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ECONOMIC RECONSTRUCTION POLICY IN THE NETHERLANDS AND ITS INTERNATIONAL CONSEQUENCES, May 1945–March 1951

by

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The aim of this paper is to examine the nature of Dutch reconstruction policy in the years following the end of World War II and to investigate the links between domestic reconstruction policy and the foreign economic policy of the Netherlands. Because, to date, very little research has been conducted into government archival sources, this paper became much longer than was originally intended or even desired. Even so it does not claim to provide a complete picture of developments even within the self-imposed restrictions in the aspects covered.

The term economic reconstruction has been restricted to cover those measures aimed at restoring the physical productive capacity of the economy. Within this process two distinct stages can be discerned—a recovery stage and a restructuring stage. The recovery stage, in turn, comprised two separate elements. At its simplest level recovery policy was essentially a re-stocking exercise aimed at reactivating existing economic capacity by restoring the flow of energy, raw materials and semi-manufactured goods into the productive process. The second, and more difficult process was the one of rebuilding and replacing capital stocks damaged, destroyed or looted during the War itself as well as making up the back-log of replacement investment which had arisen as a result of the unmatched capital depreciation in the five war-years and the immediate post-war year. Thus the recovery stage as a whole involved bringing the economy back to its pre-war level in aggregate terms. But recovery, by itself, would be insufficient to resolve the problems which arose as a result of structural changes which had occurred both inside and outside the Dutch economy in the intervening years. These changes were discerned by Dutch policy-makers as three-fold in nature—the need to maintain the competitiveness of the economy by catching-up on the technological advances made elsewhere, the need to create work opportunities for the increase in the potential labour-force as a result of the high pre-war birth rate and the need to improve the balance of trade to compensate for the anticipated decline in net invisible earnings and to be able to service and repay foreign loans. This second stage we will term 'restructuring', though in the minds of contemporary policy-makers it was virtually synonymous with the narrower term 'industrialisation'. The narrow definition of the term economic reconstruction means that the paper has excluded from its terms of reference...
measures to restore the material wealth of the population, particularly in the area of housing, as well as a consideration of macro-economic policy in general including such areas as wages-policy and currency reform where policy measures undoubtedly contributed to the economic reconstruction as here defined (for these areas, as well as for general economic histories of the period, the reader is invited to refer to the bibliography).

The term policy is also defined in a restricted sense and refers mainly to policy as made within cabinet. It deliberately excludes an analysis of the manifold pressures from quasi-governmental bodies, parliamentary parties and extra-parliamentary pressure groups which may well have influenced the behaviour of ministers within cabinet but to have included such considerations would have extended the scale of this study out of all proportion. More regretfully, the narrow definition also excludes an analysis of the policy-formation process within and between the ministeries themselves but the time available for the preparation of this paper did not permit the extensive archival research which such an undertaking would have required.

The term international consequences is a complete misnomer. It is true, for example, that insofar that foreign loans and the liquidation of foreign assets were necessary to finance the reconstruction policy it weakened the invisibles side of the balance of payments and may thus marginally have contributed to a measure of increased stridency in international negotiations on trade liberalisation and tariff reductions but it would be an exaggeration to attach too much importance to such considerations. More significant in this respect were the structure of the domestic economy, the structure of its protectionist instruments, particularly after the Benelux tariff union in January 1948, and the changes in the structure of post-war trading relationships, particularly with respect to the United States and Germany. What this paper has attempted in this section is an analysis of foreign policy towards Western Europe - a geographical restriction in its terms of references which I hope will not diminish its usefulness in the research project of which it forms a part. The results of this analysis will demonstrate in a negative way the distinct lack of any links between domestic reconstruction policy and foreign economic policy; a finding which does little for the coherence of the paper as a whole but nonetheless is a fairly accurate reflection of historical reality.
Finally the period covered by this paper can only partly be considered to form a cohesive whole. May 1945 is an obvious starting point since it was the date at which the Netherlands was finally liberated. Even so it must be recognised that the territory South of the great rivers of the Maas, the Waal and the Rhine had already fallen into Allied hands in September 1944 though its proximity to the front line and the lack of transportation for anything but the basic necessities means that its administration belongs more properly to the history of the war economy.

The choice of March 1951 is more difficult to justify but there were two reasons for its selection. Firstly, in terms of reconstruction policy, it marked the announcement of a package of deflationary measures to curb the growing balance-of-payments deficit which finally subjugated the need to finance reconstruction policy to the dictates of macro-economic management. Secondly, in terms of foreign policy, it represents the final agreement on the terms of the Treaty of Paris, signed the following month, establishing the European Coal and Steel Community. The logic of both is purely arbitrary, but one must end somewhere. Yet March 1951 does leave a number of loose ends. In terms of reconstruction policy, the goal of balance-of-payments equilibrium was not achieved until the second half of 1951 and pre-war levels of productivity were not attained until 1952. Either of these achievements could have been chosen as representing the end of the 'reconstruction' stage. Equally in foreign economic policy March 1951 saw Dutch goals in the area of tariff reductions as far from solution as ever and the discussion of this issue in this paper is left hanging unresolved - a situation as unsatisfactory for the government at the time as it well undoubtedly be for the reader.

THE DUTCH ECONOMY IN MAY 1945

There is no doubt that the Dutch economy had suffered greatly at the hands of the Germans during the War. As a result, in May 1945, much productive capacity had been looted or destroyed and levels of current output had been much reduced. Since the policy-makers' perspectives of the tasks of recovery and reconstruction respectively depended on an accurate assessment of losses on both counts, it is necessary to examine exactly how accurate that assessment actually was. This section will argue that the picture drawn immediately after the war was over-pessimistic on a number of counts.
As far as the current output by industry is concerned, the picture was probably fairly reliable. By 1944 the index of manufacturing output had fallen to 32.4 percent of its 1938 level and in 1945 the figure can be put, rather more speculatively, at 24.8 percent. The accuracy of both estimates is lent some credence by the figure of 38 percent for the third quarter of 1945. There is also broad agreement on the losses incurred in the level of industrial stocks. These had stood at £1000 million in September 1939 (valued at 1938 prices – as are all subsequent figures unless otherwise stated) and immediately after the War the Central Bureau of Statistics estimated the losses at £850 million. This figure seems rather more likely than other estimates that the level of stocks had been reduced to nothing. Also it should be noted that because of the War emergency, the level of stocks was unusually high and that not all these losses needed to be replaced to restore the pre-war level of activity. Where the problem arises is in the overestimation of the losses to physical capital. The original CBS estimate was that of the fixed capital assets worth £4000 million in September 1939 £210 million was lost through war damage, £450 million through disinvestment and a further £450 million through the German dismanteling of plant in the last year of the War – a loss of 28 percent. By the beginning of 1947 these figures had been revised downwards. Firstly the figure for machinery looted by the Germans was reduced to £250 million; a reestimation which did not take into account £60 million traced and recovered by that date and secondly the figure for war damage was reduced to £56 million – reducing the total loss to 18.9 percent. In 1948 the figure for the percentage loss had been cut still further to 18 percent though the figure for fixed capital had been revised upwards to £5000 million and, since this entailed an upward revision of the depreciation figure, that for losses to £900 million.

In agriculture the difficulty is estimating levels of output lay in the acquisition of reliable data. The official index for 1945 (1938=100) was 31 for animal farming, 68 for arable farming and 70 for market gardening but estimates for the last two seem improbably low considering that a year later the index stood at 113 and 118 respectively. In terms of capital losses the greatest damage was inflicted on animal stocks. There were originally estimated at £250 million out of a total £500 million or 50 percent. The original estimate of damage to land (mostly caused by the inundations) buildings, machinery and stocks was
\$450 \text{ million which needs to be set against assets worth \$3000 \text{ million} - 15 \text{ percent}}^{12). \text{ These figures were almost immediately raised to \$575 \text{ and \$3300 \text{ millions respectively} - 17.7 \text{ percent}^{13). \text{ The totals of losses of \$250 \text{ million to animal stocks and \$575 \text{ million elsewhere have never been altered but what had been reassessed by 1948 was the valuation of the original assets which were now put at \$700 \text{ million for animal stocks and \$5100 \text{ million for land, buildings, machinery etc. This had the effect of reducing the percentage losses to 35.8 and 11.7 percent respectively}^{14). \text{ It should also be noted that in the case of the flooded land it did not require investment, in the sense of capital outlay, equivalent to the value of assets 'lost' to bring it back into production nor even investment of that order in the sense of foregone consumption}^{15). \text{ The greatest damage suffered was by the transport sector. The first post-war estimate placed the value of losses to railways, trams, lorries, shipping etc. at \$827 \text{ million out of a total capital value of \$1500 \text{ million} - 55 \text{ percent}^{16). \text{ Soon afterwards the damage estimate was raised to \$1005 \text{ million} - 60.6 \text{ percent}^{17), a figure which the upward revaluation of both existing assets and war losses in 1948 failed to alter^{18). \text{ These figures all exclude damage to harbour installations, warehouses and other storage facilities which are buried in the general catagories of 'trade' (which also includes shops, hotels, cafe's etc.) and 'government property'. In the case of harbour works and installations, losses amounted to \$300 \text{ million}^{19). \text{ A summary statement of the total extent of losses to physical assets, including those in the consumption sector, as estimated in 1948, is provided in Table One.} \text{ © The Author(s). European University Institute. Digitised version produced by the EUI Library in 2020. Available Open Access on Cadmus, European University Institute Research Repository.}
Table One: Losses in Physical Capital Assets in the Netherlands as a Result of World War II

<table>
<thead>
<tr>
<th></th>
<th>Value of Assets in September 1939</th>
<th>Decline in Value of Assets by May 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5800</td>
<td>825</td>
</tr>
<tr>
<td>Industry</td>
<td>6000</td>
<td>1750&lt;sup&gt;1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Transport</td>
<td>1700</td>
<td>1030</td>
</tr>
<tr>
<td>Trade (incl. hotels, café's etc.)</td>
<td>2500</td>
<td>1800</td>
</tr>
<tr>
<td>of which buildings stocks</td>
<td>1000</td>
<td>400&lt;sup&gt;2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Banks, Credit, Insurance</td>
<td>300</td>
<td>15</td>
</tr>
<tr>
<td>Government Property (excl. business property)</td>
<td>2800</td>
<td>550</td>
</tr>
<tr>
<td>Churches, private hospitals + schools, cinemas etc.</td>
<td>500</td>
<td>150</td>
</tr>
<tr>
<td>Inventories held by professions</td>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td>Houses</td>
<td>5000</td>
<td>650</td>
</tr>
<tr>
<td>Furnishings and consumer durables</td>
<td>5000</td>
<td>1200</td>
</tr>
<tr>
<td></td>
<td>29650</td>
<td>7980</td>
</tr>
</tbody>
</table>

1) This figure includes stock losses of f 850 million rather than f 1000 million cited by the source (see Text)

2) More so than in the case of industry, levels of trading stocks were exceptionally high before the War.


Before turning to examine reconstruction policy proper, it is necessary to say a brief word about the domestic financial consequences of the war itself. As a consequence of the expenditure of both the government and the German occupying authorities<sup>20</sup>) the note issue had expanded from f 1166 million in April 1940 to f 5517 million by April 1945 whilst liquid assets held by banks had grown from f 1480 million to f 5014 million over the same period<sup>21</sup>). Bearing in mind that between those two dates the volume of production had fallen sharply (by 1944 by as much as 40 percent<sup>22</sup>) whilst the wholesale price index and the 'official'
cost-of-living index had risen by about 30 percent as a result of the stringent war-time price controls, the danger of rampant inflation was all too obviously present. The problem of monetary instability, which was to bedevil the recovery programmes of so many European countries, was averted by a package of measures announced by the Minister of Finance, P. Lieftinck, in September 1945. In the first place all existing bank-notes lost their status as legal tenure but could be deposited in blocked accounts with the commercial banks. At the same time all existing banks deposits were similarly 'blocked'. Money was then reintroduced into the economy through the payment of wages and the gradual 'deblocking' of bank accounts for various priority usages whilst the State further reduced the available liquidity through special taxation and the issue of government securities (both of which could be paid from the blocked accounts). Although inflationary pressures were to re-emerge they were a function of the governments subsequent fiscal and monetary policy and were relatively mild compared with the scale of the disaster which threatened to overtake the Netherlands in the absence of the September '45 measures.

**THE GOALS OF RECONSTRUCTION POLICY**

Immediately after the War the perspectives of policy-makers scarcely ventured beyond the daunting task of repairing the damage and depreciation of the war years themselves. Within months to first inventory of post-war investment needs had been prepared by the Central Bureau of Statistics. It estimated total civil investment for these ends alone at 1945 prices at £ 9705 million distributed globally as follows (in million guilders): industry £ 2650, transport £ 1590, trade £ 1580, agriculture £ 1300 with buildings and consumer durables taking up most of the rest. In addition it was calculated that it would require £ 500 million per annum simply to keep the productive capacity which had survived the war intact. In order to finance this it was estimated that as long as national income stood at 80 percent of its 1938 level and consumption held to a 'basic minimum' enterprises could be expected to generate savings of £ 500 - £ 1000 millions p.a. and savings elsewhere could amount to £ 400 million p.a. After confronting the two sides of the equation with each other and making some assumption on the availability of foreign loans and the liquidation of foreign assets, the report concluded that it would take five years before recovery was complete - 'in practice recovery will probably involve a longer period'.

It was not until the beginning of 1946 that the next assessment appeared in the form of a 'National Welfare Plan' prepared by the Central Plan-bureau (henceforth CPB). The Plan needs to be seen as a mixture of forecasts and policy prescriptions which, moreover, were bound up with assumptions over the growth of the economy, the availability of foreign credits and the performance of imports and exports. The details of the investment programme are given in Table Two. It should be noted that these figures are not directly comparable with those of the Central Bureau of Statistics since the 'building' component of investment in industry, agriculture and transport is shown separately and is not broken down by sector.

Table Two: Investment Requirements to Ensure the 'Recovery' of Dutch Productive Capacity (estimated February 1946)

<table>
<thead>
<tr>
<th></th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>1949</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>170</td>
<td>800</td>
<td>1200</td>
<td>Recovery complete</td>
</tr>
<tr>
<td>Transport</td>
<td>390</td>
<td>400</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Industry and Agriculture</td>
<td>900</td>
<td>650</td>
<td>600</td>
<td>Recovery complete</td>
</tr>
<tr>
<td>Stocks</td>
<td>500</td>
<td>350</td>
<td>350</td>
<td>Recovery complete</td>
</tr>
<tr>
<td>Replacement Investment</td>
<td>2000</td>
<td>2200</td>
<td>2300</td>
<td>620</td>
</tr>
<tr>
<td></td>
<td>620</td>
<td>620</td>
<td>620</td>
<td>620</td>
</tr>
</tbody>
</table>

Source: Min. EZ, DG Handel en Nijverheid, 2164/1 Eerste Nota over het Nationaal Welvaartsplan 1946, CPB, February 1946.

Working on the assumption that the level of consumption of single-use consumer goods would only gradually recover their 1938 levels by 1950, the Plan concluded 'that the recovery period for the metal industry will be shorter than one year, for other industries, the transport apparatus and agriculture 3 years, for consumer durable-goods 4 to 5 years whilst the recovery period for construction objects will probably be 10 years'\(^{27}\).

