

# **Cooperation beyond competition**

## **Business interest associations and the Dutch miracle, 1945-1970**

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### **1. Introduction**

Business interest associations played a vital role in the process of recovery and restructuring the Dutch economy after World War II. In the aftermath of this devastating war the Dutch economy had to be fundamentally modernized. Industry should replace agriculture as the main source of income for the fast growing population. This transition was fed by the fear of the Dutch government the nation would be reduced to a third rang economy. The loss of its colonies and the German hinterland which was ruined by the war, made the Dutch economy vulnerable. This threat had to be countered by an active industrialisation policy on the one hand and powerful cooperation between employers, employees and government on the other. This resulted in a complex network of organisations of different interest groups in industry and trade. The organisational network can be seen as the foundation of the amazing post-war recovery and the economic growth of the economy in the Netherlands, which is described as ‘the Dutch miracle’.

A new political setting in which socialists and corporatist Catholics dominated the scene, stimulated the teamwork between employers, employees and government. Their Red-Roman-coalition designed new legislation which instituted this cooperation. Under the supervision of the government public-private organisations brought together representatives of business and labour in many branches. They discussed problems and subjects of interest to specific parts of the economy. Apart from the application of new legislative rules they engaged in lobbying, enhancement and control of quality and in stimulation of trade and export. This wide organisation was headed by a Social Economic Council in which

representatives of labour unions and the main employers' associations together with members appointed by the government, discussed issues of general economic interest like investment climate, social justice and productivity.

Businessmen were not always devoted to this public-private organisation in which they had to work closely together with representatives of their employees. Besides, many industry-related issues could not be discussed in the new institutions and in many industries such a public-private association did not come to the fore. For these reasons the self-regulating business interest associations that already played a significant role in the pre-war period and had been dismantled during the war, were revitalised. Many business interest associations existed alongside the public-private institutions. By the mid 1950s most of the pre-war organisations had been revived. Though there is discussion on the exact numbers, it is clear that Dutch business was intensely organised and hundreds, and probably more than a thousand associations were active. Under the new political and economic conditions of these years they had to renew and reposition themselves to find a new stance.

This paper wants to describe and analyze the way these business interest associations were organised and how they managed the flow of information, control and advice. What drove business men away from the public-private organisation? Why did they again seek cooperation with their fellow businessmen and potential competitors and re-install the pre-war associations? Ultimately it raises the question how they contributed to the success of Dutch business in the 1950s and 1960s.

## **2. The roots of business association**

The emergence of the business interest groups is often seen as a reaction to two different developments. On the one hand it is explained by the appearance of trade unions, which stimulated collusion among businessmen. Entrepreneurs thought it necessary to organize as a kind of countervailing power. Especially within the theory on corporatism this is seen as one of the most important incentives for the emergence of business interest associations. Structure and performance of business interest associations are in this vision induced and determined by other organizations, like the state or trade unions.<sup>1</sup> On the other hand, economic determinants should also be taken into account to explain the increase of joint action among businessmen.

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<sup>1</sup> See for example: F. van Waarden, *Organisatiemacht van belangenverenigingen; de ondernemersorganisaties in de bouwnijverheid als voorbeeld* (Amsterdam 1989) 35 ff

Entrepreneurs focus on profitability, efficiency, quality and technical progress. To eliminate risks and control prices and production, firms formed associations.<sup>2</sup> Stressing these factors, business interest associations should be seen as a step in the sequence of collusive practices, ranging from informal agreements and cartelization to full mergers and acquisitions.<sup>3</sup>

In contemporary literature the economic factors were also seen as one of the chief functions of an association. Already in the 1920s Liefman stressed the importance of these motives for the rise of trade associations and other forms of cooperation between companies. But also more recent scientists like Wilson and Lypczynski pointed to the collusive motives behind the trade associations.<sup>4</sup> It should be noted that as long as these associations did not attempt to interfere with the independent decision-making of its members, the association ought to be seen as an organization separate from a cartel. When the associations devote themselves to other activities, such as fixing prices, restriction of output or allocation of specific markets to different firms, they cannot longer be seen as non-competitive organizations. As Chandler and others made clear, the line between these two different purposes can be blurred.<sup>5</sup>

