Government by committee: Dutch economic neutrality and the First World War

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Publication date
2011

Document Version
Submitted manuscript

Published in
Other combatants, other fronts: competing histories of the First World War

Citation for published version (APA):

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Government by Committee
Dutch Economic Policy during the First World War
Samuël Kruizinga, University of Amsterdam

1. Introduction

During the First World War, governments in belligerent countries employed businessmen to run vital parts of their war economy. In Germany, for example, industrialist Walter Rathenau and shipping magnate Albert Ballin played key roles in organizing their country’s efforts at securing and distributing food and raw materials. Neutrals, too, employed the service of businessmen to help them cope with the manifold effects of “total war” on their economies. In the neutral Netherlands, the peculiar circumstances created by the war forced the government to take a back seat, and business leaders were therefore given broad powers to determine the country’s economic and trade policies.

In this paper, I aim to investigate some of the effects of this “privatization” of the Dutch “neutral war economy”. I will explain why the Dutch government chose not to involve themselves in certain policy areas, and share responsibilities over a number of others with influential business leaders, whose power sometimes exceeded that of Cabinet ministers. Moreover, I will detail how the many committees set up by businessmen and the government evolved during the war, and how their conflicts and compromises impacted Dutch relations with both sets of belligerents, and thereby the Dutch economy. In doing so, I will also address issues related to larger questions on both Dutch economic performance and diplomatic efforts to stay neutral during the war. Finally, I hope to show what impact my conclusions might have on both the historiography of Dutch neutrality and of the economic war between Allies and Central Powers. In order to better understand the complexities of the Dutch wartime economic situation, I will begin with a (very) short overview of the Dutch economy just prior to the war.

2. An open economy

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1 For helpful comments on an earlier draft, the author is indebted to Tom Weterings, dr. Marjolein 't Hart, prof. dr. Herman de Jong and prof. dr. Keetie Sluyterman.
The Dutch pre-1914 economy was characterised by its openness and its dependence on imports and on foreign markets. The Dutch agricultural sector was heavily export-orientated, growing products with a relatively high profit margin: vegetables, dairy, and meat products. The most important market for these agricultural goods was Britain, the German market being increasingly closed to imports due to the enactment, from 1879 onwards, of a series of protective measures. Fodders and fertilizers, as well as basic foodstuffs for home consumption, however, had to be imported, mainly from the Americas. Furthermore, the Netherlands, linked via the Rhine to the German industrial heartland, was an important trading hub. A great number of goods reached Germany via a Dutch port. In return, Germany provided tools, chemicals, dyes, wood and cement, and competed with Britain for the Dutch coal market. The 1868 Rhine Shipping Treaty cemented the growing interdependence of the Dutch and German economies, by declaring that all shipments over the Rhine to and from the North Sea would be forever “free” from Government interference. The ease with which goods were transported through the Netherlands is reflected in the inaccuracy of Dutch trade statistics: there was hardly any reliable data distinguishing transit trade from imports for Dutch use proper.

Another important trading partner was the Dutch colony in Asia, the Netherlands East Indies. From 1904 onwards, prices of Indies goods on the world market rose, production expanded and investment returns were very high. The colonial segment of the Dutch business world, therefore, was growing fast.

**Table 1: The ten largest Dutch companies in 1913**

<table>
<thead>
<tr>
<th>Name (English)</th>
<th>Sector</th>
<th>Dependent on Indies?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Royal Dutch Petroleum Company / Shell</td>
<td>Petroleum</td>
<td>Yes</td>
</tr>
<tr>
<td>2 Dutch Trading Company</td>
<td>Trade / banking</td>
<td>Yes</td>
</tr>
<tr>
<td>3 Deli Company</td>
<td>Tobacco</td>
<td>Yes</td>
</tr>
</tbody>
</table>

---


4 On the lack of usable statistics, see Kuijlaars, *Het huis der getallen*, 120; Bell, *A history of the blockade*, 68.

5 On the eve of the First World War, Dutch investments in the Netherlands East Indies were estimated at about two billion guilders, or about 14% of GNP. This was almost twice as much as in 1900. See Jonker en Sluyterman, *Thuis op de wereldmarkt*, 197; Van Zanden en Van Riel, *Nederland 1780-1913*, 400; Lindblad, 'Het bedrijfsleven in Nederlands-Indië', 91; Taselaar, *Nederlandse kolonialelobby*, 4, 22-27.
The fact that the ten largest Dutch companies were exclusively to be found in either the primary and tertiary sector is indicative of the relatively small importance of Dutch industry. It depended heavily on the import of raw materials the Netherlands itself lacked, and was mostly geared towards the home market, with the exception of those companies processing agricultural and colonial produce, mostly for German or British consumption.\(^6\)

3. **Control over overseas trade: the Netherlands Oversea Trust Company**\(^7\)

Once war broke out between the Allies and the Central Powers in July 1914, the British, French and Russian governments decided on a policy of blockade to strangle the war economy of their main enemies Germany and Austria-Hungary. Fearing that their enemies could use Dutch ports and Dutch ships to elude capture, the Allies decreed that all ships carrying food or materials usable for war (a list of which was published and periodically extended) to Holland would be detained unless the Government prohibited the transhipment of these goods to Germany.\(^8\) As this would constitute a breach of the Rhine Shipping Treaty (and a *casus belli* for Germany), the Dutch Government refused.\(^9\) Thus, a blockade brought Dutch colonial and overseas

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\(^7\) In the following sections, the names of Dutch committees will be given in English, followed by their acronyms in Dutch.


trade to a near standstill, and wheat supplies were running dangerously low.\textsuperscript{10}

However, influential Dutch Government ministers J. Loudon (Foreign Affairs) and M.W.F. Treub (Trade) felt that the Rhine Shipping Treaty gave Germany an “un-neutral” advantage over the Allies, and feared both a victorious Germany in permanent possession of Belgium and a potential Allied-Dutch conflict over German trading.\textsuperscript{11} Treub therefore tasked a Committee of five influential businessmen with informing the British Government of all Dutch business dealings, in the hopes that they could discern which of those were for bona fide Dutch, and which for German benefit.\textsuperscript{12} The British Commercial Attaché to The Hague, sir Francis Oppenheimer, picked up on this idea and suggested to his superiors in London that the Committee could perhaps give the Allies the guarantees they needed without the Dutch Government being openly involved and thus without the risk of German belligerency.\textsuperscript{13} The British Government, and so did Loudon, as long as his government’s involvement remained a strict secret.\textsuperscript{14} The agreement between Oppenheimer and the two ministers was put into operation by Treub’s Committee, who in turn founded the \textbf{Netherlands Oversea Trust Company (NOT)}.\textsuperscript{15} The Company was officially created and financed by a group of Dutch bankers and shipping companies, furthering the illusion that the company was born purely of private initiative.

\textsuperscript{10} See for ministerial warnings about wheat supply NA 2.02.21.02/134, No. 57: Minutes of the Council of Ministers, 21 August 1914, and a speech by the Trade Minister in \textit{Nieuwe Courant}, 27 August 1914. Cf. Treub, \textit{Oorlogstijd}, 55. For declining trade levels, see for example Siney, \textit{Allied Blockade}, 20; Frey, \textit{Der Erste Weltkrieg}, 113-114.

\textsuperscript{11} There is ample evidence for both ministers’ anti-German bias, but the clearest exposition can be found in NA 2.02.05.02/134, no. 77: Addenda to the minutes of the Council of Ministers, 3 October 1914.

\textsuperscript{12} Dagboek Van Aalst, 12 September 1914, 6-8; 14 September 1914, 8-9; 16 September 1914, 9; NA 2.06.079/1227: J.E. Claringbould (who became secretary of the Committee for Dutch Trade] to J.H. van Schermbeek and J. Jongejan, 27 March 1918, with enclosed “Verslag” reporting on the wartime activities of the Committee; 2.06.079/1405: Anonymous memorandum ‘Measures for the benefit of Dutch trade and navigation during the war’, 15 May 1915.


\textsuperscript{14} BPNL VII doc nr. 93, p. 128: Telegram Johnstone aan Grey, 5 september 1914; NA 2.06.079/1229: Prof. C. van Vollenhoven to Joost van Vollenhoven, 24 December 1914; BNA FO 368/1028, no. 88814: Oppenheimer aan Sir Eyre Crowe, 28 december 1914 ‘private’.