By August 1946 the CPB was forced to recognise that even this dismal prognosis had been over-optimistic since recovery in the levels of economic activity and exports had proved disappointing. 'Reconstruction will take
longer than was originally estimated ... There can be no talk of a strong recovery or expansion of the production apparatus ... Reconstruction will commence at full steam for the first time in 1947. A month later a new set of medium-term forecasts/prescriptions were ready in the form of the first version of a Central Economic Plan for the year 1947 which included a medium-term 'framework' covering the period to 1952. The new plan differed in conception from the previous two. Instead of predicting the length of the recovery period on the basis of assumptions about the performance of the economy as a whole, it started with targets for the attainment of recovery and then worked backwards to see what would be necessary to attain them. Moreover, the concept of 'recovery' used also incorporated a measure we defined earlier as 'restructuring' in the sense that the aims now included a recognition of the needs of the increased population/work force. The first aim was the attainment of pre-war levels of labour productivity by mid-1950 (also the year when it was anticipated that industrial output would regain its 1938 level) whilst the second, inspired by the need to guarantee 'full employment', was to restore productive capital stocks to their pre-war level in per capita terms by 1952 (i.e. to increase productive capital stocks by 13 percent compared with 1938). The investment needs to achieve these aims are presented in Table Three.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>200</td>
<td>600</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Agriculture</td>
<td>100</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Trade</td>
<td>-</td>
<td>-</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Transport</td>
<td>400</td>
<td>500</td>
<td>400</td>
<td>400</td>
<td>300</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Stocks</td>
<td>300</td>
<td>300</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1000</td>
<td>1600</td>
<td>1600</td>
<td>1600</td>
<td>1500</td>
<td>1400</td>
<td>1400</td>
<td></td>
</tr>
<tr>
<td>Replacement Inv.</td>
<td>700</td>
<td>700</td>
<td>900</td>
<td>900</td>
<td>900</td>
<td>1000</td>
<td>1100</td>
</tr>
</tbody>
</table>

Source: Min. EZ, DG Handel en Nijverheid, 2164/1 Centraal Economisch Plan, Eerste Nota (Globaal Plan), CPB, September 1946.
The sacrifice which this would require from the population was that per capita consumption would still be 6 percent below the 1938 level by 1952 whilst the completion of the civil construction programme had been pushed back to 1960\textsuperscript{29}.

By March 1947 when the next survey is available a noticeable change in perspective had taken place and the trend of increasing pessimism which characterised the plans almost since the end of the War was finally reversed. Two factors had contributed to this change in mood. In the first place the economy had performed less badly in 1946 than the CPB, as late as August-September, had predicted it would - manufacturing industry bettered the predicted level by 15 percent, agriculture by 4.8 percent, shipping by 3.4 percent, other transport by 33.3 percent. The greatest 'failure' in the opposite direction was the construction industry, which undershot its target by 20 percent but even so 'total domestic physical production by enterprises' was 5.3 percent higher than predicted. Not only were the figures for current output higher than predicted but so too were those for productive investment. The sums invested in machinery and equipment in industry, trade, transport, agriculture and communications were £725 million as opposed to £620 million predicted and the corresponding figures for stocks were £500 million and £340 million respectively\textsuperscript{30}. The second reason for the change was the reassessment of the actual industrial capital losses incurred during the War. Expressed as a percentage of capital assets in 1939, the estimate for losses had been revised downwards from 28 percent to 18.9 percent and could be lowered further to 17.4 percent if machinery returned from Germany were taken into account (see p. 4). In its loan application to the International Bank for Reconstruction and Development (henceforth Interbank Nota I) the government revised its projected completion data for 'recovery' to 1949. It also introduced a new 'restructuring' dimension into its reasoning in the form of a new accent placed on the balance of payments. It was argued that the old pre-war equilibrium was unattainable because of the damage to the economy of the Dutch East Indies, the reduction in the foreign investment portfolio, the reduction in invisible earnings from Germany and the need to service reconstruction loans. 'The Netherlands must reduce imports, increase exports and raise production to make ends meet; this is only possible through a far-reaching industrialisation.' The details of the investment programma envisaged by Interbank Nota I have been incorporated in Table Four (see p.13)\textsuperscript{31}. A considerable degree of caution is necessary in comparing the data with both past and,
more particularly, future estimates. In terms of backward comparison the Interbank Nota I estimate for 'recovery' investment in industry is £800 million (at 1946 prices) which is considerably lower than the CPB 'net investment' figure over the same three years of £1900 million (at estimated 1947 prices). Not all of this difference is accounted for by the reassessments made in Interbank Nota I – part is attributable to the differences in the price base used and part to the fact that the CPB figure may include an element of investment designed to raise the volume of capital assets above the 1938 level. More important are the qualifications needed when comparing the 'new' industrial investment plans with subsequent plans. Whereas the subsequent plans incorporate an element of prediction/target, the figures in Interbank Nota I refer only to investment plans already registered with the authorities. Moreover that registration only included investment plans for which foreign exchange cover had not already been granted at the time of submitting the report. The figures exclude, therefore, investment plans for which a foreign exchange allocation had not been made but which had not yet been executed as well as investment plans which were able to cover their own foreign exchange needs (which might explain, for example, why the oil industry does not appear in the totals at all).

In January 1948 the government was once again knocking on the doors of the International Bank; not the most auspicious occasion for launching the first truly 'restructuring' plan in Dutch history (henceforth Interbank Nota II). 'Recovery' was firmly pushed into the background which was not really surprising since the index of industrial production had surged past its pre-war level already in the last quarter of 1947 (something which fifteen months earlier had not been predicted for another three years!)\textsuperscript{32}. The actual programme was preceded by an analysis of the likely balance of payments deficit in 1952 (based, not very scientifically, on an extrapolation from 1938) and the investment required to close it\textsuperscript{33}. Working on the assumptions i) that per capita consumption had regained its pre-war levels, ii) that labour productivity was 10 percent above its pre-war level and iii) taking into account the structural changes in German and Indonesian trade and the deterioration of net invisible earnings, it estimated a current account deficit of £1800 million (all figures at 1947 prices). Since relatively little help was to be expected from agriculture or shipping, this gap could only be closed by raising industrial production by £2600 million which could require an investment of the same magnitude. Interbank Nota II then went on to specify the actual...
investment programme, details of which are given in Table Four. Although
the figure for 'new' industrial investment contained in the programme is
similar to that in the 'idealised' calculation its composition was
different. Firstly the actual programme included electricity investment
(which needed to be added to the 'idealised' version) and secondly it
included a greater concentration on 'basic' industries which had a low
foreign-exchange saving effect until the forward linkage effects
actually materialised.
As a result the programme still left a deficit of £900 million in 1952,
falling to £650 million in 1953 when the full capital sums invested
finally entered production.
Table Four  Dutch Investment Programmes March 1947-September 1950

<table>
<thead>
<tr>
<th>Source Date of Publication</th>
<th>Interbank Nota I March 1947</th>
<th>Interbank Nota II January 1948</th>
<th>Industrialisatie Nota I September 1949</th>
<th>Industrialisatie Nota II September 1950</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration of Programme</td>
<td>3 years</td>
<td>4 years</td>
<td>4 ½ years</td>
<td>4 ½ years</td>
</tr>
<tr>
<td>Price base</td>
<td>1946 prices</td>
<td>1947 prices</td>
<td>1948 prices</td>
<td>1948 prices</td>
</tr>
<tr>
<td></td>
<td>percent</td>
<td>percent</td>
<td>percent</td>
<td>percent</td>
</tr>
<tr>
<td>New Industrial Investment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metals and Electro-technical</td>
<td>458.5</td>
<td>715</td>
<td>650</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>38.1</td>
<td>26.3</td>
<td>24.1</td>
<td>20.7</td>
</tr>
<tr>
<td>Electricity, Gas, Water</td>
<td>313.9</td>
<td>520</td>
<td>750</td>
<td>700</td>
</tr>
<tr>
<td>Chemicals</td>
<td>241.1</td>
<td>338</td>
<td>510</td>
<td>340</td>
</tr>
<tr>
<td></td>
<td>20.0</td>
<td>12.4</td>
<td>18.9</td>
<td>11.7*</td>
</tr>
<tr>
<td>Food and Drink</td>
<td>17.2</td>
<td>338</td>
<td>75</td>
<td>220</td>
</tr>
<tr>
<td>Coal</td>
<td>71.0</td>
<td>209</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Textiles</td>
<td>46.5</td>
<td>182</td>
<td>60</td>
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<td>3.7</td>
<td>6.7</td>
<td>2.2</td>
<td>9.1*</td>
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<td>Oil</td>
<td>-</td>
<td>156</td>
<td>260</td>
<td>310</td>
</tr>
<tr>
<td>Paper</td>
<td>21.3</td>
<td>78</td>
<td>80</td>
<td>95</td>
</tr>
<tr>
<td>Ceramics and bldg</td>
<td>13.6</td>
<td>65</td>
<td>130</td>
<td>135</td>
</tr>
<tr>
<td>Leather and Rubber</td>
<td>-</td>
<td>52</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>Wood</td>
<td>15.8</td>
<td>-</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Various</td>
<td>4.8</td>
<td>65</td>
<td>15</td>
<td>40</td>
</tr>
<tr>
<td>Stocks</td>
<td>700</td>
<td>400</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recovery Investment</td>
<td>800</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Replacement Investment</td>
<td>1200</td>
<td>1502.9</td>
<td>3000</td>
<td>2900</td>
</tr>
<tr>
<td>Transport:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Investment</td>
<td>1318</td>
<td>4640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and Replacement</td>
<td>1900</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Investment</td>
<td>730</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovery and Replacement</td>
<td>206</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: See footnotes 31, 32, 35, 36, 37

*The figures for the rayon industry have been transferred from 'chemicals' to 'textiles.'
The two Interbank Notas were essentially internal government documents and it was not until September 1949 that van den Brink\textsuperscript{34}) unveiled to a largely unprepared parliament and public the scale of government thinking. Whereas Interbank Nota II had failed to predict a current account equilibrium, with virtually the same amount of 'new' industrial investment, van den Brink's Industrialisatie Nota I did actually manage the feat as well as at the same time promising to create the 120,000 extra industrial employment places necessary to guarantee full employment. The Nota itself was couched largely in general terms\textsuperscript{35}) but members of parliament were later given confidential access to the detailed statistical foundation of the programme\textsuperscript{36}), details of which are provided in Table Four. The balance of payments analysis was based on an extrapolation of the 1948 data after taking account of changes in the terms of trade, consumption increases and debt service. It anticipated a deficit in 1952 of f 2800 millions (all figures at 1948 prices). Unlike Interbank Nota II which assigned little role to the agricultural and service sectors, Industrialisatie Nota I allotted these sectors the task of increasing foreign exchange earnings by f 800 and f 500 millions respectively. In order to close the remaining gap net industrial production would have to be raised by f 1700 million by 1952 − f 900 million to be achieved by increases in labour productivity and f 800 by means of the investment programme envisaged. The fact that the investment programme itself had a smaller foreign-exchange-savings role than that envisaged by the Interbank Nota II (where the increase in productivity had already been discounted in the original balance of payments calculation) meant that Industrialisatie Nota I was able to accentuate the stress on 'basic' industries even further but this stress was sharply reduced when Industrialisatie Nota II was published a year later\textsuperscript{31}). The only explanation was that the alteration was due to 'the basis of experience to date', which had shown a more rapid than anticipated increase in the rest of industry, and 'revisions which appeared necessary'. The changes in the totals in Table Four were occasioned by an upward estimation of the labour force and of the trade gap which meant that the net industrial production target was increased and with it the 'new' investment required whilst at the same time the level of replacement was lowered because of an original overestimation.
We can summarise the developments described above in the following way. Until September 1946 the aims of reconstruction policy were largely confined to the needs of economic recovery. In March 1947 this focus became diluted for the first time and from January 1948 onwards government programmes were directed towards targets of restructuring the economy primarily in the direction of industrialisation. However, it must be stressed that these programmes were a mixture of prediction and prescription and that talk of a reconstruction 'policy' in the sense of a centrally guided, interlocking set of complementary measures guided to realise reconstruction goals, is entirely misplaced.

The 'plan socialism' ideas of the first post-war minister of Trade and Industry, H. Vos\(^3\) in the areas of central planning and partnership between government, employees and employers were abandoned with the nomination of his catholic party successor, G.W.M. Huijsmans\(^3\) who also purged the upper ranks of his Ministry of Vos' socialist appointees. Far from the government 'leading' reconstruction, he was concerned that government interference in the economy be brought back to more normal proportions\(^4\). The role of the Government was spelt out in Interbank Nota I - 'Initiative in the investment field is left completely to the private entrepreneur. The government limits itself to the selection of projects and the establishment of priorities... The submission of industrial projects makes it possible for the government to obtain a clear concept of the needs which the coming years will bring in the field of power supply and transportation. It is thus possible to make plans for power supply and the transportation system. The projects in this field are therefore closely related to the industrialisation program: their realisation is a necessary condition for the accomplishment of the industrialisation plan\(^4\).

It is an eloquent illustration of the compartmentalisation of reconstruction policy that agricultural schemes were presented separately. Interbank Nota II, it is true, gave agriculture a cursory treatment and Industrialisatie Nota I assigned the sector a not insignificant role in closing the predicted balance-of-payments gap but for the rest, the propagation of agricultural schemes took place via quite different government channels. Agricultural policy was presented in the annual budgetary comments and was also integrated into (or, more accurately, tacked onto) Lief tinck's annual foreign exchange notas. Towards the end of 1948, against a background of 'recovery' in aggregate terms at least\(^4\),
the minister for agriculture, S.L. Mansholt announced his 'restructuring' plans. In essence the policy involved a commitment to continue the expansion of the animal sector, though within the limits dictated by export opportunities, but to replace 'about 1/3' of the pre-war level of imports of animal feed by domestic production which would yield a foreign-exchange saving of £100 million. Unlike industry, the implementation of the programme rested almost entirely with government initiative since, in 1949, for example 23 percent of agricultural imports and 51 percent of agricultural exports flowed via the channels of the Ministry which, moreover, had extensive powers in the fixing of domestic prices and the approval of land-usage and animal stock numbers.

We will return to examine the results of reconstruction policy in a later section of this paper but before then, in the next section, we will examine the one crucial bottleneck in the realisation of all these schemes—that of finding the necessary finance.

RECONSTRUCTION POLICY AND FOREIGN EXCHANGE AVAILABILITY

The consumption and reconstruction needs of a goods-hungry, war-torn economy obviously had the effect of placing the current account balance under considerable strain. The deficits incurred in this period could be met in a number of ways—long or short term borrowing abroad, the reduction of gold and foreign exchange assets held by the Central Bank, the liquidation of foreign currency assets and, of importance later on, the receipt of foreign currency grants (Marshall Aid) and the utilisation of multilateral swings within a payments union (The European Payments Union). A global survey of the contribution of these various sources to the solution of the Dutch foreign payments problem is provided in Table Five (the table excludes the Dutch experience within the payments union which is shown separately in Fig. Two, p. 48a).

What the data in Table Five indicates is the actual course of events. What it cannot reveal (and nothing really can) is the effects of measures of import restriction when these sources threatened to prove inadequate to cover anticipated requirements of foreign currency and, in the post-war World, the currency in greatest demand was dollars. The dollar
shortage which blighted most of Europe with increasing force throughout 1947 was also experienced by the Netherlands and threatened seriously to undermine the progress of economic recovery. Its effects on the purchasing programmes envisaged by the government are described in the paragraphs below.