The appearance of business interest associations in the Netherlands starts in the late 19<sup>th</sup> century, but the phenomenon became more visible during the first decades of the 20<sup>th</sup> century. Traditionally, emergence of the business interest associations has been explained as a countervailing action of businessmen towards the success of trade unions. During the 1910s these trade unions increased exceedingly in the Netherlands and the number of employees that joint these unions tripled to 683.000. In 1920, about 40 percent of the employees belonged to one of the trade unions.<sup>6</sup> At the same time the number of business associations increased rapidly during the first decades of the twentieth century. Between 1907 and 1920 the Ministry of Economic Affairs counted an increase from 342 to 1666. A major problem in analyzing the business interest associations was the instability of these corporations. Associations fell apart and disappeared, dissenting groups split off and formed new alliances, other associations were

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<sup>2</sup> J.L. van Zanden and R.T. Griffiths, *Economische geschiedenis van Nederland in de 20e eeuw* (Utrecht: Het Spectrum 1989) 88-108; A.D. Chandler, *The visible hand; the managerial revolution in American business* (Cambridge/Mass./London: The Belknap Press of Harvard University Press 1977) 316-317; S. Casper, 'Contract law and corporate strategies' in: P. A. Hall and D. Soskice, *Varieties of capitalism; the institutional foundations of cooperative advantage* (Oxford: Oxford University Press) 394-395

<sup>3</sup> See, for example: B.Bouwens and J. Dankers, *Behind the clouds, cooperation in Dutch business around 1900* (paper ABH Nottingham, 2004)

<sup>4</sup> R. Liefmann, *Kartelle, Konzerne und Trusts* (Stuttgart: E.H. Moritz<sup>7</sup> 1927) 1-2; J. Lypczynski and J. Wilson, *Industrial Organisation; an analysis of competitive markets* (Harlow, England: Prentice Hall 2001) 53-57

<sup>5</sup> A.D. Chandler, *The visible hand; the managerial revolution in American business* (Cambridge, Mass.: The Belknap Press 1977) 315-317

<sup>6</sup> J.P. Windmuller, C. de Galan and A.F. van Zweeden, *Arbeidsverhoudingen in Nederland* (Utrecht 1990<sup>7</sup>) 58-59

created and existing forms of co-operation were centralized or decentralized. The administrators must have been puzzled. These problems were solved after 1920, when the government only collected the data of the most important and stable associations. As a result in 1936 the Ministry of Economic Affairs presented 748 associations of shopkeepers, craftsmen, manufacturers and traders. Most of these associations were founded during World War I and during the crisis of the 1930s.

The concentration and stabilisation of the trade associations was a reflection of the centralisation process that strengthened the position of the trade unions.<sup>7</sup> As a result the number of collective bargains started to increase in the 1920s and 30s also because of the growing influence of the government on the social-economic affairs after World War I and especially during the 1930s.<sup>8</sup> It should however be noted that most agreements between employees and employers still had a strong local or regional disposition. The extent or magnitude of the bargains decreased during the interwar years, which can also be seen as a result of the growing number of business interest associations. Membership of a business interest association became more attractive, especially after 1937, when the government introduced the Act on Collective Wage Agreements, which made these collective bargains compulsory for all employees in the branch concerned. The wage agreements got a more public character and became binding also for those employers and employees, not represented by negotiating partners. If a firm wanted to have influence on the wages that they were going to pay, the only way was to become a member of the association and voice its opinion.<sup>9</sup>

At the same time, the emergence of business interest associations reflects the economic development of the first decades of the 20<sup>th</sup> century. Most associations were founded during World War I and its direct aftermath and during the economic crisis of the 1930s. One could argue that the business interest associations were particularly ‘Kinder der Not’, founded to eliminate risks, to protect existing business interest and to control increasing competition. Especially firms that relied on trade were attentive to these developments of the business cycle and were the first to organize themselves through business interest associations. Shopkeepers, craftsmen, wholesalers, international merchants, service providers and manufacturers organized themselves during these periods.<sup>10</sup> The organisation of business

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<sup>7</sup> J.L. van Zanden and R.T. Griffiths, *Economische geschiedenis van Nederland in de 20e eeuw* (Utrecht: Het Spectrum 1989) 88-89

<sup>8</sup> J.L. van Zanden, *Een klein land in de twintigste eeuw; economische geschiedenis van Nederland 1914-1995* (Utrecht: Het Spectrum 1997) 82-86

<sup>9</sup> J.P. Windmuller, C. de Galan and A.F. van Zweeden, *Arbeidsverhoudingen in Nederland* 72-73

<sup>10</sup> F. van Waarden, ‘Regulering en belangenorganisaties van ondernemers’ 235

interest in associations was obviously a general strategy of all categories of entrepreneurs during periods of decline.