\textsuperscript{15} NA 2.06.079/1228: Minutes of a meeting between the Committee for Dutch Trade [CNH] and the directors of several large Dutch shipping companies, 10 November 1914. Cf. NA 2.06.079/1212: CNH to several large shipping companies, 7 November 1914.
The NOT was to serve as a clearing house for overseas imports. Those wanting to acquire overseas goods had to sign a contract with the NOT promising not to export the goods to Germany, and pay a sizable deposit. In case the contract were breached, the deposit (roughly equal to the worth of the goods in question) would be confiscated by the NOT. Regular checks were performed to make sure no goods had been fraudulently exported to Germany.\(^\text{16}\) Satisfied with these controls, the Allies allowed goods imported via the NOT a free pass through the North Sea blockade. The NOT businessmen did want an Allied favour in return for their cooperation: the exemption of several luxury Indies goods from the Allied contraband lists, allowing them to be sold via Holland to Germany at great profit.\(^\text{17}\) These exemptions suited the majority of the founding companies of the NOT, heavily engaged in the Indies trade, quite well. NOT chairman C.J.K. van Aalst, for example, retained his presidency of the Dutch Trading Company which had extensive dealings in the Netherlands Indies.\(^\text{18}\) Van Aalst quickly came to dominate the NOT’s ruling body, the Executive Committee.\(^\text{19}\) Its members shared Van Aalst’s pro-British outlook, having been frustrated by German competition in the pre-war years.\(^\text{20}\)

4. Control over German exports: the Committee for Foreign Trade

The Allied blockade caused a major shift in the character of Dutch-German trade. As the Allies prevented ships from entering and leaving the Central Powers’ ports directly, and the NOT severely restricted transit trade, German and Austrian merchants sought to replace overseas supplies by buying up

\(^{16}\) Acte Constitutif; Siney, Allied Blockade, 41-42; Smit, Nederland in de Eerste Wereldoorlog II, 81; Keller, NOT, 9-12, 16, 29-38; Van Manen, NOT I, 78-81; Van Manen, NOT II, 34-35. Cf. NA 2.06.079/1229: ‘Communiqué’ by the NOT, 5 January 1915.

\(^{17}\) Smit, ‘De staat en de N.O.T.’, 90-91

\(^{18}\) See, for example, De Graaf, ‘Van Aalst’.

\(^{19}\) Vissering, ‘In Memoriam’; Vissering, Joost van Vollenhoven; Oppenheimer, Stranger Within, 269.

\(^{20}\) See, for example, E. Heldring’s disparaging diary entries on unfair German competition and business practices: De Vries (red.), Herinneringen en dagboek van Ernst Heldring, I, 143, 153-154, 157, 227-228. According to Oppenheimer, Van Aalst had a strong anti-German bias: ‘[H]e has a personal grievance against Germany. The war promised to give him an opportunity, long awaited, to wipe off an old score.’ Oppenheimer MSS, Bodleian Library Oxford [henceforth Oppenheimer MSS], box I: ‘Summary of the War Aspect – past, present, and future – of the Economic Relations between the United Kingdom and Holland’, by Oppenheimer, n.d. [January 1917], enclosed in Townley to Balfour, 1 February 1917 no. 1040 Commercial. Van Aalst seems to confirm this in his own wartime diary: Dagboek Van Aalst, 5 maart 1915, 106-107. The attitude seems to be shared by a significant number of NOT directors, though, as we shall see, not all of them: NA 2.06.079/1240: Minutes of a meeting of the NOT Board of Directors [henceforth RvB], 26 October 1915, p. 662.
neutral produce at any price. Naturally, the German Government removed all protectionist trade barriers. Dutch farmers abandoned traditional markets in Britain, as prices were lower and the costs of transport (due to the inherent dangers of sea travel in wartime) much higher. As a result, home stocks were beginning to run low, whilst home prices rose tremendously. To protect its own population, the Dutch Government therefore began to issue export prohibitions. However, Trade Minister Treub recognized that a large section of the Dutch population depended financially on the export-orientated agricultural sector, while at the same time some means had to be found to provide cheap food for the Dutch populace. He therefore founded, for several major agricultural exports, so-called State Central Bureaus (SCBs). Within these Bureaus, representatives of those producing, processing and exporting agricultural products would work together. For example, the State Central Bureau for Potatoes (founded October 1914) controlled the entire exportable crop, and was obliged to sell a certain percentage to the Government at relatively low maximum prices. The rest could be sold at the free market, which usually meant: to Germany. The actual distribution was left to the municipalities, and the SCBs would recommend the percentage to be reserved to the Minister. As most of the planning was left to private parties, supported by only a handful of civil servants, this saved an inexperienced and understaffed Government from having to control the export apparatus all by itself.

The export of goods that were scarce remained forbidden, and only the government could issue licences to circumvent the export prohibition. An attempt by the German Commercial Attaché, Freiherr Von Hartogensis, to buy some of the small stocks of Government-owned tin led to Dutch Government demands for massive compensations: if the Germans really wanted the tin so badly, they would have to pay for it by issuing a number of export licences.

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22 Smidt, De regulering, 104; Frey, 'Deutsch-niederländische Wirtschaftsbeziehungen', 97.

23 On 3 August 1914, the Dutch Government made it possible to prohibit the export of all goods if there was a danger of want or a dangerously high rise in prices (Staatsblad 344). Cf. Kraaijestein, 'Lokale noden', 64-66; Uitvoerverboden, 3-5.

24 Treub, Oorlogstijd, 45-47; Van Meurs, 'Levensmiddelen-politiek', 228-229.

25 Soer, Aardappelendistributie, 41-51.

26 See, for example, Dagboek Van Aalst, 29 december 1915, 213. According to Van Aalst's diary, Treub told him that he would tender his resignation if the sprawling government budget, heavily inflated due to the costs of mobilization, was not brought under control.
themselves.\textsuperscript{22} The German Government, in retaliation, threatened to stop the
export of coal to Holland. This could potentially lead to disaster, as the war
had made British coal largely unavailable.\textsuperscript{28} Other complications relating to
Dutch-German trade arose as the Central Powers, following the Allied
example, had issued ever-expanding \textit{contraband} lists, and therefore refused to
sell certain goods to Holland unless guarantees were given that they would
not be re-exported to enemy countries.\textsuperscript{29}

As a trade war between Germany and Holland loomed, the NOT
feared that the Germans would demand the Dutch export goods imported
under its guarantee in exchange for coal: and indeed, early in 1915 the Dutch
Government was forced to trade raw copper imported from overseas for
German copper wire.\textsuperscript{30} The NOT therefore proposed a solution which would
solve all outstanding Dutch-German difficulties. It would found a special
subcommittee for dealing with German trade. This Subcommittee would
work together with representatives of all Government departments involved
in the Dutch-German trade (Foreign Affairs, Trade, Finance, War and Navy)\textsuperscript{31}
and the so-called \textit{Industry} and \textit{Foodstuffs Boards}. The latter two organizations
were founded just after the outbreak of war to coordinate private relief for
economic victims of mobilization and war, and to attain agricultural and
industrial production to meet Dutch consumers’ needs.\textsuperscript{32} The Government

