased to anyone in the coming years.

What could the consequences be?

The barber is also having a tough time. It's just a matter of time before he buys a renovated camper and parks a mobile barbershop in the car park. Next to the fish van. You can already see him thinking: "What the fishmonger can do, I can do too." The owner of that nice clothes boutique might then put three shipping containers next to it, to sell her wares from there. Until all the shops have moved into the car park. The shopping centre is now empty, and can be demolished. In its place they then lay a new car park. And a few years later a property developer or civil servant comes up with the brilliant idea of roofing over all these mobile shops.

The fishmonger's solution looked clever at the time, but is now starting to look much less attractive. It would have been much smarter to try to find the actual problem. And then to do something about it.

... zoom out ...

The blame is often placed on the fish. *But it's not about the fish.* It's about the sea in which the fish swims! The residential neighbourhood where the bankrupt fishmonger's was located is ageing. Because the Netherlands is ageing.

Households are getting smaller, there are 15% fewer people living in the neighbourhood. Which means 15% fewer customers. Shop turnover is declining. But shop rents are increasing. This is asking for problems.

The neighbourhood is ageing. The barber has 15% fewer cus-

tomers. He is not facing any competition from webshops. But he does have another problem: many old people go bald. So they don't need as many barbers. The barber will go bankrupt, is what the residents of the neighbourhood think. That would be a problem for the barber. But also to the people in the neighbourhood. They will have to travel to a different barber in future, many miles away. They will have to drive their cars more often, or take the bus. Creating more CO₂ emissions. And that would be a problem for everyone in the country. Even if only because the government will increase fuel duty in an attempt to reduce CO₂ emissions.

But still, something is wrong. There are still enough people in the neighbourhood who have hair, and who would be willing to pay someone to cut it. And there are enough people with a pair of scissors and a hairdresser's diploma who would like to perform this task. But they can no longer afford the shop rent. One logical solution would be to reduce the shop rents. Who actually sets the level of these rents? In a healthy market economy, the rent of a retail unit would automatically go down if there are many retail units empty, this is what we learned in economics class at school.

The problem is often that there are old, existing structures. Old structures in which many people in the old economy earn or earned money. Lots of money. For example, by protecting knowledge. Or by making clever use of legislation to artificially create scarcity. Naturally, they don't want to let go of that. So these lessors of retail units are still asking excessively high rents for a simple building that is designated as 'commercial property for retail use', but in fact it's little more than a couple of metres

of concrete with a roof on top of it.

... zoom in ...

The empty retail unit where once the fishmonger's used to be has to bring in 5000 euros per month in rent. How realistic is that rent, actually? What is the actual value of a concrete floor with a roof on top? The bare retail unit costs many times more per square metre than the luxurious house 50 metres up the road. Theoretically speaking, the fishmonger would have been better off renting that house and selling his fish from there. But that's not permitted by law, for understandable reasons. Anyone who rents a house would prefer it if his neighbour did not start selling fish tomorrow. But on balance, this has resulted in a situation in which the rent for the fish shop is subject to laws of supply and demand within an artificial scarcity. Whoever controls the scarcity can maximise his own return, rather than the price adjusting to the socially optimum price that automatically exists in a free market.

Let's have a look at the bookkeeping of the shop lessor. He first rented out 30 retail units, which brought in an average of €5000 per month. That was a total of €150,000 per month. Now there have been four retail units empty for a couple of years. As a result, his return has decreased to $26 \times €5000 = €130,000$ in total.

Doesn't he understand that he will never rent out these empty retail units again if he does not reduce the rent, in order to bring the rent in line with the lower number of shop visitors?

After we have given the shop lessor a couple of glasses of wine, he is happy to explain in clear language why he does not

do so: “I could rent out those four empty retail units for €3000 each. At first sight, my rent income would increase by €12,000, and I would be receiving €144,000 in total. That is mere pretence, though, because the consequences cannot be predicted. The 26 existing tenants would then mutiny. They might go to court to demand that their rent is reduced to €3000. And eventually I will have all 30 shops full, with a total rent of €90,000. So it is much better for me to leave these four shops empty on purpose.”

... zoom out ...

In order to think about what the shop lessor just explained to us, we take a walk around the neighbourhood. We see that a lot of houses are up for sale there. Some of them are visibly empty. Then we walk through a small park, where a couple of homeless people are sitting on a bench. They beg 50 cents from us, to buy food. In the distance, we see dozens of dumpsters filled to the brim, waiting to be emptied by the council sanitation department. As we get closer, we see a newspaper sticking out of one of the containers. One headline strikes us: “Half of the food bought in Europe is thrown away.”

We carry on walking past a row of average Dutch terraced houses. Three of the houses in the row are for sale, with asking prices of around €200,000. On the corner is an office of the local housing association. A grumpy-looking man walks out of the office.