Thus the rise of business interest associations in the Dutch case seems not only to be a reaction to the organization of the laborers in trade unions. They should not at first and exclusively be seen as a countervailing force to the rising organizations of the working people. These associations were mainly organizations working in the interest of their members and before World War II most associations focused on these activities. They tried to influence the policy of the government, whether local, regional or national. Next to that the associations were a form of self-regulation in the way that they formulated the institutional context of the industry. The association was an instrument and alternative to the regulating process of the government. Through self-regulation the industry tried to prevent state-intervention. In fact the government stimulated the formation of business associations and during the crisis of the 1930's it relied heavily on them for the implementation of laws and regulations. Finally many associations gathered information on prices, sales, production and other facts that could be of importance for its members. Agreements on prices and sales, or cuts in production often followed these activities. Though these agreements proved not very easy to enforce and were not always successful, in fact this made the association cross the line and gave it the nature of a cartel. How did this widespread and rather influential network of associations that developed during the interwar period, react to the changes that World War II brought.

### **3. Building a public-private organisational network**

During World War II the Netherlands were occupied by German national-socialistic troops. The occupants intended to copy their own corporatist and authoritarian system to the Dutch business system. They dissolved the existing organisations of employers and employees and disowned their property. All the trade unions of different denominations were brought together in a single organisation that was a duplicate of the national-socialistic labour-union in Germany. The employers were also pressed to organise themselves in a authoritarian-corporatist way. The Rotterdam banker Woltersom, pushed by the Germans, took the initiative to organise all employers in a corporatist way according to the different sectors in which their company was active. In this Woltersom-organisation all entrepreneurs were forced to participate and to become member of a so-called Vakgroep or Hoofdgroep in the

branch to which their company belonged. This enforced organisation set up under German pressure in fact functioned as an instrument for the occupier to get a firm grip on Dutch business. Voluntary business associations were replaced by compulsory organisations strictly organising all branches of industry and trade. The division into six main groups was copied from the existing Rijksbureaus, the organisation the Dutch government had set up just before the war to organise the distribution of raw materials among producers.

After the war this compulsory organisation was not dismantled. The division of Dutch business into six sectors, with numerous subdivisions, was maintained. Many organisations continued their activities under a slightly different name and often survived well into the 1950s. Apparently the collaboration that had been forced upon the employers during the war, had not been an exclusively negative experience.<sup>11</sup> In this period cooperation was paramount in Dutch economy. The recovery from the heavy war damages required teamwork of employers, employees and government. The organisation of Dutch business and the cooperation between the social partners had high priority on the political agenda. The after-war government of socialists and corporatist Catholics took an active stand in the Dutch economy. Improving productivity and stimulating industrialisation were seen as a condition for economic recovery. Employers and employees had to work together closely to reach the economic goals and spread prosperity. To that extent the Foundation of Labour which had to promote cooperation and communication between social partners was set up immediately after the war.

The leftist government though wanted to propel collaboration into all aspects of Dutch business in what was somewhat romantically called “a dream of partnership and mutual aid.”<sup>12</sup> The first attempt to organise Dutch business according to the socialist design of a planned economy and the catholic ideal of cooperation between employers and employees, however failed. It was rejected because the influence of the government would be too far-reaching. The liberal sentiments in Dutch economy were apparently too strong to accept a fully coordinated economy. Two years later the Catholic minister of Economic Affairs Van den Brink proposed a new more moderate law on the organisation of Dutch economy. In this public-private organisation, the so-called Publieksrechtelijke Bedrijfsorganisatie (PBO), employers and employees in a certain branch or sector of the economy would collectively decide on wages, prices, distribution and other conditions. In this way representatives from producers and labourers in for example the paper and board industry, the beer industry, life

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<sup>11</sup> F. van Waarden, 236-238

<sup>12</sup> A. Klamer, *Verzuiilde dromen; 40 jaar SER* (Amsterdam: Balans 1990).