\textsuperscript{22} NA 2.21.261/60: Telegram Von Hartogensis to Du Bois (German merchant in Frankfurt am
Main), 30 November 1914; NA 2.06.001/5573: German envoy to The Hague F. Von Müller to
Posthuma, 3 January 1915 J. nr. 32; idem: Report by Everwijn, 4 January 1915; idem:
Posthuma to Loudon, 12 February 1915, afd. Handel no. 2905, with enclosed Von Hartogensis
to Posthuma, 25 januari 1915; idem: Everwijn to Von Hartogensis, 20 Januari 1915.
\textsuperscript{28} Dagboek Van Aalst, 21 december 1914, 50-51; 22 december 1914, 51-52. The German
consular-general at Rotterdam, C. Gneist, shared Von Hartogensis’ frustration and had earlier
advocated forceful measures, such as a total prohibition of export for coal, machines and iron
to force the Dutch into compliance. NA 2.02.05.02/906: General C. Snijders to Cort van der
Linden, 12 November 1914, no. 176, ‘Zeer Geheim. Persoonlijk’, with enclosed ‘Verzameling
van enige gedeelten uit afgeluisterde telefoongesprekken tusschen den Duitschen consul te
Rotterdam, Dr. Gneist (A) en den Duitschen Gezant te ‘s-Gravenhave (B)’, n.d.
\textsuperscript{29} Van Manen, \textit{NOT I}, 86; Vandenbosch, \textit{The Neutrality of the Netherlands}, 236-237; Van Dorp,
‘Handel en Nijverheid’, 224.
\textsuperscript{30} BNA FO 382/213, 6604: Johnstone to Grey, 15 January 1915 no. 54 Commercial; idem, 12448:
Johnstone to Grey, 30 January 1915 no. 128 Commercial, with enclosed ‘Memorandum’, n.d.,
by Loudon; idem, 15131/15: Grey to Johnstone, 15 February 1915 no. 101 Commercial; BNA
FO 382/205, 24328: Oppenheimer to Sir Eyre Crowe of the Foreign Office Contraband
Department, 25 February 1915.
\textsuperscript{31} The Foreign Office and the Trade Departments were involved for obvious reasons, Finance
controlled the Dutch customs, and the War and Navy departments were heavily interested in
acquiring German and Austrian weaponry and munitions which the Central Powers only
wanted to barter away against Dutch goods under export prohibition.
\textsuperscript{32} Ritter, \textit{De donkere poort I}, 174-5; \textit{Documenten voor de economische crisis III}, 1-8; Treub,
\textit{Herinneringen}, 309-311.
departments and the two Boards were to ascertain which goods the Dutch needed most from Germany, and, in cooperation with the NOT, to determine which Dutch goods would be traded in return. This “barter” system (whereby Dutch export licences were traded for German licences considered roughly equal in value) would only be applied to scarce goods. Other goods (including the Dutch agricultural surplus and German coal and steel) would be freely available. The SCBs, subordinated to the Foodstuffs Board and the authority of the Trade Minister, were to determine the amount of foodstuffs that could be exported to Germany without causing a price explosion on the domestic market. Finally, German contraband goods would be consigned to the NOT, which would prevent their re-export to Allied countries. The Committee for Foreign Trade (CFT) represented a close cooperation between government and business in which all parties had an equal vote. However, the leading figures within the CFT were all businessmen: NOT-members A.G. Kröller and W. Westerman, and Foodstuffs Board chairman (and agricultural mogul) J.Th. Linthorst Homan.33

Figure 1: the Committee for Foreign Trade, May-September 1915

5. The September 1915 Export Reforms

The CFT trade system soon ran into serious difficulties. With NOT-members Kröller and Westerman in the lead, the NOT’s control over the CFT appeared complete. However, Kröller and Westerman did not share the NOT Executive Committee’s pro-Allied leanings, and had vastly different business interests. Kröller led a vast business empire focused mostly, but not exclusively, on the

33 NA 2.06.079/1405: Linthorst Homan to Joost van Vollenhoven, 15 May 1915, with enclosed several documents describing both the “internal” (and secret!) way in which the Committee would work and the “external” (public) way in which it would present itself. Cf. NA 2.06.079/1605, no. XIIb 8 februari 1916, ‘De Sub-Commissie B’.
Central Empires. Westerman led the Rotterdam Banking Union, the fastest-growing Dutch bank which often acted as a financier for Kröller’s business ventures. [see table 1]. Kröller and Westerman had been both personal enemies and professional competitors of Van Aalst and his business friends for years, and had only joined the NOT at Treub’s express urging. Moreover, the German public soon started distrusting the NOT, as worrying stories of the Executive Committee’s pro-Allied stance and Francis Oppenheimer’s role in its creation appeared in the press. From the second half of 1915 onwards, the German Government began to share this distrust, and advised its companies not to deal with the NOT, fearing that it would relay German business secrets to its real masters in London. Kröller and Westerman therefore distanced themselves as far as possible from the Executive Committee, resulting in weakening ties between the NOT and the CTF.

Worse, cracks had started to appear in the system designed by Treub to maintain both the export trade and home supply. The State Central Bureaus had only very scant information and faulty pre-war statistics to measure the needs of the Dutch home market, and thus could not prevent local shortages and price rises from occurring. In such a case, the Trade Minister had no choice but to stop all exports until home stocks had been replenished, temporarily de-activating the SCB system. However, without the SCBs the farmers had no formal obligation to sell to the Government, and often chose to stockpile and wait until the borders were re-opened. Therefore, the new Trade Minister F.E. Posthuma (Treb’s successor after his move to the Finance Ministry in November 1914) introduced a new system. From September 1915 onwards, he began replacing the State Central Bureaus by so-called Agricultural Associations. No longer made up of selected representatives of farmers supported by a limited number of civil servants, these Associations were federations of existing umbrella organizations of farmers.

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36 NA 2.05.23/839, 20984: Gevers to Loudon, 21 mei 1915; BPNL IV, doc. nr. 447, pp. 451-456: Kröller to Loudon, 15 October 1915. Instead of consigning contraband to the NOT, Germans and their Dutch business partners founded “small NOTs” for each of the contraband goods in question. So, leading Dutch importers of chemicals would together make sure that no German chemicals would find its way to Britain or France. Grünfeld, *Die deutsche Außenhandelskontrolle*, 55.

37 For example, the Cheese Association, which replaced the State Central Bureau for Cheese in October 1915, listed as its founding members the Dutch Dairy Union (Algemeene Nederlandsche Zuivelbond), the Frisian Cooperative Dairy Export Society (Friesche
umbrella organizations were supposed to have more accurate data on production and home consumption. Moreover, it was hoped that they were better equipped to keep their members in check (and thus prevent fraud and stockpiling) than the civil servants of the State Central Bureaus. The Government was no longer directly represented in the Associations. Instead, State Supervisory Bureaus, consisting of one member of the Upper, and two of the Lower House of Parliament, as well as one technical advisor appointed by the Minister, were instituted to keep watch. By giving members of parliament a direct say in these organizations, Posthuma furthermore hoped to quiet any public criticism of export and distribution policies.38

Table 2: the Dutch Agricultural Export Associations.

<table>
<thead>
<tr>
<th>Foundation date</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-09-1915</td>
<td>Butter Association</td>
</tr>
<tr>
<td>11-09-1915</td>
<td>Cheese Association</td>
</tr>
<tr>
<td>13-09-1915</td>
<td>Pork Association</td>
</tr>
<tr>
<td>17-09-1915</td>
<td>Pulse Association</td>
</tr>
<tr>
<td>18-09-1915</td>
<td>United Vegetable Association</td>
</tr>
<tr>
<td>20-09-1915</td>
<td>Potato Association</td>
</tr>
<tr>
<td>27-09-1915</td>
<td>Association of Potato meal Manufacturers</td>
</tr>
<tr>
<td>28-09-1915</td>
<td>Association of Dairy Producers</td>
</tr>
<tr>
<td>05-10-1915</td>
<td>Egg Association</td>
</tr>
<tr>
<td>27-10-1915</td>
<td>Sea Fish Association</td>
</tr>
<tr>
<td>17-07-1916</td>
<td>United Seed Association</td>
</tr>
<tr>
<td>05-08-1916</td>
<td>Fowl Association</td>
</tr>
<tr>
<td>07-09-1916</td>
<td>Veal Association</td>
</tr>
<tr>
<td>09-09-1916</td>
<td>United Fruit Association</td>
</tr>
<tr>
<td>29-09-1916</td>
<td>Horse Association</td>
</tr>
<tr>
<td>03-10-1916</td>
<td>Sugar Association</td>
</tr>
<tr>
<td>11-10-1916</td>
<td>Hay Association</td>
</tr>
<tr>
<td>20-11-1916</td>
<td>Flax Association</td>
</tr>
<tr>
<td>14-12-1916</td>
<td>Association of Rennet Producers</td>
</tr>
</tbody>
</table>

Source: Gruythuysen, Inventaris archieven crisisinstellingen, 171-220; Smidt, De regulering, 26-27

The creation of Associations and corresponding State Supervisory Bureaus was animated by the same free-market, laissez-faire principles as the earlier export system. As before, it was deemed best to let those outside the government do most of the work, as they would be better at it than the small,

Coöperatieve Zuivelexportvereniging) and the Union of Cheese Producers of Gouda (Bond van Kaasproducenten te Gouda).