Table Five Survey of the Dutch Foreign Payments Position 1945-1951
(million guilders)

<table>
<thead>
<tr>
<th></th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>1949</th>
<th>1950</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of Payments</td>
<td>1312</td>
<td>1667</td>
<td>1136</td>
<td>222</td>
<td>1066</td>
<td>90</td>
</tr>
<tr>
<td>on Current Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance of Payments:</td>
<td>-1637</td>
<td>-2035</td>
<td>-1469</td>
<td>-982</td>
<td>-1362</td>
<td>-446</td>
</tr>
<tr>
<td>Current and Capital Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term credits</td>
<td>704</td>
<td>701</td>
<td>418</td>
<td>3</td>
<td>163</td>
<td>-</td>
</tr>
<tr>
<td>Compulsory Sales of</td>
<td>306</td>
<td>747</td>
<td>432</td>
<td>205</td>
<td>134</td>
<td>130</td>
</tr>
<tr>
<td>Private Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary Gold</td>
<td>-22</td>
<td>563</td>
<td>153</td>
<td>-86</td>
<td>-305</td>
<td>-10</td>
</tr>
<tr>
<td>(- = increase)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Monetary Movements</td>
<td>649</td>
<td>24</td>
<td>-188</td>
<td>-1</td>
<td>228</td>
<td>-177</td>
</tr>
<tr>
<td>Net Marshall Aid</td>
<td>615</td>
<td>720</td>
<td>814</td>
<td>503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and initial EPU credit</td>
<td>615</td>
<td>720</td>
<td>814</td>
<td>503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


For the first eighteen months after the War, the need to obtain foreign credits had proved a continuous though not insurmountable problem but towards the end of 1946 it began to assume crisis proportions.

In September 1946 a dollar purchasing programme had been drawn up envisaging civil expenditure of $730 million (f 1936 million) distributed between industry $582 million (f 1544 million) and agriculture $148 million (f 393 million). Even before the question had reached cabinet level, the obvious unwillingness of the Ministry of Finance to countenance a purchasing programme of that magnitude had forced a reassessment - a reassessment which because of the minimum consumption levels already prevailing, had been exacted entirely at the expense of industry. The new plan, prepared in November 1946, had succeeded in reducing industrial
purchasing to $ 370 million (f 982 million) but on the other hand agricul-
tural purchases, in anticipation of price increases, had been raised
to $ 174.2 million (f 462 million). A further programme was also drawn up
in line with the Ministry of Finance estimate that dollar cover available
in 1947 would not exceed $ 400 million (f 1061 million) with industry
allocated $ 280 million (f 743 million) and agriculture $ 120 million
(f 318 million). The report argued that $ 544 million must be seen as
a 'minimum programme' and that any further reduction would have serious
consequences for consumption levels (with a reduction of existing rations)
investment (with a 25 percent reduction in metals and machinery) and
exports. Should a lower programme become necessary it was argued that the
system itself should be changed from an 'order' programme to a 'payments'
programme which would permit orders with long delivery dates still to be
placed and the dollar allocation to be used for goods with short delivery/
payment dates. In cabinet Huijsmans defended the $ 544 million
programme as an 'absolute minimum' and Kuin, the authors of the original
report, estimated that the savings of $ 182 million between the two
programmes would involve net export losses worth f 350 million (though
not necessarily in dollars). Although Lieftinck declared a willingness
to go only as far as $ 500 million, cabinet eventually accepted the
$ 544 million programme (f 1443 million). It was also decided to adopt
the change-over to 'payments quotas' - a decision which was later
to rebound on the proponents of the idea. In February 1947 Lieftinck
hardened his line. $ 165 million worth of orders placed in 1946 fell due
for payment in 1947 and since, he argued, the country was operating
'payments-quotas', it could no longer be assumed that the same carry-over
would exist at the end of the year. This, combined with the fact that
anticipated credits were unlikely to materialise in time and that the
sale of dollar assets was proceeding more slowly than anticipated meant
that the country would face a severe liquidity crisis by mid-year.
Despite resistance from Huijsmans and Mansholt, in particular, it was
decided i) to attempt to block all open orders from 1946 and to consider
them anew as part of the 1947 programme ii) to establish a new commission
to work out dollar import requirements and iii) in the meantime to
approve dollar allocations for only 75 percent of the $ 544 million
already agreed. In May the priorities commission eventually submitted
a series of reports. As far as civil dollar purchases were concerned
it recommended a minimum programme of $ 455 million (f 1207 million)
with industry and agriculture to receive $ 280 million (£ 742 million) and $ 175 million (£ 464 million) respectively. With any lower sum it would 'be impossible to avoid calamities' and there would exist 'the probability of an economic debacle'. Cabinet met no less than five times to consider the report and managed eventually to massage the dollar programme for the year upwards to $ 486 million (£ 1289 million).

With the acceptance of the new dollar purchasing programme in June 1947, the issue subsided for a number of months only to flare up again towards the end of the year. The first problem which presented itself was the dollar requirements for the last quarter of 1947 itself. Of the $ 486 million agreed for the year as a whole, the foreign exchange commission had released $ 412 million to the central import-export agency, leaving only $ 74 million for the last quarter. On top of this Mansholt requested a further $ 45 million to cover the price increases in agricultural produce whilst industry claimed an extra $ 5 million. Neither Lieftinck nor Holtrop, President of the Nederlandsche Bank, were prepared to sanction any extra dollar expenditure in 1947 arguing that it would mean a carry-over into 1948 of $ 180-200 million whilst the available cover amounted to only $ 140 million. The solution which they suggested lay in financing the extra $ 45 million for agriculture by reductions in the rest of the 1947 programme - reductions which were possible since the central import-export agency had not yet converted its total exchange allocation into import licences (a sum which Holtrop estimated at $ 136 million). On the other hand it was argued by officials from the Ministry of Economic Affairs (Huijsmans, because of illness, attended his last cabinet meeting in August 1947) that if agriculture were to receive its extra allowance, the 'savings' would be entirely at the expense of industrial imports. Nonetheless cabinet endorsed Lieftinck's and Holtrop's suggestion.

No sooner had this issue been resolved, to the disadvantage of the industrial recovery programme, than a new problem presented itself in the form of the dollar-expenditure programme for 1948.

The signal for this new discussion was the balance-of-payments forecasts made by the CPB for 1948 which appeared in October 1947 and which predicted a current account deficit of £ 1800 million on current account and a foreign-exchange gap (after discounting the effects of 'normal' foreign credits and dollar assets liquidation) of £ 1500 million. It also suggested
a series of measures including a reduction in rations (yielding £285 million in foreign exchange) and reductions in industrial investment below that predicted (yielding £155 million but at the expense of a 26 percent reduction in investment in industrial machinery and equipment) which could reduce the foreign-exchange gap to £600 million - the saving to be achieved by £560 million reduction in consumption, £232 million reduction in investment and £127 million in military expenditure.54) A number of factors played a role in the subsequent cabinet discussions. In the first place there was the prospect of Marshall Aid. In November 1947 Hirschfeld55), the Dutch negotiator at the OEEC, had declared himself confident that the Netherlands would receive $400-450 million in Marshall Aid in the fiscal year 1948/9 and that it would come on stream in time (he was correct in his former assumption but not on the latter - by May 1948 the Netherlands had received only $10 million56) but Lieftinck was far more pessimistic and urged cabinet not to delay in drawing up an emergency programme to be implemented in the eventuality of a delay57). A second factor was that no matter who was correct on the timing of Marshall Aid, there was the question of the immediate liquidity position. Holtrop, for one, was determined to force the issue. Having pointed out that the dollar reserves of the Nederlandsche Bank had dwindled to $20.4 million, he wrote that 'in the light of present circumstances, I would not wish to carry any responsibility for gold sales which took the figure for gold reserves at the Nederlandsche Bank below a figure of £500 million as long as an emergency programme is not in operation'58). Lieftinck, too, took the stance that he was not prepared to take the consequences if an emergency programme were not introduced - he wanted to see a reduction in foreign exchange losses by £500 million, all to be realised in the first half of the year. By way of a suggestion he hypothesised a £370 million saving in consumption and £130 million saving in investment. Cabinet reluctantly agreed to examine the possibility for a plan to reduce the current account deficit to £1300 million, which would restrict dollar purchases to $320 million in the first half of 194859). A month later, in December 1947, Lieftinck announced that only $150 million was available for that period and that, as a result, total dollar purchases for the first quarter of 1948 could not exceed $75 millions60). For the second quarter, in anticipation of Marshall Aid and the granting of a second loan from the International Bank for Reconstruction and Development, the dollar allocation was raised, first to $90 million61) and later to $120 million62).
From mid-1948 onwards the dollar situation began to ease as the flow of Marshall Aid gradually brought to an end the stifling effects which the exchange crisis had had on the economy - though it should be noted that the plan to reduce the current account imbalance to \( f 1300 \) million remained in force. It was also marked the end of a period in which cabinet policy regarding the tempo of economic recovery and development had effectively been in the grip of the country's Minister of Finance. The turning-point came in May 1948 when cabinet met to consider van den Brink's plans for electrification. The Plan was designed in two stages: i) by the Winter of 1951/52 the construction of a national grid and a modest increase in capacity ii) between 1952 and 1955 the replacement of 60,000 kw p.a. and an increase of capacity by 125,000 kw p.a. Between 1948 and 1951 the plan would require an investment of \( f 535 \) million of which \( f 215 \) million would require foreign exchange (\( f 62 \) million in 1948 alone). Lieftinck opposed the scheme arguing that orders should be placed only when it was known where the foreign exchange to cover them was to come from.

Van den Brink, however, refused to delay. The balance of payments plan had foreseen the 1948 foreign exchange expenditure, he argued, and the foreign exchange needed for other orders placed immediately would not be required for some time. 'There are large interests at stake so that if, led too much caution, we aim too low, energy provision could later form a bottleneck for future economic development'. Lieftinck's objections were swept aside and Van den Brink was authorised to commence with his scheme. It was the first time that Lieftinck had been defeated on such a major issue.

Riding on the wave of Marshall Aid funds the Dutch economy entered the phase of an investment boom the stated goal of which was to produce such a structural change in the economy as to enable the country to stand on its own two feet in its dealings with the rest of the World by the time American aid dried up in 1952. The fact that the investment boom itself might be partly the cause of the continuous and chronic current account deficits was a possibility that scarcely impinged upon cabinet policy in these years. A suggestion by Lieftinck that the Netherlands should cut back its bid for 1949/50 from $ 335 million because of its inflationary consequences found no response whatsoever with his colleagues. Van den Brink argued, 'When business itself is willing to invest, then government should not put obstacles in the way', adding that failure
to secure sufficient investment would later confront it with inflationary pressure of a different kind - that of financing unemployment pay. In October 1949 Van den Brink argued again against dampening the boom, 'My opinion is that it would not be logical, as long as the means are available, for the expansion of Dutch industry and, with it, the creation of a solid basis for the recovery of balance of payments equilibrium not to use these to the full. When Marshall Aid ends our country will be better served by a powerful export industry than by a certain sum of foreign exchange raised as a result of a policy of investment restriction'.

What brought the boom to an end was the alarming deterioration in the balance-of-payments in the course of 1950 when a deterioration in the terms-of-trade as a result of the Korean crisis compounded the effects of domestic monetary policy. In September 1950 the Nederlandsche Bank raised the rediscount rate from 2 1/2% to 3 percent (the first rise since the War) and at the same time announced tighter controls on the commercial banking sector designed to some into force in January 1951 (at which point the rediscount rate was raised again to 4 percent). In December the CPB report commissioned by cabinet was discussed. It estimated that the balance of payments deficit in 1951 was likely to be £650 million and in 1952 £300 million. One option suggested was to ride this out using reserves, EPU drawing rights and Marshall Aid but the report advised against this i) because the growing German deficit in the EPU was likely to lead to measures which could rebound onto Dutch exports ii) because military expenditure may need to be increased still further and iii) because the terms of trade could deteriorate further than predicted.

Holtrop declared his willingness to commit reserves to financing the deficit only if it were matched by a 'forceful financial policy'. The tenor of the meeting was in sympathy with this but there was a reluctance to commit the government to a deflationary fiscal policy until the forecasts had been checked and until a more detailed study had been made of the possible distribution of the measures between consumption and investment cuts. The new report which was ready in January 1951 was even more pessimistic about the current account deficit which it estimated at £800 million in 1951. The deficit on current and capital account was put at £1200 million of which £600 million could be covered by Marshall Aid. In order to achieve the necessary foreign-exchange savings of £600 million, domestic expenditure would need to be reduced by £900 million and, on top of this, civil expenditure would need to be...
reduced by a further £500 million to allow an increase in military expenditure. Although the reports recommendations fell into a majority recommendation and two minority recommendations, there was unanimity on the effects on investment: the impact was estimated at a 20-25 percent reduction in total investment (this figure also includes civil construction programmes) when the effects of the Nederlandsche Bank measures had been taken into account. The cabinet accepted the investment cutting measures with relatively little discussion - the debate centred largely round the question of how to achieve the necessary cuts in the consumption sector. When, later, the cabinet obtained the agreement of the Unions to achieve part of the consumption cuts through an only partial wage compensation for the rise in prices the package, which was announced in March 1951, was complete. The goal of balance-of-payments equilibrium by 1952 was not finally to be achieved purely by the 'restructuring' policies which had been pursued since 1948 but by a sharp dose of neo-classical deflationary policy.

THE ACHIEVEMENTS OF RECONSTRUCTION POLICY

The measures announced in the March 1951 programme marked a shift in the accent of economic policy away from 'restructuring' policy, with its emphasis on the primacy of investment, towards short-term macro-economic management, with balance-of-payments equilibrium as its central target. The March 1951 programme was astoundingly successful. The long succession of monthly deficits was arrested and reversed in mid-1951 and a new era of successive surpluses was launched. Part of the credit for this achievement in the short-term lay with the improvement in the Dutch terms of trade which accompanied the end of the Korean-war boom but the longer-term success was based solidly upon the foundations of the restructuring achieved during the reconstruction period itself.

The most noticeable change in the economic structure of the Netherlands was the degree of further industrialisation which was achieved. Industry's share in national income rose from 31 percent in 1938 (34 percent a year later) to 39 percent by 1951. Details of the progress of industrial expansion are shown in Figure One (p.23a).
Fig. One: Index of Dutch Industrial Production (1938 = 100)

Source: ARA, Kabinet (113- ) 351-28(73): 33(1). Quarterly Voreign van de Nederlandse Regeering aangezana de werking van het Europese Hoerel Programma
Before 1948 the necessary data to shed much light on this industrial development is relatively scarce, and much of what there is, is fairly unreliable. This increase in industrial activity was, in turn, attributable to the vast sums of industrial investment and the improvement in labour productivity which it brought in its wake. The data for gross fixed industrial investment is given in Table Six.