insurance or trade, would collaborate to create the most optimal conditions for production and distribution. Of course this collective effort was directed at the common interest and prosperity of the Dutch population.<sup>13</sup>

The law in fact created a large extent of self-governance and gave priority to the initiative of employers and employees, while the government only had a stimulating responsibility. In this way it continued the Dutch tradition of delegating public, administrative functions to private organisations. This tradition already set in the 19<sup>th</sup> century and practised during the crisis of the thirties, fitted well into the protestant and catholic ideas on the role of the state. The socialists could accept this delegation because labour would have an equal position in the decision making process in these public-private organisations. This was symbolised at the top of the PBO. In the Social Economic Council, which in 1949 replaced the Foundation of Labour, employers and employees had an equal representation besides the delegates from the government. This council which formed the summit of the social partnership, gave advice to the government on all essential economic questions.<sup>14</sup>

Liberal economists and politicians criticised the public-private organisation. They preferred the market as the guiding principle for the economy and stressed the responsibility of entrepreneurs. The employers themselves were also not undivided. They feared a growing influence of the government and a decline towards state socialism. Most of all they were weary of the interference of civil servants and they criticised the influence of labour representatives on other questions than wages and labour conditions. The general interest which the public-private organisation wanted to improve, in their opinion stood opposite to the concerns of business and entrepreneurs. Because the interests of employers and employees on many subjects indeed proved to be opposite, the public-private organisation was actually a rather marginal success. Only in sectors like trade, food and agriculture this type of organisation came. This was because these branches were strongly affected by European regulation and thus dependent on cooperation with the government. In most branches loyalty of employers as well as employees proved to be first with their fellows, and second with the company in which they worked. Thus the work councils in which employees inside the company were represented proved to be more successful. At the same time the business

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<sup>13</sup> J.L. van Zanden, *Een klein land in de 20<sup>e</sup> eeuw; economische geschiedenis van Nederland 1014-1995* (Utrecht: Het Spectrum 1997) 170-182; K.E. Sluyterman, *Dutch enterprise in the twentieth century. Business strategy in a small open economy* (London/New York, 2005), 133-144.

<sup>14</sup> W.J. Geertsema, *Wet op de Publiekrechtelijke Bedrijfsorganisatie* (Amsterdam: C. van Santen 1950) ff; P.F. Maas (ed.) *Parlementaire geschiedenis van Nederland na 1945, deel 3; het kabinet-Drees-Van Schaik, 1948-1951; liberalisatie en sociale ordening* (Nijmegen: Gerard Noodt Instituut 1991) 437-438; SER, *Met raad en daad; visies op de toekomst van de overleconomie op nationaal en sectoraal niveau* (Den Haag: SER 2000)

interest associations, as well as the trade unions that had been flourishing in the 1930s , were revived.

#### 4. Repositioning the business interest association

During the first half of the 1950s most business interest associations were re-established and took up the activities they had in the decades before the war. The exact numbers of organisations in this period is rather unclear. The Social Economic Council counted 894 alliances of employers in 1980, but Van Waarden and De Vroom reviewed these figures and made an estimation of 1660 business interest associations.<sup>15</sup> Compared to the pre-war records – in 1936 the Ministry of Agriculture, Trade and Industry counted 748 organisations – these figures indicate a significant increase of organisation.<sup>16</sup> Research in the 1980s made clear that almost every firm with 30 employees or more was a member of a business interest association. Moreover, many firms combined memberships of different associations at the same time and joined local, regional and national organisations. Diversification strategies further promoted this trend. The degree of participation of employers in business interest associations was much higher as it was before the war and also in comparison with the trade unions, the employers surpassed the employees.<sup>17</sup> At the end of the 1970s the printing industry was for example completely organised. Also the diary industry, the chemical industries and the metal industries were highly organised and reached percentages of respectively 99, 95 and 85 percent.<sup>18</sup>

A presentation of the exact numbers of associations might be ambiguous, but two features become very apparent studying this phenomenon of the Dutch coordinated business system. Both a process of differentiation and concentration took place at the same time and caused the increase of the total number of organisations. The differentiation was mainly due to the introduction of new commodities and services that were unknown or not so widespread used in the decades before the war. Producers of cosmetics, packaging materials, liquid gas or even theatre productions organised themselves, among others. These associations were