38 Blink, Kaasvereeniging, 9-12; Peereboom Voller, Distributiewetgeving, 26; Treub, Oorlogstijd, 68-70; Smidt, De regulering, 29; Broekema, ‘Landbouw’, 290-291.
overworked staff at the Trade Ministry. The new system even eliminated all direct government involvement, which cut costs even more. In every other regard, the Associations represented a change for the worse. As there was a great deal of overlap between membership of the Associations [see table 2] and the Foodstuffs Board, the first were no longer subordinated to the second. This, however, severed the direct link between the Associations and the Committee for Foreign Trade [compare figure 1], making the latter’s coordination duties much more difficult. Moreover, as the German price level was still much higher than the Dutch one, the Associations had every incentive to sell abroad. Theoretically, the system was designed to skim some of the Associations’ profits to subsidize the distribution of food, but since the consumers were not directly represented in the Associations, frequently the amount of food made available for distribution was not enough to prevent local shortages or price rises.

6. Split down the middle

From August 1915 onwards, the British Government began to take note of the large agricultural exports to the Central Powers. Dutch exports to Germany, British Government experts warned, provided the Central Powers with rich supplies of fats, according to then-current opinion the element which the Allied Blockade had been arguably most successful in depriving the German and Austrian populations of. Since the Allies had, so far, little success on the battlefield, it was decided to press onward with the economic campaign with as much vigour as possible and try to stop these neutral exports.

Table 3: Dutch agricultural export to Germany, 1914-1916 (tons)

<table>
<thead>
<tr>
<th></th>
<th>First six months 1914</th>
<th>First six months 1915</th>
<th>First six months 1916</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>7,671</td>
<td>17,335</td>
<td>19,026</td>
</tr>
<tr>
<td>Cheese</td>
<td>6,312</td>
<td>24,772</td>
<td>45,969</td>
</tr>
<tr>
<td>Potatoes / potato-meal</td>
<td>20,985</td>
<td>49,305</td>
<td>51,201</td>
</tr>
<tr>
<td>Fish</td>
<td>24,841</td>
<td>34,613</td>
<td>?</td>
</tr>
<tr>
<td>Meat</td>
<td>5,820</td>
<td>28,500</td>
<td>40,248</td>
</tr>
</tbody>
</table>

39 FO 382/737, 79644: Maxse to Grey, 22 April 1916 no. 649, with enclosed a report on Dutch exports by R.F. Mercier (British vice-consul at Vlaardingen), 20 april 1916.

40 Although the Government created a State Central Administrative Office for the Distribution of Victuals (13 October 1915) its powers remained limited, and the actual distribution remained in the care of municipal governments. Kraaijestein, 'Lokale noden', 70-71; Pekelharing, 'Utrecht', 24-26.

41 Waibel, 'Political Significance of Tropical Vegetable Fats', 127-128; Kaufmann, 'Fat research', 417-418; Sanders, British Strategic Planning, 88-89.
The Allies hoped to use the NOT as a lever in order to stop Dutch agricultural trade with Germany. The Executive Committee was made to understand that Dutch exports were a breach of the Anglo-NOT agreement, since imports from overseas (fertilizers, fodder) were being used to “produce” goods (e.g. pigs) that were exported to Germany.\textsuperscript{42} The NOT agreed that some reduction of agricultural exports was necessary, although for wholly different reasons. If German exports were reduced and prices consequently lowered, Van Aalst and the Executive Committee figured, this would ensure that the Dutch population would have enough to eat at affordable prices. Moreover, they were afraid that the traditional Dutch agricultural market in Britain would be lost after the war, while Germany would again erect agricultural trade barriers.\textsuperscript{43} Posthuma, the Trade Minister, saw things differently. He feared that after the war, the British Empire would form a closed economic bloc, and Britain would prefer Australian and Canadian foodstuffs over Dutch produce. Germany, he felt, was the natural outlet for Dutch agriculture.\textsuperscript{44} The NOT tried to force the issue by refusing to import agricultural supplies, whereupon Posthuma, without consulting the Foreign Office, decided that the Government would buy and transport the supplies themselves, hoping that the Allies would think twice before stopping Dutch Government ships. In this matter, he was egged on by his advisor Kröller, whose business interests in South America would be seriously injured if the Dutch stopped importing Chilean nitrates and Argentinean maize. Since the Rhine Shipping Treaty prevented the Dutch Government from promising the Allies that agricultural supplies would not hand up in the hands of the Germans (as the NOT could),

\begin{tabular}{|l|c|c|}
\hline
Fruit & 58,291 & 25,288 & ? \\
Eggs & 7,868 & ? & 20,328 \\
\hline
\end{tabular}


\textsuperscript{42} NA 2.06.079/1449: Joost van Vollenhoven, ‘Verslag over mijn reis naar Londen Oct./Nov. 1915’, n.d. [circa 8 November 1916], 4-5.

\textsuperscript{43} BPNL IV no. 473, pp. 483-485: Joost van Vollenhoven, memorandum ‘De positie van Nederlands handel onder den invloed van de handels-oorlog der groote mogendheden’, 25 November 1915, enclosed in NOT to Loudon, 26 November 1915; NA 2.06.097/1605, I: 23 November 1915, I-3.

\textsuperscript{44} Years after the war, Posthuma reveals a great deal of his First World War food philosophy in a speech for a local Agricultural association. NA 2.21.026.07/369: Rede van dr. F.E. Posthuma gehouden te Zierikzee op 7 Juli 1937 ter gelegenheid van de Algemeene Vergadering der Zeeuwsche Landbouw Maatschappij: ‘De Toekomstmogelijkheden van onze landbouwexport, speciaal in verband met de verminderde afzetmogelijkheden van onze producten naar Duitschland’.
the British Government decided to stop all Dutch Government ships until their cargoes were reassigned to the NOT.

Meanwhile, the NOT tried to negotiate a settlement whereby the British would buy up about half of the Dutch agricultural exports at near-German prices, which were substantially higher than the British market would ordinarily pay. To sell the proposal to the sceptical British Treasury, Van Aalst organized a huge loan by Dutch bankers which would cover the costs of the agricultural purchases.\textsuperscript{45} To ensure that Dutch produce was diverted to Britain, the NOT, through Linthorst Homan, impressed upon the Associations the urgency of the situation: if the deal fell through, the Allies would block all imports of fodder and feeding stuffs to the Netherlands, which spelled disaster for the entire Dutch agricultural sector.\textsuperscript{46} The Associations agreed, and together they founded, in early Summer 1916, the \textbf{Agricultural Export Bureau (AEB)}, with Linthorst Homan as President.\textsuperscript{47} However, the British still held up Government ships loaded with supplies, and Posthuma was still obstinate. Kröller, cleverly sensing that the AEB would once again allow imports from South America, negotiated peace between the Minister and the NOT, under which the Government would retain control over half the imports of agricultural supplies but would (secretly) sign an NOT contract for them. As Posthuma’s advisor, Kröller could decide from which companies the government should buy, and thus made a very handsome profit.\textsuperscript{48}

However, not all went according to plan as the AEB proved unable to hold up its end of the Anglo-Dutch agricultural bargain. The main cause was internal strife within the \textit{Associations} and the \textit{State Supervisory Bureaus}, the latter oftentimes contravening AEB policy. Since the AEB had no official authority over the \textit{Associations}, and had no means to impose its will on the SSBs, this created immense difficulties.\textsuperscript{49} In order to remedy this situation, yet another committee was created and given broad powers over agricultural production, allocation and distribution. Its extensive powers elevated it above both the Associations and the Supervisory Bureaus, and enabled it to force

\begin{itemize}
  \item \textsuperscript{45} BNA CAB 17/162: A. Parker, H. Rew, ‘Memorandum by Mr. Parker regarding the Purchase Schemes in Scandinavia, Iceland, and Holland, 15 May 1915; idem: M.P.A. Hankey, ‘Purchases in Scandinavia and Holland. (Item 3 of the Agenda Paper for May 24th, 1916). Note by the Secretary
  \item \textsuperscript{46} NA 2.06.079/1813: ‘Ontwerp’ and ‘Toelichting’ by C. Broekema, n.d., enclosed in J.L. la Gro to Linthorst Homan, 10 April 1916;
  \item \textsuperscript{47} NA 2.06.079/1812: ‘Verslag van de werkzaamheden van het Landbouw Export Bureau van de oprichting tot 1 mei 1917’, n.n., n.d., pp. 1-4;
  \item \textsuperscript{48} BPNL IV, no. 604, p. 607: Loudon to Johnstone, 7 August 1916, enclosed in Loudon to the Dutch Envoy in London, R. De Marees van Swinderen, 16 Augustus 1916.
  \item \textsuperscript{49} NA 2.06.079/1809: Minutes of meetings of the General Assembly of the AEB, 20 July, 24 July, 2 August, 30 August 1916.
\end{itemize}
farmers to comply to the terms of the agricultural agreements. This Committee Assisting in the Enactment of the 1916 Distribution Law, a cumbersome name soon abbreviated to 1916 Assistance Committee, was dominated by Kröller, who had Minister Posthuma’s ear.⁵⁰ Most likely, the Assistance Committee was the result of a deal between Posthuma, who grudgingly accepted the need for the AEB but insisted on Kröller being in charge, and Loudon, who supported the AEB if the Dutch were able to make a deal with Germany as well as the Allies.