Table Six Gross Fixed Industrial Investment (million guilders)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Prices</td>
<td>615</td>
<td>725</td>
<td>1010</td>
<td>1200</td>
<td>1355</td>
<td>1620</td>
<td>850</td>
</tr>
<tr>
<td>% Nat.Income at factor cost</td>
<td>6.6</td>
<td>6.4</td>
<td>9.8</td>
<td>8.9</td>
<td>9.1</td>
<td>9.6</td>
<td>-</td>
</tr>
<tr>
<td>1948 prices</td>
<td>1010</td>
<td>1180</td>
<td>1295</td>
<td>1390</td>
<td>655</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


One fact which is apparent from Table Six is how close the investment plans contained in Industrialisatie Nota's I and II came to realisation. In the period covered by the Nota's, gross industrial investment amounted to f 5530 million (f 2835 million replacement investment and f 2695 new investment) at 1948 prices which amounted to between 95 and 97 percent of the targets. Unfortunately since the realisation figures are only broken down into separate industrial sectors in terms of gross investment, it is only possible to compare the results with the investment programme in Industrialisatie Nota II (see Table Seven) but that shows a level of predictive accuracy which many present-day planners, including those in the Netherlands, would give their right arms to achieve.
Table Seven  Forecasts and Realisation of Gross Industrial Investment by Sector, 1948-Mid 1952 (million guilders, 1948 prices)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Forecast Industrialisatie Nota II (mln. glds.)</th>
<th>Realisation (mln. glds.)</th>
<th>Forecast percent</th>
<th>Realisation percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals and Electrotechnical</td>
<td>1250 (21.6)</td>
<td>1190 (21.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity, Gas, Water</td>
<td>1100 (19.0)</td>
<td>1160 (21.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals (exl. rayon)</td>
<td>580 (10.0)</td>
<td>530 (9.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and Drink</td>
<td>670 (11.6)</td>
<td>660 (11.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>350 (6.0)</td>
<td>255 (4.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textiles</td>
<td>640 (11.0)</td>
<td>580 (10.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td>340 (5.9)</td>
<td>320 (5.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>175 (3.0)</td>
<td>160 (2.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ceramics and Building</td>
<td>335 (5.7)</td>
<td>330 (6.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leather and Rubber</td>
<td>95 (1.6)</td>
<td>80 (1.4)</td>
<td></td>
<td></td>
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<tr>
<td>Wood</td>
<td>90 (1.6)</td>
<td>95 (1.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various</td>
<td>175 (3.0)</td>
<td>170 (3.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5800 (5530)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Vierde Nota inzake de industrialisatie van Nederland, Handelingen van der Staten-Generaal 1952-1953, 2959.

The actual contribution of the government itself to this development can be measured in a number of ways. In the first place central and local government participated directly in investment to the tune of some £1400 million (in 1948 prices) or virtually 25 percent. Most of this was accounted for by the electricity programmes and by investment in coal mining. The State also contributed £80 million to the establishment of a rolling mill and tin factory (the N.V. Breeband project) in partnership with the steelworks Hoogovens, IJmuiden, and to the expansion of the chemicals side of its coal-mining interests, Staatsmijnen. In addition, via the so-called Herstelbank (a mixed industrial investment bank founded in November 1945 in which the State contributed just over half the share capital) the State advanced £249,912,000 in the form of new investment credits to industry between 1948 and 1951, equivalent to 4.8 percent of gross industrial investment at current prices. The majority of the industrial investment in this 'restructuring' phase, however, was raised by the private sector. A 'cautious' estimate made in 1954 suggests that of the total private sector investment made between 1948 and 1951, 14 percent was financed through the issue of stocks and...
shares, 4.5 percent from loans from the Herstelbank (together with a relatively small amount issued under government guarantee from the Netherlands Middenstandbank) and 3.5 percent from loans from other commercial banks. But by far the largest share, 77.8 percent, was internally financed. In this area, too, the contribution of the State was important in two respects; firstly in the introduction of favourable depreciation and asset revaluation allowances for taxation purposes and secondly through a wages policy which held the rise in real wages, after an initial hike in 1945, broadly in check.

More indirectly, the State contributed to the expansion of industry, and other sectors of the economy as well, though infrastructural improvement. In terms of energy provision (which is included under industry) it succeeded in more than doubling pre-war levels of electricity output – from 3688 million Kwh in 1938 to 7911 Kwh by 1951 though it failed to restore pre-war levels of coal production.

Nearly a third of the railway network had been electrified by 1951 compared with nearly 15 percent in 1938 and the volume of freight carried in terms of tonnen/km was increased by 47 percent over the same period.

<table>
<thead>
<tr>
<th>Table Eight</th>
<th>Index of Gross Agricultural Production (1938/39 = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable</td>
<td>100</td>
</tr>
<tr>
<td>Dairy</td>
<td>100</td>
</tr>
<tr>
<td>Market Gardening</td>
<td>100</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
</tr>
</tbody>
</table>


Agriculture, too, succeeded in registering considerable further expansion once 'recovery' had been achieved in 1948/49 (see Table Eight) and indeed increased its share in national income from 10 percent in 1938 to 14 percent by 1951. Moreover it was also successful in terms of its own 'restructuring' goals. By 1949/50, with the tonnage of animal-feed consumption back to its pre-war level, the percentage imported had fallen from 21 percent in 1936/38 to 12.5 percent.
Table Nine  The Composition of the Balance of Payments on Current Account
(million guilders) transaction basis

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (f.o.b.)</th>
<th>Exports (f.o.b.)</th>
<th>Balance of trade</th>
<th>% imports covered by exports</th>
<th>Net invisibles</th>
<th>Current account balance</th>
<th>Invisibles as % of imports</th>
<th>Invisibles as % of exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>1318</td>
<td>1086</td>
<td>-232</td>
<td>82.4</td>
<td>337</td>
<td>105</td>
<td>25.6</td>
<td>31.0</td>
</tr>
<tr>
<td>1946</td>
<td>2146</td>
<td>816</td>
<td>-1330</td>
<td>38.0</td>
<td>18</td>
<td>-1312</td>
<td>neg.</td>
<td>neg.</td>
</tr>
<tr>
<td>1947</td>
<td>3759</td>
<td>1897</td>
<td>-1862</td>
<td>50.4</td>
<td>195</td>
<td>-1667</td>
<td>5.2</td>
<td>10.3</td>
</tr>
<tr>
<td>1948</td>
<td>4428</td>
<td>2658</td>
<td>-1770</td>
<td>60.0</td>
<td>323</td>
<td>-1447</td>
<td>7.2</td>
<td>12.2</td>
</tr>
<tr>
<td>1949</td>
<td>4780</td>
<td>3644</td>
<td>-1136</td>
<td>76.2</td>
<td>824</td>
<td>-312</td>
<td>17.2</td>
<td>22.6</td>
</tr>
<tr>
<td>1950</td>
<td>7212</td>
<td>5253</td>
<td>-1959</td>
<td>72.8</td>
<td>828</td>
<td>-1131</td>
<td>11.5</td>
<td>15.8</td>
</tr>
<tr>
<td>1951</td>
<td>8351</td>
<td>7011</td>
<td>-1340</td>
<td>84.0</td>
<td>1017</td>
<td>-269</td>
<td>12.2</td>
<td>14.5</td>
</tr>
<tr>
<td>1952</td>
<td>7177</td>
<td>7464</td>
<td>+287</td>
<td>104.0</td>
<td>1468</td>
<td>+1755</td>
<td>10.4</td>
<td>23.5</td>
</tr>
</tbody>
</table>


Despite the economic development which had occurred, the balance of payments remained in chronic deficit throughout the reconstruction period. The data in Table Nine allows a partial analysis of the reasons behind this. Immediately apparent is the fact that the import cover provided by exports only began to approach pre-war levels in 1951, when the measures to curb consumption and to dampen the investment boom began to take effect. In 1952, which has been included to offer a contrast with more 'normal' times, the balance of trade actually showed a surplus (something which was not to happen until 1972) but in the following two years as well, the import cover remained well above the pre-war level, which suggests that the balance of trade problem was indeed one of excessive import levels. This suggestion would appear to be confirmed by Table Ten which illustrates the success of reconstruction policy in reorienting the Dutch economy towards export markets.
Table Ten  Exports as a percentage of National Income at Factor Cost

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>22.1</td>
<td>8.7</td>
<td>16.9</td>
<td>22.0</td>
<td>26.9</td>
<td>35.2</td>
<td>41.4</td>
<td>42.2</td>
</tr>
</tbody>
</table>

Source: Exports - See Table Nine
National Income - See sources cited in Table Six.

As early as 1948 the economy was exporting proportionally as much as it had done in 1938 (though not as much, yet, as before the Depression - in 1930 the figure had stood at 29.4 percent) and by 1951 the share of exports in national income had increased by no less than 88 percent.

The other aspect which is revealed clearly by Table Nine is the weakness anticipated by post-war policy-makers in the position of net invisible earnings. Whether expressed as a percentage of imports, or even of exports, these failed noticeably in recapturing their pre-war importance in the balance of payments.

Table Eleven  The Composition of Exports (percent)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>48.9</td>
<td>45.2</td>
<td>47.1</td>
<td>50.4</td>
<td>48.4</td>
<td>43.6</td>
<td>43.7</td>
</tr>
<tr>
<td>Industry</td>
<td>51.1</td>
<td>54.8</td>
<td>52.9</td>
<td>49.6</td>
<td>51.6</td>
<td>56.4</td>
<td>56.3</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>6.4</td>
<td>8.4</td>
<td>9.1</td>
<td>7.7</td>
<td>7.6</td>
<td>8.2</td>
<td>7.5</td>
</tr>
<tr>
<td>Textiles</td>
<td>9.3</td>
<td>13.1</td>
<td>13.0</td>
<td>11.5</td>
<td>11.6</td>
<td>11.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Fuel</td>
<td>3.2</td>
<td>2.4</td>
<td>3.7</td>
<td>4.3</td>
<td>10.1</td>
<td>7.8</td>
<td>9.7</td>
</tr>
<tr>
<td>Metal, Machine,</td>
<td>17.4</td>
<td>24.2</td>
<td>20.3</td>
<td>21.1</td>
<td>19.4</td>
<td>21.1</td>
<td>20.7</td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>14.7</td>
<td>6.7</td>
<td>6.8</td>
<td>4.9</td>
<td>5.8</td>
<td>8.3</td>
<td>8.5</td>
</tr>
</tbody>
</table>


Finally, before leaving this discussion on the impact of reconstruction policy on the international position of the Dutch economy, it is worth examining the composition of Dutch exports themselves. The noticeable
feature here is the long continued importance of agricultural products in the export package. In spite of the early stress in Dutch plans on the need for industrialisation to resolve the balance of payments problem, it was not until 1952 that the balance in the composition of exports shifted decisively, and permanently, in favour of industrial products. Indeed it was the expectation that the solution of the balance-of-payments problem depended upon industry which proved the only miscalculation which the planners had made. In 1948 Interbank Nota II had virtually ignored agriculture and services altogether as far as closing the balance-of-payments was concerned and although Industrialisatie Nota I expected them together to contribute £1300 million in foreign exchange saving, it expected industry to contribute £1500 million (see p. 14). In the event, if we take 1948 as the starting point, the balance-of-payments had turned around by 1952 to the tune of £1763 million. The agricultural trade balance showed a turn-around of £1699 million. Net invisible earnings had improved by £1145 million. The industrial balance had actually deteriorated.\(^81\)

**THE NEED TO REORIENT FOREIGN ECONOMIC POLICY**

From as early as March 1947 Dutch reconstruction policy had recognised that the economic rehabilitation of the country depended upon the increasing international orientation of its productive structure but it was one thing to recognise this, it was quite another to achieve it. That the economy indeed succeeded is evident from the discussion on the 'achievements of reconstruction policy' but that success was not only contingent upon the efforts of domestic policy, it also depended on the creation of a network of accommodation, agreements and treaties in the international sphere which not only facilitated the (re-)opening of export markets for Dutch goods and services but which was also accompanied by a reorientation of the country's entire trading network.

Some of the selected data concerning this process is presented in Table Twelve:
Table Twelve  Percentage Distribution of Sources of Dutch Imports and Destination of Dutch Exports among Selected Countries

<table>
<thead>
<tr>
<th>Sources of Imports</th>
<th>U.S.A.</th>
<th>Dutch East Indies</th>
<th>Western Europe</th>
<th>Germany</th>
<th>U.K.</th>
<th>BLEU</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>10.5</td>
<td>7.0</td>
<td>55.8</td>
<td>21.3</td>
<td>8.7</td>
<td>11.7</td>
<td>4.7</td>
</tr>
<tr>
<td>1946</td>
<td>24.3</td>
<td>0.9</td>
<td>52.2</td>
<td>2.5</td>
<td>16.9</td>
<td>13.7</td>
<td>4.4</td>
</tr>
<tr>
<td>1947</td>
<td>28.0</td>
<td>4.6</td>
<td>43.2</td>
<td>2.3</td>
<td>9.9</td>
<td>12.2</td>
<td>4.7</td>
</tr>
<tr>
<td>1948</td>
<td>17.4</td>
<td>6.7</td>
<td>49.9</td>
<td>5.4</td>
<td>9.9</td>
<td>14.7</td>
<td>4.9</td>
</tr>
<tr>
<td>1949</td>
<td>16.5</td>
<td>7.6</td>
<td>53.0</td>
<td>6.8</td>
<td>11.6</td>
<td>14.3</td>
<td>6.7</td>
</tr>
<tr>
<td>1950</td>
<td>11.5</td>
<td>6.5</td>
<td>57.1</td>
<td>12.3</td>
<td>10.5</td>
<td>18.4</td>
<td>4.7</td>
</tr>
<tr>
<td>1951</td>
<td>11.0</td>
<td>7.9</td>
<td>55.9</td>
<td>12.4</td>
<td>8.7</td>
<td>18.3</td>
<td>4.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Destination of Exports</th>
<th>U.S.A.</th>
<th>Dutch East Indies</th>
<th>Western Europe</th>
<th>Germany</th>
<th>U.K.</th>
<th>BLEU</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>4.3</td>
<td>9.6</td>
<td>66.1</td>
<td>14.6</td>
<td>22.1</td>
<td>10.6</td>
<td>5.9</td>
</tr>
<tr>
<td>1946</td>
<td>7.2</td>
<td>3.3</td>
<td>72.7</td>
<td>6.4</td>
<td>10.9</td>
<td>20.8</td>
<td>7.0</td>
</tr>
<tr>
<td>1947</td>
<td>3.2</td>
<td>7.1</td>
<td>66.4</td>
<td>3.1</td>
<td>12.8</td>
<td>15.6</td>
<td>7.3</td>
</tr>
<tr>
<td>1948</td>
<td>3.1</td>
<td>7.4</td>
<td>68.1</td>
<td>5.9</td>
<td>14.5</td>
<td>15.6</td>
<td>8.1</td>
</tr>
<tr>
<td>1949</td>
<td>3.4</td>
<td>10.2</td>
<td>67.6</td>
<td>10.7</td>
<td>16.3</td>
<td>13.3</td>
<td>7.1</td>
</tr>
<tr>
<td>1950</td>
<td>5.0</td>
<td>5.9</td>
<td>70.3</td>
<td>20.6</td>
<td>14.7</td>
<td>13.5</td>
<td>4.5</td>
</tr>
<tr>
<td>1951</td>
<td>6.1</td>
<td>5.8</td>
<td>66.5</td>
<td>13.9</td>
<td>15.9</td>
<td>14.8</td>
<td>4.5</td>
</tr>
</tbody>
</table>


Outside Western Europe two major areas attracted the concern of policy-makers namely the change in the trading position vis-a-vis the United States and the possible implications of the loss of Indonesia for the Dutch economy. In this section it is proposed to investigate these changes
more deeply. The need to reorient foreign economic within the context of Western Europe will be dealt with separately in the next section.