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<sup>15</sup> *SER-almanak voor Sociaal-Economisch Nederland* (The Hague: SER 1980); B. de Vroom en B.F. van Waarden, 'Ondernemersorganisaties als machtsmiddel (I)', in: *ESB* 01-08-1984, 667

<sup>16</sup> *Verslagen en mededelingen van de Afdeling Handel van het Departement van Landbouw, Nijverheid en Handel; Overzicht van de in Nederland bestaande patroonsverenigingen* (The Hague 1936): National Archives, inv. 2.06.001, number 3986

<sup>17</sup> P.W.M. Nobelen, *Ondernemers georganiseerd; een studie over het Verbond van Ondernemingen in de periode 1973-1984* (Den Haag/Moordrecht 1987) 80-81

<sup>18</sup> B. de Vroom en B.F. van Waarden, 'Ondernemersorganisaties als machtsmiddel (I)' 664-670

relatively small and unknown to the consumers. Several industries and services that lacked an employers organisation before the war now founded an association. Examples of these are the assurance companies, the producers of rubber and plastics and the chimneysweepers.

Specialisation, differentiation, but also internal conflicts and new regulation caused the growth of the number of business interest associations.<sup>19</sup>

As a response on this development of differentiation and the existence of many small and medium sized business interest associations, that protected and provoked their own limited interests, many federations came to the fore. In the corporatist climate of these years federations put a heavy weight in representing the collective interests of Dutch industry with the government and labour unions (see section 2). They were invited by the government to discuss the future of the Dutch economy and represent the pan-industry interests. During the 1950s several of these federations merged and became really huge institutions. The *Centraal Sociaal Werkgevers Verbond* (Central Social Employers Association) for example, was a combination of 56 associations and counted in 1963 more than 12.000 members. During the 1960s the concentration of employers associations amplified because of the de-compartmentalization process in Dutch society. Catholic, protestant and neutral organisations were now much more prepared to cooperate. In 1967 the catholic employers federation, *Nederlands Katholiek Werkgevers Verbond*, and the protestant antipode *Verbond van Protestant-Christelijke Werkgevers in Nederland* merged into *Nederlands Christelijk Werkgevers Verbond*. This confederation became the largest employers' organisation in the Netherlands with 95 branch associations, and 300 individual firms. They covered almost all sectors of the economy and represented most larger corporate institutions.<sup>20</sup>

Also in the case of individual business interest associations a process of concentration occurred. Economic, social and technological specific organisations combined their activities and put religious and geographical barriers aside. For example, the five associations that worked on behalf of the metal and electronic industries joined their forces and established a federation in 1961.<sup>21</sup> These federations were important in the tripartite negotiations with employees and government, but in contrast to the specific business interest associations they

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<sup>19</sup> F. van Waarden, 'Regulering en belangenorganisatie van ondernemers' in: F.L. Holthoorn (ed.), *De Nederlandse samenleving sinds 1815; wording en samenhang* (Assen/Maastricht: Van Gorcum 1985) 238, 259-260

<sup>20</sup> J. Bruggeman en A. Camijn, *Ondernemers verbonden; 100 jaar centrale ondernemersorganisaties in Nederland* (Wormer: Inmerc 1999) 117-123, 206-209

<sup>21</sup> Annual report FME 1961; BHIC: Archive of Vereniging FME, inv.nr. 953

were less visible. In the perception of the firms, the real work was done by their own industry specific organisations.<sup>22</sup>

The existence of these federations, that were the major representatives of the industry and also for the most part bargained with the unions, stressed the individual business associations to rethink their position. The anti-cartel legislation of the 1950s also underpinned the necessity to find a new assignment. As a scaffold to make cartel agreements on prices, production and sales they were suspicious in this anti-cartel era. Nevertheless these organisations still had a reason for existence. To apply pressure on political decision making remained imperative, but also services to the members of the organisation and creating a common sense within the industry were important aspects. The line between competitive and non-competitive features of the interest organisations as mentioned in section 2 became beyond doubt less blurred. The emphasis was laid on the non-competitive characteristics in which the interference of the associations with individual and independent decision making of the firms was not longer apparent. Several new issues came about and turned out to be subjects that were ideal to handle within an interest association. The complex social security legislation, changes in pension funds, the use of representative advisory boards in firms, new tax legislation and environmental issues were a only a few of the new objects the industry had to cope with and in which the interest associations could play an important role. For the associations it was also essential to persuade their members that their activities were important. To communicate with their members became one of the main activities of many organisations. These activities served both internal as external goals to consumers. The number of associations that published a magazine increased enormously during the 1950s. Every association with self-esteem had its own periodical (see for example section 4).<sup>23</sup> Also the number of trade fairs increased and in their presentation the associations often made use of American marketing techniques to convince both their members and the consumers of the necessity of a powerful association. Collective advertisements were very popular these days. Between 1946 and 1955 44 campaigns were introduced to convince the consumer to smoke cigars, drink beer or buy toothpaste at the drugstore and not at the supermarket.<sup>24</sup>