An agreement with the Central Powers was deemed necessary, as they could invalidate the Agricultural Agreement by using their U-boats to torpedo agricultural transports to Britain. Luckily, the Central Powers were in a talking mood: about two years of massive purchases of agricultural products had turned the Dutch-German trade balance heavily in the neutral’s favour, and German authorities feared financial collapse. Thus, an agreement was reached whereby the Germans bought up the remaining half of the Dutch agricultural surplus in exchange for Dutch credits equal in size to the British. Once again, Van Aalst was instrumental in rallying the banks.⁵¹ The final agreement (Provisorium) with Germany, negotiated by the 1916 Assistance Committee, resulted in a fairly comprehensive economic deal, but it was provisional in nature and dependent on the further settlement of several other questions, one of which was the exact amount of coal the Germans would henceforth deliver to Holland.⁵²

7. December 1916: Kröller v. Van Aalst

Despite the tremendous success of the conclusion of the two agricultural agreements with both Britain and Germany, the short history of the two agricultural agreements illustrated that there was an enormous scope for disagreements and institutional friction between the different committees which had been erected to regulate Dutch foreign trade. All the way at what should be the top, the Cabinet itself was divided. Matters of trade and foreign policy were hardly ever discussed in the Council of Ministers or amongst individual ministers. Foreign Minister Loudon, Finance Minister Treub, Trade Minister Posthuma, and others acted as it suited them, working against each

⁵⁰ Moeyes, Buiten schot, 276-277; Van Dongen, Revolutie of integratie, 361; Hoek, Distributiewet.
⁵¹ Rotterdam Municipal Archive [henceforth: GAR] 525/12/87, ‘Verslag’ by Van Aalst on his attempts to organise a loan to a German consortium of banks, n.d. [October 1916].
other when they felt the need arose.\textsuperscript{53} Prime Minister P.W.A. Cort van der Linden, officially known as the “Temporary Chairman of the Council of Ministers”, did not act as such (at least not in matters of trade or foreign policy), and thus his Cabinet lacked any sort of unified economic agenda.\textsuperscript{54}

The many committees that were erected were just as divided. The choice to set up committees made up of businessmen or farmers seemed sensible: they would safeguard the government from having to do all the work itself, which was deemed convenient politically (to maintain neutrality), ideologically (to maintain the idea of free trade) and practically (since Government departments were either too small or not properly equipped to deal with the many problems at hand). However, the scope of and relationship between the committees shifted constantly, and there was no system of checks and balances, nor a clear hierarchy. Personal animosity, conflicting business interests and incompatible visions of the economic future of the Netherlands made cooperation difficult. With every reform new elements were introduced that further muddled the waters. The system, if it indeed can be called a system, was lined with internal divisions. The main fault line, however, was created by the personal rivalry between the NOT’s Van Aalst and Kröller.

Kröller was basically in charge of the entire export and distribution apparatus. His control was based, as his fellow NOT-shareholder Ernst Heldring wryly noted, on the continued existence of the mess of committees and supervisory boards whose relation to each other was ill-defined at best. So long as there was no internal power structure, Kröller acted as a “power broker”, wielding control over both the export and the distribution of foodstuffs. Moreover, he advised Posthuma on Government-controlled imports. As pre-war stocks of imported food were drained, an ever-larger number of ships were requisitioned by the Government to ferry grain and wheat from the United States, fodder and fertilizer from South America, and rice from Southeast Asia. This culminated in a new Shipping Requisitioning Law on February 10, 1917, giving the Government an unparalleled control over Dutch shipping coupled with an unparalleled demand for tonnage from Dutch steamship companies. As “Shipping Dictator”, Kröller could determine

\textsuperscript{53} A famous example is the export of tin from Government-owned mines on the Dutch East Indies to Germany in exchange for German artificial dyes for the Indies batik industry. Th.B. Pleyte, who made this deal, took great pains to hide it from both his Government colleagues and the NOT, since it was in flagrant disregard of Government-sanctioned NOT-agreements with the British. Van Dijk, \textit{Netherlands Indies}, 365-368.

\textsuperscript{54} See, for example, numerous entries in Van Aalst’s diary where either he or his correspondents complain about the lack of unity and coordination amongst the chief ministers. Dagboek Van Aalst, 13 October 1914, 27-28; 18 November 1915, 196; 5 December 1915, 204; 23 March 1917, 418. Gerard Vissering, the president of the Dutch Central Bank, felt the same way (De Vries, \textit{Nederlandsche Bank}, 92).
what the Government bought, from whom and who would be tasked with bringing it to Holland. Van Aalst, who vied with Kröller for the title of “uncrowned king” of the Committees, meanwhile ruled the NOT and, through the NOT, everyone who depended on overseas imports. Both Van Aalst and Kröller undoubtedly used their power for personal gain, and each foresaw an economic future for the Netherlands that was mutually exclusive and, of course, would be perfectly compatible with their own economic interests. Kröller wanted to prepare Holland for the period after the war when Germany would once again import from overseas. He helped German companies buy up shares for the largest Rotterdam shipping company (the Dutch-American Steam Shipping Company), and hoped to increase on the natural complimentarity of the Dutch and German economic spheres: Holland would be post-war Central Europe’s outlet to the sea. He did not want to break off political or economic relations with the Entente countries, but felt Holland’s future would be best secured as Germany’s window to the world. Van Aalst, on the other hand, felt Germany was an unreliable business partner for Holland; taking what it wanted for as long as it wanted, and then discarding it when it was no longer needed. He feared a silent German economic takeover of the country, and preferred further developing a twin European-Asian economic strategy, whereby the Dutch and the Indies economies complemented each other and the outlook would be Atlantic instead of continental. Although he favoured measures to reduce Dutch dependency on Germany, he was never in favour of a complete stop of Dutch-German trade. In this debate, Government ministers, not constricted by a common Government policy, picked sides. For example, both Loudon (secretly) and Treub (openly) supported Van Aalst and the NOT, whilst Posthuma stood by Kröller’s side.55

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55 This division will be a major theme in my upcoming PhD thesis. Although the basis of the Kröller – Van Aalst divide are known, it has hitherto been characterized as simply a question of personal dislike (Houwink ten Cate, *Mannen van de Daad*, 20) or of “pro-Allied” Van Aalst squaring off against “pro-German” Kröller, thereby keeping the country as a whole neutral (Den Hertog, *Cort van der Linden*, 448). I suggest, however, that the division between the two was both much more complex and widespread, and that it was precisely the disorganization of the Dutch institutional landscape that allowed their disagreements to influence Dutch economic policy to such a degree.
8. The shipping stalemate, 1917

In February 1917, the German Government decided on a campaign of aggressive submarine warfare in the hopes of disrupting Allied trade, hoping to force Britain, which depended on its trans-oceanic shipping lanes for food and other supplies, into surrender. It was a dangerous gamble, since the German Government essentially forbade all ships (Allied and neutral) from trading with Allied countries on pain of death by torpedo. Dwindling supplies and U-boat attacks made shipping space the prime commodity for the Allies. Fearing that German submarines would discourage European neutrals from trading with Britain, the Admiralty forbade neutral ships from leaving British or Dominion ports unless guarantees were given that the Anglo-neutral trade would continue. Extra pressure was exacted by withholding bunkering coal from neutral ships in the extra-European trades: since the British controlled all coaling stations on the routes to the Dutch Colonies, South-east Asia and the Americas, this was an extremely powerful