The immediate contribution of the changing trade relationship with the USA to the dollar crisis which for more than a year had hamstrung reconstruction policy is evident from Table Twelve (it should be noted here that another major contributory factor lay in the policies adopted by the occupation authorities in West Germany - see pp. 36-38). Dutch trade with the USA had shown an almost traditional pattern of deficits since the end of the First World War but at least in 1938, for example, the Netherlands had been able to cover nearly 30 percent of its imports from the USA with the receipts from its exports - in 1947 the equivalent figure had dropped to 5.2 percent. The flow of Marshall Aid had contributed to the short-term solution of the problem firstly by the advance of funds to enable the dollar deficit to be covered and secondly by enabling the economy to finance imports from elsewhere in Europe (and the rest of the World) thus shifting its import dependence away from the USA itself. However, these measures could do nothing to revive the level of exports to the United States and the economy was still left saddled with a structural problem of potentially considerable dimensions, since by 1949 the percentage cover of imports was still less than half what it had been in 1938\(^{82}\). In August 1949 the possibility of a devaluation of the guilder as a solution to the dollar problem was first raised in cabinet\(^{83}\) and the question was discussed again three weeks later\(^{84}\) but nonetheless the announcement of the sterling devaluation caught the government completely by surprise. There was no doubt that the guilder should devalue - the question was by how much. One group argued that the guilder should not go the whole way with the pound but should devalue by only 25 percent. This was felt to be possible since Dutch prices had not risen as far as English prices and a lower devaluation would reduce the pressure on the cost-of-living and, with it, the chances of labour unrest. Against this group was ranged the majority of cabinet who argued that the devaluation did not just concern Britain but the whole sterling bloc and that not to follow the full sterling devaluation would be to jeopardize the Netherlands' competitive position in World markets. In the event the majority prevailed; the guilder was devalued by 30 percent to a rate of f 3.80: $1 \(^{85}\). Although it would be wrong to attribute everything that happened next exclusively to the devaluation, the fall in export dependence and, more importantly, the rise in import shares after a long period of 'stickyness' was indeed remarkable. In 1950 the...
export cover of imports had risen to 30% and the following year the figure had reached 41.9 percent and was to remain above that figure for the next three years.

For a long time historians of the Netherlands had cherished exaggerated notions over the importance of the Dutch East Indian colonial possessions for the prosperity of the domestic economy before the War and, as a result, an exaggerated impression of the negative impact of decolonisation in the immediate post-war period. Some years ago these original estimates were reworked with the result that the real impact of Indonesian independence was reduced to a problem of more manageable proportions. Whereas the calculations made immediately after the War suggested that the Dutch East Indies in 1938 had contributed 13.7 percent to Dutch national income in that year, the revised calculations reduced that figure to 7.9 percent. Nor was all of this 'lost' after the War since even after independence, Indonesia did not slip off the face of the earth but continued to engage in trade and other economic activities with its ex-colonial rulers. In the years 1948-50 the contribution of Indonesia to the national income of the Netherlands was estimated at respectively 2.8, 4.4 and 2.5 percent. Nor can a direct assessment of the 'loss' be achieved by a simple process of subtraction since the post-war figures are expressed as a percentage of a national income which, in real terms, may be tentatively put at 25 percent above that in 1938. There is also a feature which both old and new calculations tended to overlook and that is the importance of the area as a source of imports and that role, as Table Twelve reveals, was, with the exception of the immediate post-war years, hardly damaged at all. Moreover, given the increasing share of exports in national income (see Table Ten) it is clear that the economy made good its slipping foothold on the Indonesian markets by the diversion of exports elsewhere.

Although both the American and Indonesian questions loomed large in the perspectives of post-war policy-makers their gravest concerns affected Western Europe, traditionally the largest source of imports and even more so, the largest market for exports and an area in which virtually all trade and payments movements after the war were shackled in a system of bilateral treaties. At least if was better to have some treaty than none at all. Compared with 1937/38 the volume of Dutch exports to 'treaty' countries had expanded by 71 percent by 1947 as against a total
expansion in export volume of 47 percent\textsuperscript{89}) but Dutch policy-makers saw their country's interests better served by a reduction in levels of protectionism elsewhere than by the negotiation of highly specific trade treaties. Because of the way European history was to develop such aims have often been interpreted as a movement towards European economic integration, which is what, with hind-sight, they turned out to be. However, it would be wrong to view Dutch efforts in this direction in this light. For much of the period Dutch policy goals were more in the direction of returning the World to a pre-1914 type era of relatively free movements of goods and capital. It was largely only the fact that a limited number of countries were willing, together, to go some way to achieving this that led to an often reluctant commitment of more restricted forms of cooperation and integration.

THE NETHERLANDS AND THE ECONOMIC INTEGRATION OF EUROPE

Within Europe the greatest cause for concern was Germany which before the War had been the largest Dutch supplier of imports and its second most important market for exports (see Table Twelve). Nothing which the war had done could erase the fact that Germany was indispensable for the long-term recovery of the Dutch economy. However there was more than one way in which German recovery could be arranged to contribute to Dutch reconstruction - firstly a large part of Germany (preferably without Germans) could be allowed to recover as part of a 'Greater Holland' and, secondly, if this were not possible, German recovery could be encouraged under some form of international supervision and control. Thus the fact that policy-makers could consider at one and the same time the dismemberment of the German state and the rehabilitation of the German economy is not quite as schizophrenic as it at first sight may appear. When, mercifully, the Allies stamped on the wilder annexationist dreams, Dutch policy goals could be more straightforwardly expressed in the following way: the Netherlands could consider no form of international cooperation which would exclude its largest trading partner.

Annexation, as an officially recognised policy option, was first announced by the Dutch government-in-exile when news of the inundations first reached London. In a note to the Allies and the United Nations the
government stated, 'Considering further that it is in the general interest that Germany be made to realise once and for all that aggression does not pay, it is possible that the people of the Netherlands may reach the conclusion, in spite of their innate repugnance to all forms of armed conquest, that if in their case some substantial measure of reparation is to be made by the invader, a suitable part of adjoining Prussian territory should be ceded to the Netherlands (provision being made for the absorption by Germany of the Prussian inhabitants), or be brought into the dominion and economic orbit of the Netherlands in some other manner, on a provisional or permanent basis.'

In July 1945 the new government appointed a special commission to examine the scope of any possible claim but before it could report, the Foreign Minister, Van Kieffens submitted his own scheme. The area he had in mind had an area of 10,500 km² and a population of approximately 1,500,000 Germans. Had it been adopted it would have meant a claim equivalent to 32 percent of the area of the Netherlands itself but at a special meeting in September 1945 cabinet rejected the idea. It was not until May 1946 that the special commission was ready to report its findings. The commission itself was split and as a result offered two variants - a maximum variant encompassing an area of 4,348 km² with 403,000 inhabitants and a minimum variant of 3586 km² with 298,000 inhabitants. With only the smallest of majorities (6-5) was the maximum scheme rejected, a decision reaffirmed three weeks later again with a paper thin (7-6) majority. The result still left a claim equivalent to 11 percent of the size of the Netherlands. The situation then began to change rapidly.

In the first place it became clear the Allies would not be prepared to countenance an annexation on the scale being considered by the government and, in response to this, in July 1946, it was agreed to reexamine the claim with a view to 'frontier corrections' rather than annexation. Secondly, within cabinet there was a growing realisation that territorial adjustments would be accompanied with the sitting inhabitants and that if these numbered several hundred thousand, the country faced an assimilation problem of considerable magnitude. After much deliberation by November 1946, the Dutch plan was ready. It proposed 'correcting' the border from a length of 525 kms. to 340 kms. but the territorial 'corrections' needed to accomplish this embraced 1,750 km² of territory with 119,000 German inhabitants. The matter now lay in the hands of the Allies who did not even consider the matter until the Spring of 1948.
Even before any official reaction had been received Prime Minister Drees had informed cabinet that the chances of the Dutch claim being met were slim and that a new minimum programme should be constructed. The new programme, which was accepted by cabinet in July 1948 involved 639 km² of German territory and 39,000 inhabitants. What the Dutch were eventually allocated in September 1948 was a mere 69 km² and 9,200 Germans.

Even whilst the cabinet was formulating its ideas for European territorial expansion, it was equally concerned to moderate Allied plans for the dismantling of German productive capacity (though making sure the Netherlands received its share of any dismantled capacity going begging). The Dutch had no direct role in the Allied deliberations but it did have an indirect access through its participation with BLEU and France in the Conseil Tripartite (for a more detailed description of activities see pp. 40-41).

In September 1945 the French attempted to obtain the support of its Conseil Tripartite partners for their own proposals for the dismantling and transfer to Western Europe of German industrial plant and equipment particularly in the iron and steel sector. The Dutch delegates, lacking any cabinet instructions, attempted to stall the issue pointing out that all the Netherlands had to gain was a loss of export markets, as a result of the consequent fall in German purchasing power, and the loss of a vital source of imports whilst the others would actually be better off as a result of the elimination of German competition in their own and third markets. Against this the French warned that too long a delay would make it impossible to present and to defend the interests of the other three countries. The meaning within cabinet was unambiguous and unanimous on the matter, though the degrees of commitment varied. Mansholt argued that cabinet should make an open statement of principle 'that we oppose the deindustrialisation of Germany', Van Kleffens, that an alternative should be sought in the form of international control over the Ruhr whilst others considered that the Netherlands might be able to go some way agreeing to the dismantling of heavy industry if compensation could be obtained in other directions. One point was certain - the Dutch could not support the French proposals as they stood. The French reaction to the Dutch decision de facto to put the entire question into cold storage was one of disappointment but they did not, as the Dutch had possibly feared, end the Conseil Tripartite cooperation and the whole issue was transferred to the Four-Power negotiations in which the French continued to defend its plans independently - without the desired backing from the Benelux countries.
With the question of the Allies' long-term strategy towards Germany removed from the practical sphere of Dutch foreign policy, attention turned to the immediate problem of trading with Germany at all. Before the War Germany had been the major supplier of fuel, fertiliser, manufactured goods and semi-manufactures and the largest market for the Dutch surpluses of agricultural produce (and particularly of fresh vegetables). In addition the earnings from transport service had been a vital element in covering not only the trade deficit with Germany but also with the rest of the World. Early in 1946 it had become apparent that not only would the Netherlands not be given access to the mark-balances they had accumulated during the War for post-war trading and commercial purposes, but that the Americans and British were going to insist on the settlement of any deficits in dollars. It was equally clear that they would attempt to reduce imports into Germany to the basic minimum (which would reduce the chances of closing any deficits with traditional Dutch agricultural exports). Moreover it was to be expected that they would attempt to minimise the foreign exchange costs of shipping by using Bremerhaven and Hamburg rather than Rotterdam. By August 1946 discussions with the British and American authorities had produced nothing by way of a solution. 'We are confronted with practically a Chinese Wall on our Eastern frontier. Behind it lie two zones in which live 40 million people who are being suffocated under a well-meaning but incapable military administration' wrote Teppema (director of the foreign economic policy section in the Ministry of Economic Affairs). In these circumstances it fell to the Netherlands to take the initiative in encouraging the revival of German industry, and, with it, exports. 'It is not a matter of political or other sentiment, but of economic necessity which brings us to this ... the greater the necessity because the recovery of Dutch activity has reached the stage where we are inexorably driven to an international distribution of labour (in which West Germany is an indispensable factor) if the gains to date are not to suffer a serious set-back'.

The following month the Dutch presented their plan to the American occupation authorities. All trade with Germany should flow through a trading syndicate, which the Dutch were prepared to front, which would be funded by a loan of $160 million from the Americans - the sum being used to provide a revolving credit for the payment of raw material imports for German industry, part of which would be re-exported in manufactured form to repay the loan. The plan would enable trade to be freed from the bureaucratic channels which currently existed and the fact that it would be administered by the Dutch would, hopefully, reduce the political
sensitivity of an American dollar loan for German reconstruction. The Americans merely stalled. The plan that the Dutch should act as 'banker and broker' was considered potentially useful if presented in the right way, at the right place and at an opportune time. The idea that the Americans should fund it was characterised by the Head of the American Commerce and Trade section as 'political dynamite' which could be better kept (permanently?) in unofficial channels. In the event, in January 1947 a Dutch Trust Company was set up but with far more limited purposes than the original proposals. Instead of acting as a catalyst for the revival of multilateral trading with Germany, it was merely a way of stream-lining Dutch trading contacts with the newly established Joint Export-Import Agency (henceforth JEIA) of the US-UK Bizone in Germany.

With the failure of the initiative for the revival of the German economy and its reintegration into the European economy. Dutch policy now concentrated on breaching the 'Chinese Wall' itself. What the Dutch wanted was a bilateral trade agreement with a commitment from JEIA to accept quotas of imports of goods and services. What they had to make do with was a payments agreement - bought at the expense of concessions made almost entirely by the Dutch. For 'essential' goods payments would be transacted in dollars but whereas the 'essentials' list included virtually everything the Dutch might conceivably need from Germany, it excluded many traditional Dutch exports (the most important being vegetables). For 'non-essential' exports, the Dutch receive credits which could be used to purchase goods from the German 'non-essentials' list (if they were available!) and similar treatment would accrue to any surpluses earned from shipping or transit services. In other words payments to Germany were to be made in the hardest currency in the World, payments from Germany, in the weakest; but the concessions must be seen as an attempt to avoid a structural change in the German economy which would permanently damage Dutch export opportunities. In July 1948 the Dutch finally obtained the trade agreement which they had wanted - an agreement which envisaged Dutch imports worth £230 million and exports worth £181 million (both levels considerably higher than the result for 1947 and promising a higher percentage Dutch export cover for imports). The distinction between 'essential' and non-essential' goods, however, still remained.
The result of the July '48/June '49 trade agreement was a bitter disappointment for the Netherlands. Although the Dutch had been granted export quotas, the import licences required from JEIA were often either subject to long delays or inexplicably refused altogether. Moreover the transit sector, which had been expected to an yield 18 million surplus, actually ended up in deficit. The turn-about came in the course of the negotiations for a new trade agreement which were held between 22 August and 7 September 1949. They took place when the Allied administration of Germany was in a transition phase and German interests were represented by both JEIA officials and German negotiators. The results of the new agreement involved the complete liberalisation of Germany's import regime. 'With one stroke all the obstacles which until the most recent past had continuously aroused our concern and vexation have been removed. None of the American or German organisations or apparatus can any longer form an obstacle', wrote a jubilant Teppema. On the other hand the Netherlands retained the right to control its imports from Germany and undertook to restrict certain of its exports. In examining the reasons behind the volte-face, Teppema had no doubts, 'for the new agreement with the Western Zones we have chiefly to thank the JEIA which, in the process of dying, had still accomplished this one good deed ... although the new agreement undoubtedly fits in well to the system of Prof. Erhard, it was not to be expected that we would have achieved such a generous agreement had we had to deal with the Germans alone.' In other words, the Americans, who were pushing at the time for concrete progress on trade and commerce liberalisation in Europe had, as virtually its last political act in Germany, given an almost ridiculously one-sided demonstration of what it hoped to achieve on an European basis. At least one side of Dutch foreign policy goals had been realised. Although Germany had yet to be integrated into Europe, Europe's integration into Germany was now a fact.