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<sup>22</sup> W. Bos, *Werkgeversorganisatie; ondernemingsorganisatie; plaats en functie van de werkgeversorganisatie/ ondernemingsorganisatie in het Nederlandse sociaal-ekonomisch bestel* (Rotterdam: Universitaire Pers 1971)

<sup>23</sup> See for example: Algemeene Vereniging voor de Centrale Verwarmingsindustrie *Verwarming en Ventilatie* (from 1949 onwards); Vereniging van het Slagersbedrijf *De Slagerij* (1952). Vereniging 'De Nederlandse Bloemisterij' *Vakblad voor de bloemisterij* (1952)

<sup>24</sup> M.G.P.A. Jacobs en W.H.G. Maas, *Heineken 1949-1988* (Amsterdam: Heineken 1991) 22-31; W. Schreurs, *Collectieve reclame in Nederland* (Leiden/Antwerpen: Stenfert Kroese 1991) 41-51

The associations did not get tired of stressing the inevitability of profound communication on behalf of the common interests of their industry. On the other hand, their core business was not this kind of internal and external communication. More important was the intermediary function between government and industry. As said, legislation on cartelisation and other collusive practices, social security, tax-regimes, international affairs, company laws and environmental issues were, among others, very complex and the business interest association often played a crucial role in distributing and clarifying this kind of information. During the late 1960s and early 1970s, when the economy made a downward spiral in a very unfriendly climate for business, these associations became an even more active partner for the government. Lobbying, collecting data and negotiating with trade unions, consumers and other parties of the industry was just one side of the medal. Especially the organisations of structurally weak sectors such as textile, clothing, strawboard and footwear co-operated with the state to restructure their industry and tried to get away from the traditional and defensive ideas of their organisation. The case of the Dutch producers of paper and board will highlight these changes.

## **5. Tradition in transition: the case of the paper and board association**

The case of the *Vereniging van Nederlandse Papier- en kartonfabrieken* (VNP) will illustrate the change in activities the business interest associations made during the first post war decades. The origins of this association go back to the early twentieth century when 16 producers of paper and board founded an organisation that should initially instigate lobby activities towards the government (1904). It was however not until the 1930s that this organisation became a flourishing corporation and focal point of the industry. Agreements on prices, sales and production quota reduced competition and provided stability for the participants and became one of the core activities of the association.<sup>25</sup>

After World War II, the Dutch paper and board industry went through several stages of development. During the first years after the war, the Dutch government bound paper and board producers to a restrictive policy, which stated that raw materials and fuel that had to be imported would now be subjected to a quota system. Paper and board prices were fixed at this time and until the late 1940s companies were not able to effect expansion. During the 1950s

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<sup>25</sup> B. Bouwens, *Focus op formaat; strategie, schaalvergroting en concentratie in de Nederlandse papier- en kartonindustrie, 1945-1993* (Utrecht: DISS 2003) 88-91

and early 1960s competition was not particularly fierce and the output could easily be sold. Though the government still fixed prices to a certain degree, sheer cash flows made expansion possible. With sufficient raw materials to expand, the number of operation grew by about 35 percent during the first two decades after World War II. <sup>26</sup>After 1955, this was coupled with an increase in average machine width. The mid 1960s were a turning point for the Dutch producers of paper and board. This was the result of the expansion of production capacity in Europe and the rest of the world and the saturation of most markets. Especially Scandinavian and Finnish pulp producers challenged the Dutch and European industry by shifting the emphasis from pulp to paper. They had a clear competitive edge with the abundance of cheap raw materials and other advantages of vertical integration. While during the first half of the 1960s firms believed that horizontal concentration was the way to benefit from economies of scale, after 1965 corporate strategies also shifted to vertical integration and diversification. Vertical integration through long-term agreements with American, Canadian and Scandinavian pulp producers and attempt to acquire firms in the fragmented converting industry were no success. These strategies were insufficient to safeguard market positions or even to diminish transaction costs. The 1970s were years of a severe crisis. For the first time since World War II production dropped and most firms suffered losses. Expansion gave way to capital deepening and the restructuring of various segments of the industry. Research into the structure of the industry showed that its deterioration was not just a result of its cyclically sensitive character but also caused by failures in cost reduction and rationalisation. After a few years of assessing the strengths and weaknesses of the industry a path for its future was plotted. The industry would have a clear right to existence, even for bulk products that were manufactured with a base of waste paper.