“Why are you looking so grumpy, sir?”

“Because I have to wait seven years for a rented house with garden.”

At the end of the street is a footpath to the allotment complex. For the relatively low amount of €40 per month, local residents can rent a plot of 300 m² of land on which to grow their own vegetables. But everyone here has sacrificed part of the land to build a simple cabin, in which it is possible to stay overnight. In principle, it would be possible to live here permanently, but it is not permitted. The cabins are big enough for 2 people. Some of the cabins are for sale. The prices vary, depending on the state of repair, from €2000 to €10,000.

The similarity between a fishmonger's shop and an allotment The idea has to sink in, and sometimes that takes hours, and sometimes years, but eventually it gets there: the problem of the fishmonger is a metaphor for the entire Dutch property market. Because, think about it, the grumpy man who pays €650 a month rent for his impoverished flat on the 10th floor, who has to wait seven years for a rented house with garden, would be only too happy to swap his flat for a cosy cabin in the allotment complex. Just like the fishmonger swapped his shop for a mobile fish stall. But if you allow this to happen, the whole block of flats will be empty in no time. Just like the shopping centre. And who's going to buy a boring terraced house for €200,000 if you can live in natural surroundings for €10,000? The prices of today's houses on the housing market could fall dramatically, maybe even by 75%. That would make a very large number of people very unhappy. So unhappy, that they would put up strong resistance to any change. And who's going to argue with them? Because their mortgage debt of €200,000 will continue to exist, even if the value of their house drops to €50,000.

The solutions to problems are mangled by existing structures We are seeing this problem everywhere in society. There is no scarcity. There is enough money. There are enough products. There are enough customers. There are enough producers. It is the old structures that are causing the bottleneck. The air bubbles which are stuck everywhere in the market. Air bubbles which people have paid into, unknowingly or thoughtlessly, for years. Air bubbles which were able to occur in a society which was ignorant. After all, information was locked away. A great deal of money was earned in the 20th century by locking away knowledge and creating scarcity.

But now, in the network and information age, all this knowledge is coming out. It is all out there, available to anyone who wants it. *Internet is cutting out the middle man.* People and organisations earning money without delivering value are becoming a thing of the past.

Crisis, what crisis? There is no crisis. The old systems are rotten. And they can no longer be repaired. Each system has its own life-cycle. When circumstances change, there is always a moment at which the old system is no longer adequate. We don't have any coalmines any more, or horse-drawn trams, do we? These were once good solutions for mobility and energy issues. Until they became outdated solutions. But sometimes it takes a while before everyone understands this. These days, no one wants to go back to coalmines and horse-drawn trams, but before this was the case, there were some serious protests. People went on strike to keep the mines open. And governments tried to save the mines with legislation and state support.

That's all in the past now, right? No, nothing has changed. For

example, in 2013 there were calls, in America, for a tax to be levied on email. Because as a result of the invention of email, the U.S. Postal Service, which was once a flourishing business, is now in trouble. By levying tax on the accursed emails, we can save the Postal Service, according to some 'contemporary' politicians. And in 2015 there were politicians in America who were working to ban online sales of new cars, because this is causing problems for car companies with showrooms.

And look how Telecom providers responded when WhatsApp was invented at the end of 2009. Telecom companies have already missed out on tens of billions of euros in lost income from SMS messages as a result. They did everything they could to lobby the government for legislation that would make it possible for them to block WhatsApp.

Our prosperity is flourishing more than ever The newspaper headlines screamed that there was a crisis every day for a couple of years. And they didn't hold back. We were living through the biggest crisis since the Great Depression of 1929. During the past two years, however, we have been bombarded with news items about 'signs of recovery' and 'signs that the economy is picking up again'. And then a month later these messages are usually revised: 'There have been disappointing results, the recovery has been put on hold.'

The current crisis started with the collapse of the American house market in December 2007, and eight years later it has actually only got worse. State debts have almost doubled, companies have gone bankrupt, pension funds are under huge pressure, house owners are stuck in negative equity, unemployment

has increased and there are robots on their way to make even more jobs surplus to requirements.

The country is experiencing a collective crisis syndrome. But exactly how bad is it? Almost all the people who consciously experienced the big depression of 1929 – and who could therefore compare it – have already died.

People who were born after 1929 cannot compare it, but they can zoom in. Briefly look away from the global suffering and quietly zoom in on our own living conditions in our own neighbourhood. Then we see a pretty clear picture, which is blatantly the direct opposite of the collective crisis syndrome we are being sold. Of course, there are many desperate individual cases. Let us not trivialise the situation. But they were also around before 2007. But the ordinary, average Dutch person is, in material terms, rolling in it, compared to the ordinary, average Dutch person of two generations ago.