The problem of trading with Germany provides at least part of the explanation for the often reserved Dutch 'commitment' towards Benelux, though it is not proposed here to enter into detail concerning the various negotiations or of the problems lying behind the progress towards closer integration, both of which have already been well-covered in the excellent secondary literature on the subject. Highly industrialised Belgium, less damaged than either the Netherlands or Germany by the War, could be expected to fill some of the vacuum for vital imports of fuel and manufactured goods left by the virtually disappearance of Germany as a trading partner. In September 1944 the governments of Belgium,
Luxembourg and the Netherlands had signed an agreement to form a customs union, to be followed at a later stage by a full economic union, as soon as possible after the War. Partly on the strength of this agreement, the Netherlands had obtained between October 1944 and June 1945 short-term credits worth Bfr. 780 million (f 48.4 million) to finance the import of essential requirements. However the Dutch had considered that their immediate position ruled out any short-term action on implementing the customs-union. There matters might have stood had not Speekenbrink (then head of the foreign economic policy section of the Ministry of Economic Affairs) informed cabinet in January 1946 that the Belgians were becoming impatient at the lack of progress and, more chillingly, that the supply of credits may no longer flow with the same generosity or regularity if something were not done about it. Added to this, Van Rooyen raised the spectre that if the Dutch dragged their feet, the Belgians might be tempted to opt for a customs union with France (see p. 41). Although both Lieftinck and Vos were dubious whether the time was ripe for such a move, the Prime-Minister, Schermerhorn, summarised the tenor of the meeting, 'We cannot avoid, without complications, a customs union. The Belgians must be given the feeling that we are treating the matter in a bona-fide way'. By March 1946 trade with Belgium had stagnated, especially in iron and steel products, as a result of the drying up of Belgian credits and it was against this background that the ministerial meeting took place in The Hague in April 1946 which ended with the triumphant announcement that the Benelux partners intended to implement a customs union within a year. In the event technical difficulties involved in standardising the tariff lists, let alone the problem of deciding on the rates themselves, delayed the implementation of the customs union until January 1948.

The decision to move the next stage of full economic union was taken at the Ministerial meeting at the Chateau d'Ardenne in June 1948 at which the target date of December 1950 was fixed for full currency convertability among the Benelux partners, the abolition of domestic controls and the removal of quantitative import restrictions. The time-table was clearly over-optimistic from the start but it was probably designed as much for the Americans, who had linked Marshall Aid to the achievement of closer European economic cooperation, as for anyone else. As Speekenbrink pointed out to cabinet, 'Upto now Benelux has been more a façade than a reality. Nonetheless it has delivered important results in the international field. It is, however, no longer possible to use Benelux as
an advertising object; it must now be given real content."122) After the
Conference the Dutch had cause to question the wisdom of their commit­ment, the major reason being that the simultaneous liberalisation of so many controls would seriously damage the balance-of-payments. What was re­quired, it was felt, was a less ambitious programme (a pre-union period) accompanied by some form of bridging credit to cover the balance-of­payments effects.123) On the eve of the next ministerial meeting in The Hague, in February 1949, the stand-point on the question had hardened. Both Lieftinck and Van den Brink were firm that there should be no pre­union either if the Belgians insisted on gold cover for any deficits with the Netherlands. Drees himself was in favour of postponing the whole scheme altogether were it not that 'agreements have been made and dates named'.124) The Dutch demand that the convertibility clause in the Chateau d'Ardenne agreement be waived kept the entire question of a pre-union agreement in doubt until September 1949 when the Belgians eventually conceded the issue: gold and dollar coverage of the Dutch deficit would only become necessary if the deficit were occasioned by a failure of Dutch exports, and not if it resulted from increased imports125). In October 1949 the Pre-Union treaty was signed, liberalising intra-Benelux trade flows (with certain exceptions) from all quantitative restrictions and in June 1950 the whole question of currency convertability, which had almost brought progress to a halt, was resolved when it became part of the wider arrangements within the European Payments Union (see pp. 46-48).

If the Netherlands had shown reluctance in going along with the Benelux developments, its standpoint against French initiatives to form a wider sphere of cooperation was positively frigid. In April 1945, the repre­sentatives of the Netherlands, France, Belgium and Luxembourg signed an Accord Economique de Consultation Mutuell which committed the governments to the coordination of policies in the fields of prices, social security, employment, fiscal policy, tariffs, and import quotas and the harmoni­sation of plans for the establishment of new industries. Although the Dutch were not particularly enthusiastic for the idea, they participated in the initiative for fear that the Belgians might otherwise join without them.126) On the more positive side the Conseil Tripartite, as the body became known, promised to give the Netherlands some indirect leverage in the Four Power discussions on Germany, to strengthen their negotiating position vis-à-vis the United Kingdom and, quite frankly, to flatter them that they were being taken seriously a European power once again.127)
Although the plenary sessions of the Conseil Tripartite were largely devoted to the German question, the work in various subcommittees began to move towards giving concrete expression to forms of closer cooperation. What the Dutch were totally unprepared for was the French suggestion in January 1946 that the group would work as quickly as possible towards a full economic union and if that came to nothing, it might as well disband. The French delegate, Count de la Beaume expressed the view that the Council had achieved nothing other than the fact that committees and subcommittees had risen from the ground like toadstools. The Dutch delegation, lacking any instructions, had expressed the expectation that the government might be interested if the group were larger (including Switzerland, Italy and possibly West Germany) but because there was no support from Belgium, the Dutch were unable to block a proposal for further study of the possibility of intra-group trade concessions. In cabinet these developments had led to the decision to accelerate negotiations on giving substance to the Benelux agreement, but not to countenance ideas to expand it so as to include France. French pressure continued with the suggestion in March 1946 that a trade-preference area embracing the Conseil Tripartite partners should form the basis of a joint initiative at the forthcoming International Conference on Trade and Employment in Havana. Vos sketched the problem as follows: whilst the French wanted a preference-area confined to the four, Dutch interests would be better served by an 'open' agreement. Van Rooyen felt that agreement to the French proposals would limit the Dutch room for manoeuvre and that, anyway, nothing should be done without an approach first being made towards the United Kingdom. In the words of Vos, again, 'trade with France is of small importance compared with that of the Anglo-Saxon World'. In July, Germany was introduced (again) as a possible consideration with cabinet concluding 'we must not tie ourselves to a French economic policy before we have more perspectives (i.e. for trade) over our Eastern border'. The Conseil Tripartite itself eventually survived in 1948 when, in view of the many other, and wider, discussion forums which had arisen in the meanwhile, it was considered to have outlived its usefulness.

Although the French had failed in their attempt to deepen the Conseil Tripartite into a more fundamental form of economic cooperation, they had not abandoned the Benelux states as potential partners in the area of European integration. The occasion for the next initiative in this direction was in the middle of the OEEC negotiations in Paris held
between July and September 1947 with Hirschfeld leading the Dutch delegation. The first discussions were held informally at the end of August with the British, French and Italian delegations, in the course of which the French suggested that a limited number of states should mutually announce a charter to reduce tariffs on inter-state trade by 10 percent p.a. To this Hirschfeld responded with two questions (conditions) i) were the French willing to accept an ultimate tariff level no higher than the Benelux tariff and ii) would they be prepared to accept Germany from the start? The meeting was suspended before the answer could be given. Hirschfeld's impression was 'France wants to launch a customs union but does not want to do this with Italy alone preferring a cooperation with Belgium, the Netherlands and Luxembourg. England cannot join in but does not want to play the role of spoiler and tries to present herself as broker. This situation is not pleasant for us'.

In the subsequent weeks, the French concentrated their pressure on the Belgians whilst Hirschfeld negotiated with the British to find a formula to neutralise the threat. Nonetheless 'the whole French tactics is geared towards obtaining the agreement of Benelux. When the French plan eventually appeared, it was fortunately so Franco-centric as to make Hirschfeld's task easier e.g. the French government 'declares that it is ready to enter into nego­tiations with all European governments ... who wish to enter a customs union with France and whose national economics are capable of being combined with the French economy in such a way as to make a viable unit...'. A joint UK-Benelux motion was accepted which had the effect of shunting the proposals into an OEEC study group. 132)

Towards the end of 1949, against the background of increasing American pressure for a measure of trade liberalisation in Europe, the French again launched the idea of regional cooperation with the Benelux partners. The French proposals, submitted in November 1949, suggested a payments union embracing Benelux, Italy and France (christened Fritalux) which incorporated the Petche Plan for flexible exchange rates 133). Whilst the content of the French proposals found no sympathy at all in cabinet, the Dutch were desperate enough for any forum to push for trade liberalisation and wary enough of the prospect of life without Marshall Aid, to formulate a positive response containing additional/alternative proposals. These centred on a 75 percent liberalisation of trade by December 1950, a 100 percent liberalisation by July 1951 and the reduction of tariff barriers to a level to permit competition within the group.
(note, by liberalisation is meant the removal of quantitative trade restrictions). Finally, German participation was to be agreed from the start. I think that it is fair to say that the Dutch had never had any intention of agreeing to the French monetary scheme and were highly embarrassed by the French willingness to make concessions. By December the French had agreed to the Dutch liberalisation proposals without any strings attached on the question of progress on the monetary fund and they were willing to negotiate on tariffs. At the same time the Belgians dropped their insistence on making German participation a precondition for their own. Later Schumann explained to Stikker that French public opinion would not accept German participation from the outset but asked whether the Dutch would accept a compromise whereby Fritalux were set up and the Germans invited later. Stikker rejected this as unacceptable arguing that if Germany joined late, it would need so many special exemptions which would lead in turn to such pressure for counter-concessions that Germany might not be able to accept.

The dilemmas posed by the isolation of the Dutch negotiating position was resolved by the OEEC acceptance of the Bissel Plan for a European Payments Union which rendered the French monetary scheme redundant. Spierenberg, the chief Dutch negotiator, argued that the only justification for a limited grouping (now, symbolically renamed Finebel) was that if it could, within a short period, achieve spectacular results in the freeing of trade, which could not be achieved within the OEEC. What he had in mind was a free-trade area - though given the French and Italian standpoints on tariffs he was pessimistic about success. In order to avoid the 'German' question he suggested that the Finebel convention should be an 'open' one which would allow Germany, and possibly the U.K. to join, and which would not create the impression in the OEEC forum that the Netherlands had abandoned their wider interests for a narrow regional grouping. This new position was accepted by cabinet.

When the Finebel negotiations were renewed in February 1950, the Dutch were again isolated on the German question when Belgium dropped the issue and declared a willingness to join a 'closed' Finebel trade group. By way of concession, which the French accepted, the Belgians suggested that Germany be invited to join if the British raised no objections and if the Americans were willing to offer extra aid to cover...
the 'cost' of German participation. Although Stikker's soundings with the British and Americans had been positive, cabinet had become disillusioned over whether Finebel could fulfil its 'leadership' role within the OEEC in obtaining major trade concessions. The annual round of trade negotiations with both France and Italy were running into difficulties. The French, Stikker reported, were not conducting their negotiations 'in the spirit of Finebel' and the Italians did not appear 'very Finebel inclined' either. Spierenberg, moreover, doubted the sincerity of the French regarding German participation and without Germany, Van den Brink and Mansholt considered that Finebel was not a viable form of cooperation. With that, Dutch attention shifted back towards the larger forum of the OEEC as a platform for their aims (see pp. 46-48).

The hardened American line towards European cooperation towards the end of 1949 brought another, less expected, suitor to the Dutch door. In December 1949 the British suggested that the Netherlands might wish to join the sterling area. 'It was suggested namely in an, in our opinion, very innocent way that Dutch trade could take part in the sterling commerce on the same foot as the English but also that all transactions made in the course of Dutch trade be conducted entirely in sterling ... Over this English vision, we expressed ourselves highly astonished' reported Teppema who was heading the Dutch delegation at the annual round of trade negotiations. At first sight the British proposal was not so surprising. Since the War Britain had become an increasingly important supplier of Dutch imports and although its share in Dutch exports was still below the level of 1938, the trend was upwards. Moreover in 1948 the Netherlands had been granted a so-called 'green light' arrangement on exports to the rest of the sterling area (removing many irksome formalities) and accepted sterling as payment of balances in its sterling trade, placing it de facto in the 'outer sterling area'. However, from the Dutch side, economic relations with the United Kingdom had been far from satisfactory. In the first place it was felt that the British had abused their monopsonistic power on World markets when it came to setting the price for its agricultural imports and, moreover, that they had taken advantage of the Dutch 'structural' surplusses in market garden produce (because of the low level of German trade) to 'force' the Dutch to expand meat and dairy exports at the same artificially low prices. Indeed the 1947 agreement was largely concluded because 'our entire Indian
policy rests upon the willingness of England (to supply the necessary credit)\(^{144}\). The fact that the following year, the British agreed to a lump-sum sterling payment towards the cost of Dutch export subsidies needed on the agreed quota\(^{145}\) did nothing to quell this sense of grievance. A further cause for concern was that although the U.K. market was increasing in importance, this was largely achieved by the agricultural sector. The Dutch were often unable to fulfill their industrial quotas because of the often arbitrary and unexplained refusal of British officials to grant import licences and because Dutch imports attracted purchase tax which made it difficult to compete against 'utility goods'\(^{146}\).

By 1949 a further problem had arisen that Dutch trade with the U.K. had swung into surplus and this, combined with the surpluses elsewhere in the sterling area, meant that the Netherlands were accumulating non-convertible sterling assets at a rate likely to exceed its spending capacity. Moreover, the sudden opening of the German market meant that there was no longer the same need to unload agrarian surplusses onto the U.K. market (at U.K. conditions and prices).\(^{147}\) Thus the Dutch had entered into the 1949 negotiations in a more aggressive mood than at any time since the War. It was not exactly the best moment for the British to launch their initiative. The Dutch were aiming to deflect trade away from the sterling area; they were hardly likely to be receptive to measures which would have the opposite effect. In particular it was felt that the move would damage the opportunity to revive the transit trade: 'This traditional trade which forms an important balancing item for the Netherlands in its balance of payments with many other countries can only develop, as far as sterling products are concerned, if sterling can be converted into third currencies. Moreover many countries do not possess the necessary sterling balances to be able to make their payments in sterling, whilst, traditionally, a large share of this trade was conducted in guilders'.\(^{148}\) Cabinet endorsed the rejection of the offer with no qualms whatever\(^{149}\).

The background to the Fritalux and sterling-area initiatives was the speech made by Hoffmann to the OEEC that the continued availability of Marshall Aid funds was contingent upon progress towards freeing intra-European trade. The Dutch position in considering initiatives to this end lay in the distinction made between quantitative restrictions to trade and tariff barriers. The relative rate at which these were dismantled was of crucial importance to the Dutch. Running a huge
current account deficit, the Netherlands was nonetheless saddled with the relatively low Benelux tariff which had come into operation in January 1948. Its only remaining line of defence lay in its freedom in imposing quantitative trade restrictions. If this freedom to be eroded whilst other countries retained the freedom to replace their quotas with prohibitive tariff barriers, the Dutch external position could only be expected to deteriorate even further. Hence it became a major policy priority to try to link the two issues as far as possible together. There was, however, one major logistical flaw in this - tariff negotiations were the preserve of G.A.T.T. If the OEEC were not to end up duplicating the work of the GATT conference at Torquay, it would have to look for progress elsewhere - in the field of quantitative trade restrictions.

The first initiative had come from the British in November 1949 proposing a 40 percent liberalisation. Stikker had countered with a suggestion for 60 percent which was adopted as the OEEC target for July 1950. The figure, 60 percent, had been a shot in the dark and there was considerable disquiet in cabinet over the advisability of a move which seemed certain to weaken the balance of payments at a moment when no agreement had been reached on the nature of the multilateral settlements system which was supposed to accompany it nor the amount of dollars the Americans were prepared to put into it. Nonetheless, as Stikker pointed out, without liberalisation, Marshall Aid itself was at stake and the Netherlands had even less to gain from that. In January agreement had been reached in principle to establish the European Payments Union (henceforth EPU) but, as the Dutch negotiations pointed out 'the multilateral system will only remove restrictions on European commerce insofar as these restrictions are a result of payments difficulties. Those restrictions which are the result of protectionist measures of whatever nature are not abolished with this system'. They suggested that the Dutch should continue to press for the further freeing of trade and on the tariffs question but not to make participation in the EPU conditional on the outcome. This was initially accepted but later in the month the Dutch position hardened. It was decided to liberalise trade by 60 percent by July 1950 but not to proceed to the next step of 75 percent liberalisation by December, unless progress were made on the question of tariffs. As Manholt pointed out, the French practice of replacing quotas with high import duties was making the whole exercise a farce.
The opportunity for the Dutch to steer the OEEC negotiations in the direction they wanted was afforded by the nomination of Stikker as consiliateur politique on January 30 when the OEEC negotiations had reached dead-lock, and, several months later when he became Chairman of the Council. Before this could lead to anything, however, the Dutch had to formulate their position on participation in July. This they did in two ways. In the first place it was agreed to press for a strengthening of the Fund itself so that it was still capable of funding possible gold and dollar losses once Marshall Aid had ceased. Secondly, in order to cover against the possibility of an exhaustion of drawing rights, the government would limit its committment to one year. This dual construction with its emphasis on the one hand on the permanence of the new arrangements and on the other on the transience of Dutch commitment to them was not without a certain ambiguity and the delegates asked for new instructions. This brought the cabinet back to its original position—payments liberalisation must be seen as a complement to trade liberalisation and the Dutch could not agree to the one without the other.