57 BNA CAB 21/6: Memorandum by 'D.P.H.H.', 'German Blockade and Neutral Shipping', 26 March 1917; idem: Admiralty Memorandum 'The German Blockade and Neutral shipping', 2 February 1917.
bargaining chip. To make matters worse, the American Government decided in April 1917, after several US ships in the Allied trade had been sunk by submarines, to declare war on Germany. The interrelated events of German submarine warfare and American belligerency were joined by a third, not political but meteorological in nature. From Autumn 1916 onwards, European weather had taken a turn for the worse. A damp and wet autumn was followed by an unusually long and cold winter. As a result of this deadly cocktail of wet and cold, crops failed all over Europe, thereby creating an ever greater need for imports from the continent were a food supply was still available: America.\footnote{The bad weather of 1916-1917 has hitherto solely been connected to the worsening situation in blockaded Germany (e.g. Davis, \textit{Home fires burning}, 180-181, Offer, \textit{Agrarian Interpretation}, 48-50), but its effects were global.} Noticing an increasing number of neutral ships in American harbours stocking up on wheat and other agricultural products, Washington decided to enact an \textit{embargo} against neutrals in Europe until the Netherlands, Switzerland, Norway, Sweden and Denmark halted \textit{all exports to Germany}.\footnote{Hoover, \textit{American Epic}, 330-331; Baily, \textit{Policy of the United States}, 34-45.} Moreover, following Britain’s example, the United States decided to withhold bunker coal to the neutral ships still in American ports.\footnote{Foreign Relations of the United States [henceforth FRUS], Suppl. 2, vol. II, pp. 903-905: Proclamation No. 1385, 9 July 1917, by President Woodrow Wilson.} Allied and US actions did not only impact the NOT but also the Dutch Government, whose ships had been captured as well and which was now largely unable to fetch much-needed food and feeding stuffs. Thus, when preliminary negotiations began in London to discuss a system whereby Dutch ships would be released and fuelled in exchange for services to be rendered to the Allies, NOT representatives were for the first time joined by a delegate from the Dutch Foreign Office.\footnote{Smit, \textit{Nederland in de Eerste Wereldoorlog} III, 42.} To discuss proposals on Allied hiring of Dutch tonnage and a resumption of Anglo-Dutch trade, a new \textit{Navigation Committee} was formed, comprising of representatives of both the NOT and of Dutch shipping lines, who obviously wanted a say in what was going to happen to their ships.\footnote{NA 2.06.079/1254: UC 1 May 1917, pp. 187-188, 196-197, 203-209. Although several of the more important Dutch shipping companies were shareholders of the N.O.T., some, however, were not. All were organized into one of two shipping associations, both of whom were represented in the Navigation Committee [Commissie voor de Scheepvaart]. Cf. Flierman, \textit{'Het centrale punt'}, 48.} As an added bonus, this offered the Executive Committee a chance to counter Kröller’s growing control over Dutch shipping.\footnote{Oppenheimer MSS, Box I, Diary entry 20 March 1917.} However, both Loudon and Posthuma were adamant that an agreement only be signed when the American embargo were to be partially lifted, as ships without supplies to carry in them were useless. This led into a...
four-way stalemate: ship owners could not agree whose ships should be used in the barter trade, whilst the NOT wanted to conclude an agreement with the British on long trade (the Atlantic and Dutch Indian routes) without discussing the short trade (the North Sea trade between Britain and Holland), two aspects of the shipping dilemma London did not want to separate. Moreover, the NOT desperately wanted the Dutch to make the first move in order to get things moving, whereas Loudon and Posthuma wanted to await definite Anglo-American assurances of the availability of both coal and ships.64

9. Collapsing export trade

The shipping stalemate did not only impact the NOT, but resonated throughout the entire Dutch economy. Since overseas goods were increasingly inaccessible, this increased Dutch economic dependency on Germany. In response to its own economic woes, caused by failing crops and the creeping effects of the Allied blockade, the German Government had enacted an absolute control over all im- and export in January 1917. This allowed the Central Powers to better concentrate their scarce monetary resources on the goods they really needed from the neutrals by eliminating all free market competition and blocking imports deemed “wasteful”.65 The first effects of this German streamlining of foreign trade came when Trade Minister Posthuma was forced to barter away a significant portion of the first new potato crops of 1917 in return for more German coal needed to survive the harsh winter: a breach of the Allied Agricultural Agreement.66 Moreover, the German Government used its new powers in order to try and stay the falling value of the Reichsmark: two and a half years of buying up everything the neutrals at its borders were willing to part with had caused a serious decline in German purchasing power: the Reichsmark had lost more than 40% of its pre-war value compared to the guilder in July 1917.67 Under the new export regime, therefore, all trade with Holland was taxed with extra

65 NA 2.06.079/1549: Memorandum ’Invoerverbod in Duitschland’, n.d.; NA 2.06.079/1548: ’Verordnung der Ministerien der Finanzen, des Handels und des Ackerbaus vom 12. März 1917 betreffend die Regelung der Einfuhr.’ This German Government measure, followed by an Austro-Hungarian decree several weeks later, was the final step in Central Powers’ efforts to drive down prices by organizing import collectives. These efforts will be treated in some depth in my upcoming PhD thesis.
66 Ritter, De donkere poort II, 152, 176.
67 July 1914: 100 guilders = 59,15 RM, July 1917: 100 guilders = 34,73 RM. Source: Vissering & Westerman Holsteijn, ’The Effect’, 84-86.
“administrative costs” and Germans sought extra Dutch credits wherever they could find them.

Moreover, the disruption of Dutch shipping caused a dearth of imported agricultural supplies. Coupled with the disappointing harvest, this meant that the Dutch Associations simply had less to offer to Germany. German centralization caused official agricultural prices to drop, even though they were still higher than domestic prices. This situation made the negative side effects inherent in the Associations system, introduced by Posthuma in his September 1915 reforms, worse. Hoping to export as much as possible the Associations had, from their very inception, categorically understated the amounts they thought necessary for home production, hid stocks from inventory in order to export them, and kept pushing the Minister for more export licences. As the domestic food situation, due to a lack of overseas imports, grew from bad to worse, and because the agricultural agreements decreed, essentially, that Britain should get at least as much produce from Holland as Germany, the home market became seriously underfed. Another worrying side effect of the Associations system was the fact that the Dutch had loaned huge sums of money to German firms, enabling them to keep up their massive purchases of Dutch food. The Dutch National Bank and Treub began to fear that the size of these credits was spinning out of control. Particularly disturbing to Treub was the fact that many Associations had been loaning unknown amounts of money to Germany themselves. Moreover, the plus sides to the Associations system (the fact that exports were to pay a big part of the costs associated with distribution) disappeared, as both export volumes and prices lowered and distribution costs rose.

10. Too little, too late: The Netherlands Export Company

Treub therefore convinced Posthuma the export system needed revamping in order to meet and hopefully counter the Central Powers’ new centralized way of conduction bilateral trade, whilst simultaneously putting a lid on overactive foreign lending and improving the domestic food situation. They sent a joint proposal to the Dutch Parliament to create a new company, privately-owned and funded but with Government officials in key positions, which would deal with all agricultural exports and financial dealings connected therewith, as well as the execution of the existing agricultural agreements with the Allies and the Central Powers. In effect, this new organization would

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68 Abbenhuis, Art of staying neutral, 189-191; Treub, Oorlogstijd, 101-102; Broekema, 'Landbouw', 299-304; Moore, Economic Aspects, 19-21.
69 De Vries, Nederlandsche Bank, 96.
70 Treub, Herinneringen, 354.
71 Brouwer, Amsterdamsche Bank, 164;
create a unified body for dealing with exports and their financial repercussions, operated once again by businessmen but with a much stronger degree of Government control. The Netherlands Export Company (NEC) would thereby supplant not only the Agricultural Export Bureau and the 1916 Assistance Committee but also the Committee for Foreign trade [compare figures 1 and 2], and even take over some of the functions of the NOT. The Treub-Posthuma plans spawned intense debate within the existing committees. The Agricultural Export Bureau, for example, argued (and not without reason) that its original purpose was to supervise the Associations and that it should therefore be “upgraded” to be the new centralized export body. Meanwhile, Van Aalst, who had long been in favour of both a strengthening of the Dutch negotiating position towards the Central Powers and a reform of the distribution system, felt that the new Company should be modelled on the NOT, hoping that he could control both. These attempts were blocked by representatives from the Netherlands Central Bank (whose President bore a personal grudge against him) and Kröller. The latter had, obviously, his own agenda: eager to maintain his position of influence, which derived for a large part from being the power broker in the messy and ineffective “Posthuma” system, he desired that system be maintained.