As mentioned before co-operation was the slogan of the first post war years. The pulp and paper producers who were integrated in the Woltersom organisation in 1942 immediately re-established their association in December 1945. The discussions on the corporatist organisation of Dutch business (see section 2) did not result in a public-private network for pulp and paper producers. The members of VNP preferred self-regulation and wanted to act independent from other stakeholders in the industry. The creation of the *Verbond van Papier-, Strocarton- en Papierverwerkende Industrie* in 1949, in which VNP worked together with producers of strawboard and the converting industry to implement social security regulations,

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<sup>26</sup> In the early 1960s 170 machines were operational and the industry produced almost 1,5 million tons of paper and board annually.

was a compromise and a meeting halfway.<sup>27</sup> Social issues had always been very important in the industry and VNP took this up again. The interest association VNP tried to continue their activities just as before the war and they succeeded rather well during the 1950s and early 1960s. The collusive practices that went through the association was one of the main problems during the 1950s. Although cartelisation was fiercely debated from the early 1950s onwards, price agreements, production quota and quality agreements remained an essential part of the business. Again, VNP turned out to be the ideal stage to make these kind of collusive agreements. A statement of affairs in 1954 made clear that about 40 percent of total paper output was affected by such agreements.<sup>28</sup> Legislation on cartelisation by the Dutch and European governments in the years to follow was both sketchy and inconsistent. This made it possible to maintain existing co-operations until the early 1970s. VNP even worked together with her Belgian sister association Cobelpa and agreed that both industries would mutually respect prices, qualities and distribution systems. The activities within VNP could however not prevent the agreements from being very unstable. Asymmetry of market shares, product differentiation and, above all, diverging interests affected this volatility. During the 1970s cartel agreements were absent or – better to say – invisible.

During the golden years of the industry, apart from cartel agreements, VNP applied pressure on governments, made external and internal binding agreements, gathered data from the industry and tried to increase the commitment of their members.<sup>29</sup> One of the few new initiatives of these years was the introduction of a magazine. In collaboration with related associations that were united in the small federation *Verbond van Papier-, strocarton- en Papierverwerkende Industrie* VNP put out and distributed ‘het Bulletin’, in which for the industry interesting issues were presented. Both information on general economic and social issues, legislation, statistics, annual reports of (especially foreign) firms made this magazine a useful source for the Dutch producers of paper and board. The first post war years showed no spectacular differences, it was business as usual.

The 1960s were a turning point. Several developments forced VNP to shift its focus away from the common activities. The ideas of the EEC put pressure on the national industry and VNP became the vehicle for the producers of paper and board to go international and safeguard their interests in Europe. VNP indeed expanded its scope and participated in several

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<sup>27</sup> VNP to members, 04-01-1950; Annual reports *Verbond van Papier-, Strocarton- en Papierverwerkende Industrie* 1951-1955: Archives VNP, box 12

<sup>28</sup> VNP, Report on competition 1954: Archives Lona Smurfit Loenen, box 19

<sup>29</sup> Compare: D. Schmidt, J.P. van den Toren and M. de Wal, *Ondernemende brancheorganisaties; balanceren tussen belangen* (Assen: Van Gorkum 2003)

international organisations like the OESO *Pulp and Paper Committee* and the *Confédération Européenne de l'Industrie des pâtes, papier et cartons* (CEPAC). The pressure of international competition was however very limited in these years. More threatening and intimidating were the pressures of the market and the problems the industry faced during the late 1960s and early 1970s. Overcapacity and increasing competition put pressure on the Dutch paper and board producers and showed them how vulnerable they were. The problems were not only due to escalating oil prices, the crash of the system of stable exchange rates or the general decline of the economy, but also enhanced by the national policy with regard to energy and environment. Especially the environmental regulation became severe in these years and the paper and board industry – as a very large consumer of water and energy – had to invest in assets to produce more efficient and cleaner. The structure of the industry was discussed and it turned out to be inevitable to close down unprofitable and obsolete production units and raising the productivity of existing equipment. Needless to say, this was a very delicate matter. The business interest association VNP would play a crucial role.