The Stikker Plan presented to the OEEC in June 1950 was simply a direct extension of Dutch foreign policy aims throughout the OEEC negotiations. It also appeared to have every chance of success since the Schuman Plan was, in fact, a partial expression of exactly what Stikker had in mind. The Plan, basically, suggested that the opportunities for tariff reduction be examined sector by sector with the costs of any serious structural dislocation which might result being met from a European Integration Fund. There was only one problem—the Plan could not deliver short-term results.

The immediate way forward, it was decided, was to push for a freeze on all the higher tariffs coupled with a lowering of the general tariff level. When this failed there was a change in tack and the negotiations were instructed to call for an abolition of 'state trade'. 'State trade' had hitherto been excluded from the calculation of liberalisation percentages and the effect of its abolition would be that countries with a large 'state trade' sector would have to free a larger proportion of their trade than had been originally foreseen (naturally, the Dutch had only a relatively small 'state trade' sector). This had no chance of success and time had run out. With no concessions at all on the tariff front and with a level of dollar aid which was disappointing, cabinet had to make a decision on EPU membership. The chief negotiator, Spierenberg, pointed out that not to join would possibly mean no dollar aid at all and...
would also jeopardize progress towards the Benelux union but he suggested, in calculating the liberalisation figure, the Dutch should now include the much higher percentage figure achieved in intra-Benelux trade the result of which, as Van den Brink was quick to pick up, was that no further liberalisation would be required.\(^{158}\)

Notwithstanding the sleight-of-hand 'no liberalisation' policy with which the Netherlands had entered the EPU the Dutch position lurched quickly and alarmingly into deficit (see Figure Two). Although there were clear signs of progress on the Schuman Plan and although the Stikker Plan was being examined by the OEEC sector committees (namely Textiles and Pulp and Paper) signs of concrete progress on tariff reductions were as remote as ever. Yet the next step envisaged the attainment of 75 percent liberalisation by December 1950. It was agreed in cabinet that the negotiators should continue to press for concession on the tariff and state trade issues. In addition a new issue was to be raised; namely that the base year for the German liberalisation calculations should be altered from 1948 (which gave the Dutch little by way of extra concessions) to 1950. Finally, it was agreed that the Netherlands should reserve its rights not to proceed towards further liberalisation\(^{159}\). Almost immediately the Dutch found themselves completely isolated\(^{160}\) but eventually its position was grudgingly acknowledged. In the words of the Dutch negotiator 'If the results of this Council session are highly satisfactory for the Netherlands, it was certainly not a Council session in which European cooperation in the economic area could book an important advance\(^{161}\). In January 1951 a trade agreement was reached with Germany sufficient to allow to drop their reserves on the question of further liberalisation which, by them, had been delayed until July 1951. The same month cabinet completed deliberations on the deflationary package designed to tackle the balance-of-payments problem (see pp. 22-23). Insofar as that problem was itself a result of the inflationary implications of reconstruction policy. I suppose a link could be drawn with the attitude towards foreign policy but the actual form that policy was to take was determined far more by the Benelux tariff agreement which removed Dutch freedom of action in this area and which, in turn, led to demands that other countries should sacrifice that freedom too. Success in this direction was achieved in only one area but nonetheless that one achievement was to mark the beginning of a new chapter in European history.
Fig. Two Dutch Payments Position Within the E.P.U.

Source: AZ; Kabinet 351-88 (4): 336 fil.; Europese betalingenverkeer; Berichten Nederbank.

Maandelijkse cijfers betreffende het betalingenverkeer met EPU-landen en de staat der betalingen van Nederland bij de EPU.
The Schuman Plan, as a general concept, was welcomed by the Dutch for fairly obvious reasons - it represented a break-through on the front of both non-quantitative and quantitative restrictions to trade, it fitted in with the sector-by-sector approach outlined by Stikker and, finally, it included German participation from the outset. Right from the start, however, it was clear that cabinet had important reservations, the greatest of which was the need to place some control over the independence of the High Authority. 'Leaving all decisions to the High Authority seems a dangerous step which moreover has the danger for the Netherlands that, as a small country, it can become the victim of an international power struggle' (Lieftinck). It is also interesting that whilst British participation was considered desirable, the Plan was considered viable without her. After the first international contacts, cabinet met again to clarify its position. Once more the independent role of the High Authority appeared the 'stumbling block. As things stood, Van den Brink considered the Plan 'amounts to the establishment of a European government for only one specific economic and social sector which, from a general standpoint, implies a disintegration of Europe'. Drees went even further, stating that as it stood the Plan seemed to hold more disadvantages than advantages for the Netherlands and that whilst he hoped for success, he was not prepared to make every sacrifice to realise it; national governments had maintain some control.

A Council of Ministers, possibly in conjunction with a European parliament, became a precondition of Dutch acceptance. More generally it was decided that Dutch interests would be best served by the lowest possible price level coupled with low tariffs. This strategy was argued on the grounds of the need to promote efficiency by concentrating industry in the most rational manner but equally it served to maximise Dutch benefits i) because the Netherlands was a net importer of iron and steel products and ii) because both its small iron and steel sector and its coal industry were relatively efficient. In July, Monnet outlined the logic behind the French ideas for the autonomy of the High Authority - i) that inter-governmental negotiations were too inefficient to solve Europe's problems ii) that the Americans wanted progress towards integration and iii) that what was wanted, therefore, was an 'organe de fusion et d'intégration' and not yet another 'organe de cooperation'.

The Dutch, backed by the Belgians, remained totally unmoved. Within cabinet, two weeks later, it was decided to accept a French compromise proposal for a High Authority, with its independent powers more proscribed than originally envisaged, operating under the supervision and guidelines (but not control) of a Council of Ministers.

With the major obstacle to Dutch participation thus removed, the remaining negotiations involved obtaining the best possible construction for Dutch national interests. This involved the settlement of two points: i) that the external tariff should be both low and fixed (this, against the suggestion of working with maximum and minimum tariffs) and ii) that the idea that the High Authority should have powers of control over government investments should be modified— all or nothing. The logic behind this was that it would lay Dutch Hoogovens and Staatsmijnen open to control whilst the Belgian industry, financed through the Société Générale, would escape altogether. Since both of these problems were satisfactorily resolved and no insoluble other issues cropped up in the meantime, cabinet was able to approve the final draft of the treaty in March 1951 and the signing ceremony took place in Paris the following month.

CONCLUSIONS

As I tried to warn in the introduction, this paper has failed to establish any link between domestic reconstruction policy and foreign economic policy. It also failed to establish any link between domestic reconstruction policy and any change in the structure of the Dutch economy, sufficiently large to effect the country’s foreign economic orientation, occurring within the time-span covered by the paper. This is not to say that the domestic and foreign sectors of the economy did not inter-relate but, if anything, the causal flow of that relationship was the opposite of that which we have examined. Had this paper been entitled something like 'International Developments and Dutch Domestic Economic Reconstruction' the story would have been a much more cohesive one. However, it was not the story which I was asked to write.

The question which I would like to pose in this section is: why was there apparently so little connection between reconstruction policy and foreign economic policy in this period? At one level the answer lies in the fact
that the Netherlands did not have a reconstruction policy at all in the sense of being able to direct the desired changes in the structure of the economy as a whole. Vos, whose ambitions certainly aspired in this direction was squeezed out of the Ministry of Economic Affairs after a year, a year, moreover, which was dominated by the immediate concerns of recovery and which left little scope for implementing more far-reaching policies. His successors Huysmans and Van den Brink, whilst sharing the realisation that the Netherlands required a restructuring/industrialisation policy, were far more inclined to confine the role of the state to infrastructural improvement and financial and fiscal encouragement to the private sector. Again, at the level of policy, it was equally true that the Netherlands had great difficulties in making 'international consequences' happen in any positive sense or even of avoiding less eagerly anticipated 'consequences' in the negative sense. The first sense is well illustrated by reference to its policy towards the reintegration of Germany into the world economy and tariff reduction, the second by reference to the way it was almost forced into giving practical expression to Benelux and into joining the EPU. Thus in the domestic policy area we are confronted with the abdication of power whilst in foreign economic policy we are confronted with the impotence in the exercise of power.

There is also a deeper factor which might have contributed to the schism between domestic and foreign policy which lies in the nature of the policy-making process itself and which goes beyond the oft-cited problem of individual ministerial accountability in coalition governments. 'Reconstruction policy' was not centred in an individual ministry - Economic Affairs had the industrial chunk and, after June 1946, electricity as well; Agriculture, Fisheries and Food looked after agriculture; Public Works and Reconstruction had the responsibility for drawing up the annual building programmes (including industrial and agricultural plant), Transport, not surprisingly, looked after transport. In addition, the Ministry of Finance controlled the foreign exchange flow and Social Affairs was responsible for wage policy. In the area of foreign economic policy a similar situation prevailed though from a rather different starting point. In the 1930's Hirschfeld had built up a powerful organisation within the Economic Affairs Ministry and had succeeded in capturing the major responsibility for the direction of foreign economic policy for the Trade and Industry section he controlled. Immediately after the War the responsibilities for industry and trade were hived off within the Ministry to
two separate sections. There were plans later to reunite the functions in a single department but since these had originated from Vos' socialist/state interventionist appointees. Huysmans chose to ignore them. In addition to the 'foreign economic affairs' section within Economic Affairs, the Ministry of Finance held the responsibility for negotiating foreign credits and, when Marshall Aid was announced, the Ministry of Foreign Affairs managed, at last, to get back into the act (a feat helped by recruiting the ever resourceful and appently untiring Hirschfeld to its staff) by taking charge of the Marshall Aid question and all the OEEC developments which flowed from it - almost all, anyway, since the Ministry of Economic Affairs took over the Schuman Plan negotiations. With that set-up the author was only grateful that he could find anything identifiable as a coherent 'reconstruction policy' and a 'foreign economic policy' at all!
## APPENDIX

### THE COMPOSITION OF POST-WAR CABINETS

In parentheses: the footnote number giving a short biographical sketch.

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<td>T.S.G.J.M. van Schaik</td>
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<td><strong>Internal Affairs</strong></td>
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<tr>
<td><strong>Justice</strong></td>
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<td>J.H. van Maarseveen</td>
<td>T.R.J. Wijers</td>
</tr>
<tr>
<td><strong>Without portfolio</strong></td>
<td>J.H. van Rijen (118)</td>
<td>E.H. Kleffens (92)</td>
<td>J.R.H. van Schaik</td>
</tr>
</tbody>
</table>

1) Before July 1946 known as Trade and Industry.
2) After August 1947 known as Reconstruction and Housing.
3) June 1945 - July 1946 known as Transport and Energy. In July 1946 responsibility for Energy was transferred to Economic Affairs. After August 1947 known as Transport and Waterworks.
NOTES

*) This paper is largely the result of archival research undertaken in the period May-September 1983 and was only made possible in the relatively short time available by the exceptional help and cooperation which I received from the staff in charge of the archives used. I would like to take this opportunity of recording my heart-felt thanks to all concerned and in particular to messers Plantinga (Algemeen Rijksarchief) De Gee and Dekker (Ministerie van Economische Zaken) Gloude and Stegenga (Ministerie van Financiën) van Dissel, Haberts, Vogelzang and Mrs.Robinson (Ministerie van Algemene Zaken). I would also like to record a special word of thanks to my research assistant Anjo G. Harryvan for his efforts on my behalf which can truthfully be characterized as 'over and beyond the call of duty'.


2. Calculated from data in Archief C.B.S., E8, 739/740.


4. Min. A.Z., Kabinet, 338.934.3, Quantitatieve gegevens in verband met de financiering van den wederopbouw en andere na-oorlogse problemen, CBS (undated but accompanied by letter Vos to Members of REA d.d. 18.7.1945) (Henceforth Quantitatieve gegevens CBS).

5. See, for example, Memorandum of the Netherlands Government containing the claims of the Netherlands to Reparations from Germany (Provisional Statement), 1945 and Eerste verslag EHP.

6. Quantitatieve gegevens CBS.


9. Eerste verslag EHP.


12. Quantitatieve gegevens CBS.

14. **Eerste verslag EHP.**

15. In 1938 net agricultural production was estimated at £456 million (Centraal Bureau voor de Statistiek, Het nationale inkomen van Nederland 1921-1939. No. 7 der monografieën van de Nederlandse conjunctuur, Utrecht, 1948, 37). The area lost by inundations represented 8 percent of the agricultural area. It had already been drained by January 1946 and was producing normally by 1947 (Eerste verslag EHP). If we assume that that land was 'average' and produced nothing at all for two years, it would produce a figure of lost output of £73 million at 1938 prices. This figure needs to be compared with the original capital loss estimate of £200 million (Quantitatieve gegevens CBS).

16. **Quantitatieve gegevens CBS**

17. Memorandum of the Netherlands Government.

18. **Eerste verslag EHP**


22. CBS, Economische en Sociale Kroniek, 5.

23. Ibid., 187, 264-265.

24. Pieter Lieftinck (1902- ) had before the War been a member of the Christian Historical Union. After a period in the Ministry of Economic Affairs, in 1934, he became professor at the then Netherlands Economic Hogeschool, Rotterdam. He remained in the Netherlands during the War and was imprisoned at St. Michielsengestel and Buchenwald. After the War he joined the Nederlandse Volksbeweging (NVB), a political movement designed to break through traditional Dutch party lines, and the following year the newly reconstituted and expanded social-democratic Partij van de Arbeid (P.v.d.A.). From 1945 to 1952 he held the post of Minister of Finance in successive cabinets. His career thereafter included posts in the International Bank for Reconstruction and Development, the World Bank and the IMF.


26. **Quantitatieve gegevens CBS**

27. Min. EZ, DG Handel en Nijverheid, 2164/1, Eerste Nota over het Nationaal Welvaartsplan 1946, CPB, February 1946.


31. Interbank Nota I.

32. Min. EZ, DG Industrialisatie, 737/4 Documentaire Nota met betrekking tot het aanvragen van een tweede lening bij de International Bank for Reconstruction and Development, January 1948 (Henceforth Interbank Nota II).


34. Johannes Roelof Maria van den Brink (1915- .) Worked from 1939 to 1942 in the Ministry for Economic Affairs but then went underground and joined the resistance. After the War he became professor at the Catholic University of Nijmegen and member of the First Chamber for the Katholieke Volkspartij (KVP). Between 1948 and 1952 he held the post of Minister of Economic Affairs. Afterwards he held various posts in the Amsterdamse Bank (later AMRO Bank).