Parliament took its time deciding on the new law establishing the Company, which had to be amended several times. One of the chief points of discussion was the level of involvement of businessmen and other parties who had a direct economic interest in export and distribution in the new company. It was argued, for example, that some of the NOT’s decisions might not have been in the best interest of the country, and that Kröller probably had more influence on export than the minister had! The Government, however, assured Parliament that it would continue to seek the advice of the business world, repeating the same arguments it used since the beginning of the war: engaging businessmen was cheaper and more efficient than creating a new Government apparatus. In the end Parliament approved of the new law, and on 15 October 1917 the NEC was officially founded, with its operations slated to begin on 2 January 1918, whereupon both the

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72 Parmalee, *Blockade and Sea Power*, 139.
74 NA 2.06.079/1255: UC 25 May 1917, pp. 159-160.
Agricultural Export Bureau and the Committee for Foreign Trade seized their operations.\textsuperscript{76}

The NEC was given the monopoly over the issuance of export licences but Posthuma, as minister of trade, still had the final say. To finance the export, the NEC issued bonds acceptable as collateral at the Netherlands Central Bank. The public could buy these bonds, and the funds were used to loan money to Germany to finance its Dutch imports, so that traditional banks (and the Associations) did not have to. However, in this aspect the NEC was subordinated to the authority of Finance Minister Treub.\textsuperscript{77} Naturally, the two ministers’ temporary alliance, which had resulted in the joint NEC-plan, shattered as soon as the plans neared completion. A disagreement erupted when Posthuma had issued export permission for a shipment of cheese to Germany without consulting his Cabinet colleagues, whereupon Treub decided to order the customs office to stop the shipment. Unfortunately, this incident was to be highly typical of the two ministers’ shared reign over the NEC.\textsuperscript{78}

Worse, perhaps, was the fact that the NEC was still dependent on many of the other committees and boards that dotted the Dutch political landscape. Kröller and his 1916 Assistance Committee continued to exert influence on the Associations, and the NEC was still reliant on the data provided by them. Van Aalst and the NOT were unwilling to have the NEC share in their power. Finally, by the time that the NEC had finally been founded, there was simply very little left to export. Dutch food rations had been cut drastically in 1917, and the export of potatoes to Germany (in exchange for coal) and Britain (to make good on deficits in shipments due under the Agricultural Agreement) had caused violent uprisings in Amsterdam.\textsuperscript{79}

11. Crisis

The domestic food situation caused all concerned parties to try and reconcile their differences, and attempt to end the deadlock regarding a solution to the coal and shipping dilemma. Therefore, in the autumn of 1917, negotiating teams, often combining members of Government departments and representatives from the different committees, were active in a variety of diplomatic theatres. A joined Government-NOT Committee tried to convince

\textsuperscript{76}Van Loenhout, ‘De NEC in nood’, 19-25; NA 2.06.079/1820: Memorandum ‘Overdracht’, n.d.
\textsuperscript{77}Smit, Nederland in de Eerste Wereldoorlog III, 37.
\textsuperscript{78}Ritter, De donkere poort II, 264-267; Porter, Dutch neutrality, 213-215.
\textsuperscript{79}Van Kamp, Kolenvoorziening, 27-31; Koch, ‘Nederland en de Eerste Wereldoorlog’, 106; Van Dongen, Revolutie of integratie, 507-508.
the American government in Washington to lift the embargo on foodstuffs. The NOT and the Navigation Committee were in constant negotiation on an exchange of Dutch tonnage for bunker coal, whilst a mixed committee of foreign office officials and influential businessmen (amongst which Kröller and Van Aalst) dealt with Germany and Austria-Hungary. As the economic war, greatly exacerbated by submarine war, failing crops and American embargo, reached fever pitch and Dutch concessions (shipping space for the Allies, foodstuffs for Germany) to one party were unacceptable to the other, times called for careful and coordinated diplomatic manoeuvring. Acting on the advise of Van Aalst, Loudon therefore created a permanent body were the heads of the most influential committees would hold weekly meetings.

The first results seemed promising. The American mission in itself was a failure, but did manage to get a Dutch delegation invited to a follow-up conference in London, where, for the first time, representatives of both the Allies (who held the key to the bunker coaling stations) and the United States (whose grain surplus could put an end to the impending famine) were present. The Dutch delegation would once again consist of Government and NOT representatives. The Government representative, however, stated that the results of the negotiations could not bind the Dutch Government nor the NEC, but only the NOT, casting serious doubt whether the Dutch could or would live up to the bargain made. In the end, it was decided that the negotiating results would be taken back to Holland, where the Ad Hoc Committee for Foreign Economic Relations (basically an expanded version of Loudon’s informal weekly gatherings) would determine whether the Government could accept its terms. Unfortunately, infighting within the ad hoc coordinating committee caused endless delays, infuriating the Allies. Finally deciding to force the Dutchmen’s hands, they simply requisitioned all Dutch ships laid up in Allied and American ports on 20 March, 1918.

Meanwhile, food grew increasingly scarce, prompting Posthuma to create a new Crisis Sub-Ministry, which centralized distribution and would replace all the Associations by government controlled State Distribution Bureaus; there was almost nothing left to export, anyway. This also meant there was no more need for the 1916 Assistance Committee, which was disbanded on 1 April 1918, leaving Kröller without an official position (and

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80 Frey, Der Erste Weltkrieg, 247-258; Frey, ‘Anglo-Dutch relations’, 67-68.
82 BNA FO 371/3256: Memorandum by Commander F. Leverton Harris of a conversation with Joost van Vollenhoven, 25 April 1918.
83 De Vries, Nederlandsche Bank, 104-105
84 FO 371/3434: Minutes and Resolutions of the Allied Supreme War Council, 15 March 1918.
permanently ending his friendship with Posthuma). The Crisis Sub-Ministry came into immediate conflict with the NOT, as both insisted on controlling the distribution of the scarce remaining supplies of overseas goods and raw materials. Moreover, the Government, from February 1918 onwards, took stringent measures to increase both the Dutch production of basic foodstuffs and the scope and effectiveness of the now centrally organized distribution system. These were important developments: for the first time, the Government took control over matters it had, for four years, been content to leave in the hands of private individuals. However, infighting between the NOT and the new Sub-Ministry, and ineffective leadership by Posthuma’s new protégé, M.M. Schim van der Loeff, lessened the effectiveness of this reform.

Moreover, this sudden burst of governmental activity was hardly matched by new diplomatic activities to restart negotiations with either the Germans (for much-needed coal) or the Allies (to replenish food supplies. In fact, the government decreed, in July 1918, a complete stop of all foreign negotiations by all remaining committees. Officially it did not want to restrict the freedom of action of the next government (elections were scheduled for July 1918), unofficially it simply could not decide on what action to take: both the Allies and the Germans were pining for a general agreement which would settle all outstanding economic questions, but internally neither the government nor the remaining committees could agree on appropriate Dutch terms for either, which would also be acceptable to the other side.

This institutional paralysis was seemingly swept away by September 1918, when a new Government took office. By then, the fortunes on the battlefield had turned decisively in the Allies’ favour. The new Foreign and Trade ministers, therefore, took steps to reopen negotiations with the Allies for a new General Agreement, roughly on the basis of the results of the negotiations that were held in January 1918. To coordinate these new talks, new foreign minister H.A. van Karnebeek revived his predecessor’s ad hoc committee. Economic pressure to come to an agreement which would re-enable overseas imports, nascent revolutionary tidings at home caused at least in part by the lack of food and the inadequacy of government distribution, and the political considerations of not wanting to stand in the Allies’ way just as they were about to dictate peace to the Central Powers, created the

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85 De Vries (red.), *Herinneringen en dagboek van Ernst Heldring*, I, 1 August 1918, 226.
86 Smidt, ‘Export van landbouwartikelen’, 110
87 NA 2.06.079/1265: Council of Ministers to the NOT, 3 July 1918, enclosed in UC 5 juli 1918, pp. 114-115
necessary preconditions for the conclusion of a General Agreement to replace the existing NOT- and Agricultural Agreements.\textsuperscript{88}

\section*{Conclusion}

When the last wartime committee, which would conclude a General Agreement with the Allies, was inaugurated, Foreign Minister Van Karnebeek greeted the Council of Assistance with the following words:

\begin{quote}
    The meetings of the Council of Assistance are held under the auspices of the Ministry, and all of the matters discussed therein are Government matters only. Every personal involvement in areas of foreign economic policy […] is incompatible with membership of the Council. We must at all times preserve unity and work together in the best interest of the country.\textsuperscript{89}
\end{quote}