In 1960, we still had a six-day working week. Many people had to work very hard in order to be able to buy just enough to eat. Now we throw half of our food away. Back then, if you wanted to buy a new three-piece suite, you sometimes had to save for it for years. Or take out a loan. Now the average employee earns enough money in one day to be able to buy a sofa at IKEA. The contents of an average teenager's bedroom today contains more things than a complete family home did in the 1960s. Back then, mother did the laundry, and it took her hours. Now she throws it in a machine. And it comes out clean and dry. Childs play! Teenagers back then had to save pocket money for weeks to be able to buy a single by their heroes. Teenagers today only need to type half the name of their heroes in YouTube,

and they not only get to hear the song within two seconds, but even get the video to go with it. And the lyrics. Free!

Shops are packed with goods, houses are stuffed with things, fridges are full to the brim. If we zoom in a little, we can only come to two conclusions. We, the alleged crisis victims, have more things than ever before. And we have expended fewer drops of sweat than ever before in order to acquire these things. That doesn't necessarily say anything about our well-being. But it does say everything about our prosperity.

And now we can zoom out again. So where do all these crisis stories come from? Maybe from people who benefit from the old structures and systems? Because maybe they need to create a sufficient basis of support in society for patching-up old systems – at huge expense – which can no longer be repaired?

What is the real problem? There are 500,000 houses for sale on Funda. There are hundreds of thousands of people registered, waiting for a home. What is the problem? There is no real problem. There are people looking for homes and people offering homes. The problem is in the way we organise things.

There are tens of thousands of homeless people sleeping on the street. There are tens of thousands of buildings standing empty. What is the problem? There is no problem. There is only something wrong with the way we organise things.

If we want to solve problems, we will have to organise things differently. We will have to say goodbye to some old habits which no longer work, because the world around us has changed.

The financial crisis, the debt crisis, the currency crisis, the

house crisis, the environmental crisis, the energy crisis, the labour market crisis; these are all problems of an organisational nature. Because the method of organising is largely still geared towards the conditions in the last century. Based on rules which no longer work, because technology and society have not stood still.

There is enough money, more than we can ever spend. There is an abundance of homes and buildings, too many to fill. There is enough work to do, enough to have everyone do something socially useful, alongside his or her free time. There is plenty of energy, the sun gives it to us for free.

As was the case with *Easycracy*, *Permanent Beta* is a search for new rules for a burgeoning new economy. And once again, we say: we do not pretend to have ready-made solutions, simply a new mindset. A direction in which the solutions can be found. *Permanent Beta* offers fresh ideas, new starting points and perspectives, and desanctifies old starting points which impede the problem solution.

But there is one real crisis... A serious crisis of confidence is arising in the political system with which we are used to governing the country. The authority of bodies and authorities is undeniably in decline.

Society appears to be falling apart into three population groups, each of which looks at the crisis in its own way. The Big Middle Group is waiting for better times. The economy has always been cyclical. After the crisis years, the rich years will automatically return again. That's always been the case, and it always will be. The Bible referred to seven fat years and seven

lean years. The Big Middle Group expects that the leaders of society, who were appointed by a democratic system, will resolve the problems. The leaders have to implement measures, take decisions and develop policy. And if we think they will not succeed in this, we wait patiently until the next elections, because the newly elected leaders will succeed. This optimistic attitude is based on confidence in the hierarchical democratic system.

The Big Middle Group The most active citizens in the Big Middle Group generally have a high social standing. For example, they work actively to ensure that their preferred major political party wins more seats in the next election. Or they work to make sure that a lot of money is collected for the victims of a natural disaster in Asia. And they do everything they can to make sure that their children pass their final exams at school.

They are highly engaged, often succeed in their missions and reap broad appreciation for this. Their mission has been successful, but the actual effect of their mission is delegated to a hierarchical system. And that's as far as it goes for most middle groupers. What the system then does with it is usually out of their reach. Their political party has more seats, but what is the net effect on their political ideals? Millions of euros have been collected, but do the victims in Asia now have new homes? Their children have passed their exams, but do they now have better opportunities? People who ask these questions generally do not make themselves popular. Asking the questions in the first place is often seen as cynical. But unfortunately, they nevertheless have to be asked. Because ultimately they are what it

is all about. No actively engaged citizen wants seats, money or qualifications. These are just the means to an end. What people actually want is: ideals, a roof over their heads and a future. These are the actual objectives. If there are complicated systems between the means and the end which get in the way of the result, it becomes necessary first to look critically at these impeding systems.

Angry Citizens vs. Problem Solvers Set against this Big Middle Group there are two other population groups: the Angry Citizens and the Self-governing Citizens: the citizens who want to solve things themselves. Both groups have more or less lost faith in the hierarchical democratic system of government.