From the late 1960s onwards VNP focused its attention on raw materials, environment, energy and trade. Cartels were not longer seen as the ideal instrument to change the economic tide. Through the business association the paper and board producers tried to find collective solutions. Initially they pressed their case at the Ministry of Economic Affairs and asked for a reduction of the gas prices, financial support for cultivating forests to safeguard the domestic supply of raw materials and tax regulation. Without the support of the government the future of the industry would be very insecure.<sup>30</sup> The Ministry of Economic Affairs that actively supported failing businesses in these years refused to provide these kinds of instruments without a more structural approach to change the industry. Several studies into the structure of the industry took place in which government and VNP worked closely together. Rationalisation, co-operation and investments in assets to reduce water pollution and increase energy efficiency were the core of the recommendations. Not everybody was pleased by the prerequisites of the state. Some VNP-members feared the loss of production capacity when the restructuring of the industry would take place. Nevertheless the necessity to change existing structures was unavoidable and the business interest association was the unbiased organisation to coordinate such a process. In these years VNP started several research projects to increase the input of waste paper, the use of water purifying plants and cogeneration installations. These researches were very successful and gradually changed the opinion of the

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<sup>30</sup> B. Bouwens, *Focus op formaat* 210-213

government. After 1975 restructuring the industry was not only a matter of rationalisation, reduction and cutbacks, but also got a more positive connotation. The activities of the business association opened the door to look at possibilities to increase the competitiveness of the industry. During the second half of the 1970s VNP members were, due to these efforts of their business interest association, heavily subsidized by the state to adapt their production facilities to the new standards. After the crisis of the 1970s, when Dutch paper and board industry did relatively well, VNP kept up with this line of activities. The traditional business interest association changed from a defensive and archaic into a dynamic and anticipating institution and by this re-invented itself.

## **6. Conclusion: battling the employees or contribution to success?**

The Dutch tradition of association and cooperation between businessmen was continued after World War II. In fact it was revived, because during the occupation all the existing organizations had been dissolved. The post war policy of the government was aimed at intensifying collaboration between employers, employees and the government in a concerted action to give a new lease of life to the Dutch economy. This business-labor teamwork was instituted within a legal framework, the so-called public-private organization. However, businessmen turned their back to this public-private organization and re-established their own business interest associations. The representation in the public-private organization and the bargaining with the trade unions was left to the federations in which the associations organized themselves. Thus the associations again became the classified domain of the employers. The re-emergence of business interest associations can - like in the beginning of the 20<sup>th</sup> century - be seen as an action to counter the power of the trade unions and to create a restricted organization for businessmen.

However creating a counterweight for the power of the trade unions definitely was not the only aim. Business associations flourished. Their numbers grew and their purposes and the composition of their membership differentiated. The associations of employers proved to be an ideal scaffold to make arrangements on prices, production and sales. One could argue that in the Netherlands and other Western countries, from the late fifties and early sixties onwards the claims for higher wages, but also rising competition and growing interference by the government with cartels and other forms of collusion, were an important incentive to form associations of businessmen. In the words of Chandler the associations were the practical

response to rising output and falling prices. The associations in this period mainly tried to maintain prices by curtailing production.

Apart from that, business associations found a new important role in the communication between the industries they represented and the government. From the 1950s onwards, new topics related to productivity, technology, social legislation and environment became imperative. The associations played a vital role in managing the flow of information that confronted Dutch business. Especially during the crisis of the late 1960s and 1970s they reformulated their purposes and became an active component of the industry. As a service provider the business interest associations took the initiative of restructuring industries and promoted the competitiveness and profitability of their members by research and development schemes and co-operation with other branches of industry. They combined forces with the government to find solutions that were in the interest of the businessmen they represented as well as other stakeholders. The business interest associations became an important associate of the government, who channelled their relevant issues through these institutions. From a traditional defensive institution they became a pro-active body that served the industry.