His pleas for setting aside personal and professional differences were, in view of the experience of four and a half years of infighting finally resulting (in 1917-18) in a near-complete standstill of the Dutch decision-making machinery, very understandable. Indeed, when the Government issued a study of the wartime economy of 1914-1918 in preparation for the possible outbreak of a Second World War, the main recommendations were to \textit{never} let the First World War-era chaos prevail again. Therefore, when in 1939 economic warfare between Allies and Axis once again threatened to make Dutch imports impossible, the solution was not to erect a second NOT, but to create a government-controlled institution which had roughly the same function as the original Trust Company.\textsuperscript{90}

The Dutch government of the day seems fully justified in not wanting to book the Dutch First World War economy for a repeat performance. Although, as we have seen, creating committees of businessmen and allowing them the maximum amount of freedom to safeguard both the Dutch economy and Dutch neutrality seemed, at the outbreak of war, to make sense for a number of reasons. However, as the war progressed, the pseudo-bureaucrats often blurred the line between self-enrichment and patriotism, fought out turf

\textsuperscript{88} Riemens, \textit{Passie voor vrede}, 130-132; Houwink ten Cate, \textit{Mannen van de Daad}, 35-38; Smit, \textit{Nederland in de Eerste Wereldoorlog} III, 94-96.\textsuperscript{9} Cf. BNA FO 382/1856, 189127: Memorandum of Agreement between the Royal Netherlands Government and the Associated Governments, 14 November 1918; FRUS 1918, Suppl. 1, II, 1657-1583: Agreement between the Royal Netherlands Government and the British, French and Italian Governments and the War Trade Board of the United States, 23 November 1918.

\textsuperscript{89} Cited in Houwink ten Cate, \textit{Mannen van de Daad}, 37-38. Translation by the author.

wars, and neglected the interests of the Dutch consumer, whilst the Cabinet stood by and introduced one disastrous reform after the other. The system had become so convoluted that hierarchical relations were almost absent by the second half of 1916, after which the decision-making process slowed to a halt.

This conclusion begs a number of questions. First of all, it calls for a re-evaluation of the performance of Cort van der Linden as Prime Minister, recently hailed as the best the Netherlands have ever had. In the same vein, it calls for closer study of the role of people like Van Aalst and Kröller, to whom the loose institutional framework and lack of oversight allowed an incredible range of freedom and thus a towering influence on Dutch policy. Thirdly, and perhaps more importantly, it makes one wonder whether Dutch institutional confusion had any real impact on economic performance during the First World War. Available data suggests that 1914-1916 performance was stellar, followed by a slump from 1917 on. This is something that has to be studied in-depth, however, since comparative data from neutral countries in similar situations, nor information on price rises and standard of living are readily available. This is especially salient because it has been widely assumed that countries such as Switzerland and Denmark, where the government had a much firmer grasp on economic and trade policies, were much more able to withstand economic pressure from the Allies and the Central Powers than the Dutch ever were, especially during 1917-1918. This strongly suggests that internal political conditions of neutral countries did have an effect on the outcome of the economic war between Allies and Central Powers. Indeed, it may have been the neutrals’ most important contribution to the war.

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92 Klemann, 'Ontwikkeling door isolement', 277-278; Sluyterman, 'Dutch business during the First World War', 261-263.
Additional tables:

Table 4: The division of the Dutch agricultural surplus according to the Agricultural Agreement with the Allies and the Provisorium with the Central Powers (1916)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td>Min. 50% to Britain</td>
<td>Min. 50% to Germany</td>
</tr>
<tr>
<td>Livestock and beef</td>
<td>Min. 50% to Britain</td>
<td>Min. 50% to Germany</td>
</tr>
<tr>
<td>Mutton</td>
<td>Entire surplus to Germany</td>
<td>-</td>
</tr>
<tr>
<td>Butter</td>
<td>Min 25% to Britain</td>
<td>Min. 75% to Germany</td>
</tr>
<tr>
<td>Cheese</td>
<td>Min 33⅓% to Britain</td>
<td>Min. 66⅔% to Germany</td>
</tr>
<tr>
<td>Condensed milk</td>
<td>75% to Britain*</td>
<td>Min. 25% to Germany</td>
</tr>
<tr>
<td>Fodder</td>
<td>Export prohibited</td>
<td>-</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>Export prohibited</td>
<td>-</td>
</tr>
<tr>
<td>Cream and fresh milk</td>
<td>Export prohibited</td>
<td>-</td>
</tr>
<tr>
<td>Straw and hay</td>
<td>Export prohibited</td>
<td>-</td>
</tr>
<tr>
<td>Potatoes and potato-meal</td>
<td>Export prohibited ** **</td>
<td>Export prohibited *** / ****</td>
</tr>
<tr>
<td>Fruit</td>
<td>25% to Britain</td>
<td>Min. 75% to Germany</td>
</tr>
<tr>
<td>Vegetables</td>
<td>25% to Britain *****</td>
<td>Min. 75% to Germany</td>
</tr>
<tr>
<td>Sugar</td>
<td>Export prohibited ****</td>
<td>Export prohibited ***</td>
</tr>
<tr>
<td>Eggs</td>
<td>Min. 10% to Britain</td>
<td>Min. 75% to Germany</td>
</tr>
<tr>
<td>Beans</td>
<td>25% to Britain</td>
<td>Export prohibited ***</td>
</tr>
<tr>
<td>Flax</td>
<td>-</td>
<td>Min. 50% to Germany</td>
</tr>
</tbody>
</table>

* Export of condensed milk to Germany not permitted.
** Until the outstanding deliveries under the first Agricultural Agreement had been fulfilled.
*** Unless an agreement had been made with the British and General Trading Association, the Allied purchasing agency in The Hague.
**** Unless an agreement had been made with the Deutsche Handelsstelle im Haag (DHH), the Central Powers’ purchasing agency.
***** Pulses could only be exported after additional negotiations with the DHH.


Table 5: Performance indicators of the Dutch economy, 1913-1916.
G=Growth, AV=Added Value, E=Employment

<table>
<thead>
<tr>
<th></th>
<th>Agriculture</th>
<th>Industry</th>
<th>Service</th>
<th>GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>G  AV  E</td>
<td>G  AV  E</td>
<td>G  AV  E</td>
<td>G  AV</td>
</tr>
<tr>
<td>1913</td>
<td>-1,9</td>
<td>100</td>
<td>100</td>
<td>+3,2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+8,2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+5,0</td>
</tr>
</tbody>
</table>
Table 6: Coal supplies in tonnes, 1913-1918

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Local production</th>
<th>Total available</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>8,117,410</td>
<td>1,902,414</td>
<td>10,019,824</td>
</tr>
<tr>
<td>1914</td>
<td>7,314,890</td>
<td>1,982,702</td>
<td>9,297,592</td>
</tr>
<tr>
<td>1915</td>
<td>7,322,357</td>
<td>2,332,244</td>
<td>9,654,591</td>
</tr>
<tr>
<td>1916</td>
<td>6,270,694</td>
<td>2,656,087</td>
<td>8,926,781</td>
</tr>
<tr>
<td>1917</td>
<td>2,881,423</td>
<td>3,126,012</td>
<td>6,007,435</td>
</tr>
<tr>
<td>1918</td>
<td>1,326,298</td>
<td>3,548,447</td>
<td>4,874,745</td>
</tr>
</tbody>
</table>

Source: Van Kamp, *Kolenvoorziening*, 110

Table 7: Ships entering the ports of Amsterdam and Rotterdam, 1913-1919

<table>
<thead>
<tr>
<th>Year</th>
<th>Rotterdam</th>
<th>Amsterdam</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>11,285</td>
<td>2,597</td>
</tr>
<tr>
<td>1914</td>
<td>8,011</td>
<td>2,430</td>
</tr>
<tr>
<td>1915</td>
<td>3,883</td>
<td>1,820</td>
</tr>
<tr>
<td>1916</td>
<td>3,284</td>
<td>1,622</td>
</tr>
<tr>
<td>1917</td>
<td>1,452</td>
<td>699</td>
</tr>
<tr>
<td>1918</td>
<td>1,181</td>
<td>378</td>
</tr>
<tr>
<td>1919</td>
<td>4,710</td>
<td>1,366</td>
</tr>
</tbody>
</table>

Source: De Vries, 'Nederland 1914-1918', Enclosure III.
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