35. Eerste Nota inzake de industrialisatie van Nederland.

36. Min. EZ, DG Handel en Nijverheid, 2053/1 Nota houdende nadere gegevens met betrekking tot de industrialisatie in Nederland.


38. Hein (Hendrik) Vos (1903-1972). Director of the Research Bureau for the Sociale Democratische Arbeids Partij (SDAP) from 1934 until 1940 and was one of the compilers of the 1935 Labour Plan. From 1937 until 1940 he was also a member of the Second Chamber. During the War he was active in the Resistance. In the first post-war cabinet he held the post of Minister for Trade and Industry and in the second, the cabinet Beel, he became Minister for Transport and Waterworks. After his ministerial posts, he became director of the Centrale Arbeiders Verzekeringsbank (Central Workers' Insurance Bank) but returned to active parliamentary politics in 1956 as member of the First Chamber.

39. Gerardus Wilhelmus Maria Huysmans (1902-1948). Before the war, he built up a career in banking culminating in the directorship of the Coöperatieve Centrale Boerenleenbank in 1932. Member of the Katholieke Volkspartij. Towards the end of the War he formed part of a group in the occupied Netherlands which opened contacts with London, and, as such, was requested to act as Minister of Finance in the last war-time cabinet. In October 1945 he was nominated president of the government-backed Herstelbank. In July 1946 he became Minister of Economic Affairs but resigned in January 1948 for reasons of ill health. He died two months later.

41. Interbank Nota I.

42. The index of net agricultural production in 1948/49 stood at 96 (1936/38 = 100).

43. Sicco L. Mansholt (1908- ) After a career in agriculture and a period in the Resistance during the War, he became Minister of Agriculture, a post which he held continuously from 1945 to 1957. He was also a member of the socialist Partij van de Arbeid (PvdA). From 1958 until 1972 he was vice-chairman of the EEC Commission.

44. Memorie van Toelichting Landbouw, Bijlagen Handelingen der Staten-Gen. 1948-1949, 1000x12.


49. This referred to the delays in obtaining the credit from the International Bank for Reconstruction and Development. In October 1946 the officials in Washington had been more or less told that all they had to do was submit an application for it to be granted. Despite warnings that the Bank wanted 'projects' officials in The Hague had decided that since the Bank's statutes allowed 'a general reconstruction loan based on a broadly outlined rehabilitation programme' to submit an application based on the CPB's National Welfare Plan. When this was rejected there was a mad scramble to inventorise all existing capital projects which eventually formed the basis for Interbank Nota I submitted in April 1947. There was then a further delay since the application had failed to mention the projects to be financed by the loan itself so it was not until August 1947 that the $ 195 million loan agreement was signed - virtually three months to the day after the French had succeeded in securing their $ 250 million loan (For documentation on the loan application see Min. Fin., Generale Thesaurie, 382/135).


52. A.R.A., REA (570) 19.5.1947, 23.5.1947, 28.5.1947, 4.6.1947 and 11.6.1947. It is difficult to give a break-down between sectors. There remained even some doubt among the ministers themselves over what the total figure was which they had actually agreed.


55. Hans Max Hirschfeld (1899-1961). Almost unknown in 1931, he was appointed Director-General of the Ministry of Trade and Industry which he helped build up into a powerful organisation. Despite some Jewish ancestry he stayed on at his post throughout the War and, as such, represented the top of Dutch civil administration. Immediately after the War he slipped into temporary political exile but in 1947 was recalled to fulfill the function of Regeringscommissaris in algemene dienst. As such he played a major role in the early OEEC and ERP negotiations. In 1955 he became director of the Dutch nuclear research centre.


63. It did not, however, mark the end of such discussions. In November 1948, against the background of a $141 million allocation for the 4th quarter from ECA funds, Lieftinck argued that because of the dollar-payment carry-over from previous months, actual purchases should be restricted to $75 million. After a process of some haggling with Van den Brink, a compromise was formed restricting imports to $115 million. The whole issue turned out to be a non-event since Hirschfeld was able to inform cabinet some weeks later that the Americans had allocated $141 million to be spent and it was a situation of either spending it or risking losing it altogether. Cabinet agreed, leaving the Nederlandse Bank to cover its liquidity position in some other way (A.R.A., REA (571) 24.11.1948, 15.12.1948).

64. Min. AZ, Kabinet, 351.824.11, Nota betreffende Plan Electriciteits Voorziening in Nederland d.d. 15.4.1948.

65. A.R.A., REA (571) 5.5.1948.


70. A.R.A., MR (591) Advies inzake het in evenwicht brengen van de be

talingsbalans, Centraal Economische Commissie d.d. 22.1.1951 (REA

31.1.1951).


72. Centraal Bureau voor de Statistiek, Zestig jaren statistiek in tijd-


73. Vierde Nota inzake de industrialisatie van Nederland, Handelingen van
der Staten-Generaal, 1952-1953, 2959.


75. Ibid, 116-118.

76. P. Fortuyn, Sociaal-economische politiek in Nederland 1945-1949,

77. Centraal Bureau voor de Statistiek, Tachtig jaren statistiek in tijd-

78. Ibid, 126-127.

79. Zestig jaren statistiek, 103.

80. Nota inzake de deviezenpositie, Bijlagen tot de Handelingen van de

81. See sources cited in Tables Nine and Eleven.

82. Tachtig jaren statistiek, 117.


86. Tachtig jaren statistiek, 117.

87. M.J. Baudet and G.J. Wijers, De economische betekenis van Nederlands-
Indië voor Nederland. Oude en nieuwe berekeningen, Economisch-Statis-
tische Berichten, 15.9.1976, 885-888.

88. Tachtig jaren statistiek, 144. The reason for the caution is that I have
gave doubts about the validity of the price deflator used to calculate
real national income in the inter-war years.

89. Nota inzake de deviezenpositie d.d. 31.3.1948. Bijlagen tot de Hande-

90. A.R.A., Kabinet (36) 351.88 (43): 341.221 Nota welke is uitgegeven naar
geallieerde Regeringen en voor publicatie d.d. 24.10.1944.

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92. Eelco Nicolaas van Kleffens (1894–1983). Worked as a civil servant at the Ministry of Foreign Affairs between 1922 and 1939. In 1939 he became Minister of Foreign Affairs in the last pre-war cabinet and held the post in the government-in-exile as well as in the first post-war cabinet. In March 1946 he became Minister without portfolio and, as such, represented the Netherlands at the UN. In 1947 he became ambassador in Washington and in 1950 he was transferred to Lisbon. His further diplomatic career included spells with NATO and the OEEC (1956–58) and the ECSC (1958–1967).


94. The Ministerial meeting was held on 28.9.1945 but the minutes are missing from files. I assume the plan was defeated since nothing more was heard of it.


96. A.R.A., MR (388) 27.5.1946.


99. See, for example, the discussions in A.R.A., MR (388) 9.9.1946, 16.9.1946.

100. Min. AZ, Kabinet, 351.88(4)075 Memorandum van de Nederlandsche Regering, gericht aan de de Regeeringen van Frankrijk, de Unie van Socialistische Sovjet Republieken, het Vereenigde Koninkrijk en de Vereenigde Staten van Amerika, betreffende de Nederlandsche territoriale en economische eisen ten aanzien van Duitschland d.d. 5.11.1946.

101. Willem Drees (1886– ). Followed a political career as member of the SDAP (see fn. 38) in various tiers of local government until in 1933 he became member of the Second Chamber. In 1940 he became leader of the parliamentary faction. During the War he was imprisoned in St. Michiels-gesteld and later in Buchenwald. Between 1945 and 1948 he was Minister of Social Affairs and then Minister-President, a position he held in various cabinets until 1958. Thereafter he became Minister of State. He remained active in the socialist party until 1971 when he resigned from the P.v.d.A since he could no longer support its policies.


105. Min. AZ, Kabinet, 351.88(44+493):33 Derde vergadering van den Conseil Tripartite (no date – the Council met in full session on 18 and 19 September 1945).


108. Min. AZ, Kabinet, 351.88(43):33 Memorandum betreffende de economische verhouding tussen Nederland en Duitsland d.d. 5.2.1946. This was already well known but it obviously did not harm to remind oneself now and then.


111. Min. AZ, Kabinet, 351.88(43):33 The Netherlands' General Attitude to Trade with Germany d.d. 13.9.1946. Proposal for a Central Body for Trade with Germany d.d. 16.9.1946 (both working papers for the negotiations) Onderhandelingen met OMGUS d.d. 23.9.1946.


113. Min. AZ, Kabinet, 351.88(43):33 Note Teppema to Van den Brink d.d. 5.8.1948.

114. Min. AZ, Kabinet, 351.88(43):33 Besprekingen over het handels- en betalingsverkeer met de Westelijke zones van Duitsland d.d. 5.4.1949.


118. Jan Herman van Royen (1905- ). Became a career diplomat in 1930. During the War he was imprisoned on a number of occasions but eventually escaped to London. Immediately after the War he became Minister without portfolio in the first post-war cabinet, in charge of Dutch representation at the UN. In March 1946 became Minister of Foreign Affairs. In 1947 he resumed his diplomatic career acting as ambassador, successively, in Ottawa (1947-1950), Washington (1950-1964) and London (1964-1970). Between 1949 and 1962 he also acted as the head of the Dutch delegation in negotiations with Indonesia.

119. Willem Schermerhorn (1894-1977). From 1926 he was a professor at the Technical Highschool in Delft. He was also a member of the Liberale Staatspartij and later the liberal Vrijzinnig Democratische Bond. During the War he was held prisoner at St. Michielsgestel. Immediately after the War he was one of the joint founders of the NVB but later joined the socialist PvdA (see note 24). He became the Minister-President of the first post-war Dutch cabinet. In 1948 he was elected member to the Second Chamber for the PvdA and between 1951 and 1965 represented the party in the First Chamber.
126. Min. AZ., 351.88(43):33 Letter Van Kleffens to Schermerhorn d.d. 3.7.1945 (enclosing a copy of the treaty).
128. Min. AZ., Kabinet, 351.88(44+493):33 Vergadering Conseil Tripartite van 29/31 Januari 1946. Teleurstelling over verloop Conseil (no date). It is unlikely that the Dutch would have agreed to an expression which included Italy and Switzerland alone. In his first report the chief Dutch delegate, Lamping, had commented that a Southwards expansion of the group would leave the Netherlands as a 'Northern Outpost'. What he preferred was a possible involvement of Scandinavia (see note 127).
131. A.R.A., REA (570) 16.7.1946. See also meetings 28.8.1946 and 3.9.1946 which both reaffirmed the Netherlands' unwillingness to countenance a customs union with France and Benelux alone.
136. Dirk Uipho Stikker (1897-1979) followed a career in various banks until 1935 when he became Director of Heineken brewery. He remained in the Netherlands throughout the War and in 1946 became a liberal member in the First Chamber (for the Partij van de Vrijheid which later became the Verbond voor Vrijheid en Democratie, the VVD).

145. Min. AZ, Kabinet, 351.88(42):33 Verslag der handelspolitieke besprekin­gen tussen Nederlandse en Britse vertegenwoordigers gehouden in Den Haag van 5 t/m 11 Februari 1948 d.d. 16.2.1948 and Verslag van de besprekingen in Londen inzake het handelsverkeer tussen Nederland en het Vereenigd Koninkrijk van 25 t/m 27 Februari 1948, d.d. 5.3.1948.
165. A.R.A., MR (586) Nota inzake het Plan Schuman, no date (REA 1.7.1950). Contains the conclusions of the special advisory committee set up by cabinet.
166. A.R.A., MR (586) Kort verslag van de eerste vergadering van de werkgroep institutionele vraagstukken op 5 juli 11 uur, Quai d'Orsay d.d. 6.7.1950 (REA 18.7.1950).
ARCHIVALIA

This paper is based largely on research into Dutch central government archives but owing to the pressure of time, the range of sources consulted has been than less than could ideally have been desired. Below an attempt has been made to explain the strategy followed and to describe the nature of the sources themselves. After each description is given full details necessary to locate the sources and the abbreviation employed in the text.

The level of policy with which this paper was primarily concerned was that formulated by cabinet. The minutes of the meetings of the full cabinet are deposited in chronological order in the Algemene Rijksarchief.

Algemene Rijksarchief, Notulen van de Ministerraad (Ministerraad box number) date (ARA, MR (box no). date)

The full cabinet, however, rarely concerned itself with purely economic matters unless they had a clearly political dimension (e.g. the German annexation question). The day-to-day discussions on economic topics devolved to a cabinet sub-committee, the Council for Economic Affairs, whose membership included only the ministers most directly concerned and, on an ad hoc basis, top civil servants, the President of the Netherlands Bank and the Director of the Central Planning Bureau. These too are in chronological order in the Algemene Rijksarchief.

Algemene Rijksarchief, Notulen van de Raad voor Economische Aangelegenheden (Ministerraad box number) date (ARA, REA (box number) date)

To keep matters simple in the text I have employed the term 'cabinet' both for the full cabinet and the economic subcommittee.

In addition to the cabinet minutes, the discussion papers were also consulted: firstly in their function as background papers to the cabinet discussions themselves and secondly because, on the many occasions when cabinet could agree, without discussion, to the recommendations they are the only source of information on the policy decisions actually taken. For the period after January 1950, they are relatively easy to locate, they are filed in the same chronological order as the minutes of the meetings themselves.
Before January 1950 the discussion documents (and others not discussed in cabinet) are collected in the 'cabinet' archive of the Ministry of General Affairs - a ministerial post held automatically by the Prime-Minister. This archive is arranged thematically, each theme with its own code number, and within each theme the order is chronological. The bulk of these documents are still in the archive of the Ministry itself.

Some parts of the 'cabinet' archive, however, have been transferred to the Algemene Rijksarchief. This includes all the documentation of the War-time cabinets and, most important from our point of view, the theme dealing with the European Recovery Programme. The system is exactly the same as that described above with the added stipulation that you need to know the box number to locate the document.

In addition, to clarify certain points or to trace documents which proved exceptionally illusive, use was made of the archives of the Ministries themselves. The archives of the Ministry of Economic Affairs are arranged by Department. Within each departmental archive groups of documents can be located by their archive number which seem to have been allocated in with no rhyme or reason. Within each file represented by an archive number, the order is chronological. The archives consulted at the Ministry itself were those of the Directorate-General for Industrialisation and the Directorate General for Trade and Industry (handel en nijverheid),

Ministerie van Economische Zaken, D.G., Industrialisatie, Archive number, Description of document, date
(Min. EZ, DG Industrialisatie, Archive number, Description of document, date)
That section of the Ministry of Economic Affairs archives dealing with foreign economic affairs (buitenlandse economische betrekkingen) has been transferred to the Algemene Rijksarchief. In this case the Algemene Rijksarchief box number has been used,

Algemene Rijksarchief, Ministerie van Economische Zaken, Buitenlandse Economische Betrekkingen, box number, Description of document, date

(ARA, Min. EZ, BEB, (box no.) Description of document, date)

Also under the administration of the Ministry of Economic Affairs is the archive of the Central Bureau of Statistics. This archive is broken down thematically with a number (E8 is national accounts) and individual pieces of research are then given a separate number, in no particular order.

Archief van het Centraal Bureau voor de Statistiek, Theme number/ box number

(Archief CPB, Theme number/ box number)

The archives of the Ministry of Finance is similarly divided into departments. Within each departmental archive the themes are coded and within each theme the order is chronological.

The archive consulted was that of the General Treasury.

Ministerie van Financiën, Generale Thesaurie, Code number, Description of document, date

(Min. Fin., Generale Thesaurie, Code Number, Description of document, date).
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Project Paper No. 6
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Project Paper No. 7
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