The Self-governing Citizens have discovered (or are discovering) that you can often solve problems more easily and quickly by creating alternative results yourself outside the existing systems. Like the fishmonger at the start of this chapter. Buying a fish van is a quicker solution than starting a legal or political battle against excessively high shop rents. Or people who get together to set up their own bank or organise their care, education or power supply themselves. Or even more simply: people who buy their petrol or cigarettes more cheaply in Belgium or Germany, rather than demonstrating in front of Parliament against another increase in duty. And even if the advantages of these alternative, self-created solutions are often only marginal, they at least contribute to a sense that we still have some control of our lives.

And this is precisely what the Angry Citizens population group so sorely lacks: the sense that they still have some control

of their lives. The Angry Citizens lounge apathetically on the couch. Creating solutions themselves, like the Self-governing Citizens try to do, is simply not in their genes. They are traditionally used to solutions being thought up and implemented at the top of the hierarchical systems. In that sense, they think exactly the same as the members of the Big Middle Group do. The big difference, however, is that when people from the Big Middle Group are disappointed in their leader, they assume that their next leader will do better. Whether this is their prime minister, or the directors of the companies they work for. The Angry Citizen has already lost this hope, however. The next elections are no longer the light at the end of the tunnel for them. Whoever they vote for, it will make no difference whatsoever. They're all the same as one another, they think. The Angry Citizens have very little control left of their lives. And as a result, they become angrier and angrier each month.

What if Angry Citizens were to become Happy Citizens again? The trend is that the Big Middle Group is getting smaller in size each year. Under the motto 'past results are no guarantee for the future', more and more people are openly doubting the perpetual regulatory effect of the fluctuating economy. It is certainly possible that rents will rise again at some point, to above the levels of 2008, but it would be very naive to think that this is a certainty. It can certainly not be ruled out that the economy will improve again next year, and that everything in the country will continue as it was, in the old way, and that the Angry Citizens will become Happy Citizens again as a result. But we shouldn't count on this. You can bring an old, broken down car to the

garage many times and get it repaired, so that it runs well again. But there comes a point when the car is really worn out, and can no longer be repaired. That moment is, logically, also approaching for the hierarchical democratic system of government.

Commercial companies are finding it increasingly difficult to justify haughtily ignoring the collective intelligence of their ecosystem (employees, customers, suppliers, the environment). In *Easycracy*, we argued that, as a result of technological developments, a network and information society has come about in which knowledge can flow freely and individuals have been given the possibility, without financial barriers, to organise swarms in which this collective intelligence is brought together. After which these swarms are able to outcompete powerful hierarchical top-down organisations. Swarms, you can't beat them, but you can join them. Sensible companies have already started with this, by making grateful use of the swarm.

This is slightly more complicated in the case of government organisations. They are not subject to the Darwinian rules of marketplace survival, but are protected by law. But the principle remains the same: swarms, you can't beat them, but you can join them. The old method of governing, which limited use of the collective intelligence to putting your cross on a ballot paper every few years, is not tenable in the long term in a society which is becoming increasingly transparent. If the apparatus of state produces inefficient and ineffective solutions, this can no longer be swept under the carpet and kept out of the public eye. This was still possible in the last century.

That a growing group of Angry Citizens has come into being, who are also becoming angrier and angrier, is something

which can still be overcome. But it really becomes problematic if this group no longer accepts the rule of law, and it is already possible now to see this happening regularly on a small scale. A sensible society does not wait for this to happen, but develops new organisation models in good time. This seems to us to be the most promising way to turn Angry Citizens into Happy Citizens again.

You have been reading chapter 1 from the book *Nooit Af* (*Permanent Beta*), published by Uitgeverij Business Contact, Amsterdam.

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Martijn Aslander is a writer, creator of ideas and a popular international lecturer. He is the founding father of Lifehacking.nl and Permanent Beta.



Erwin Witteveen is a professional journalist with a talent to clearly and accessibly explain complex, serious matters.

Open any newspaper and you will read about new technologies, innovative new ways of collaboration and revolutionary business models. Everything is changing fast and many organisations get stuck when trying to come up with long-term sustainable solutions.

In their previous book *Easycracy*, Martijn Aslander and Erwin Witteveen wrote about the rapid rise of a new network and information society. In *The Permanent Beta Principle* they shift their focus to the consequences of this process.

In this book the authors explore what happens when people can publish, duplicate and produce freely, without restraint. What if they don't do this for financial reasons, but because they wish to contribute to a better world? The potential social and economic impact of this assumption is enormous. Martijn Aslander and Erwin Witteveen are convinced of the infinite possibilities that today's information society presents.

Now is not the time to look for permanent solutions. Citizens, companies and organisations must all learn to embrace the *Permanent Beta* principle. We have to learn to manage our lives and businesses by using short-term temporary solutions in order to be able to continuously adapt and improve the world around us. To do so we need an entirely new perspective on the fundamentals of our lives: work, education, home, healthcare, management, legislation and the role of the government.

The Permanent Beta Principle takes the first step.