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Amsterdam's role as an international financial centre in Dutch-German economic relations, 1914-1931.¹

The German economic difficulties after the defeat in the First World War were threatening to have disastrous consequences for the Dutch economy. As a result of the adoption of free trade in the late 1860s, Dutch-German trade had expanded tremendously and both countries had become important trading partners. As a consequence of German industrialization, the Dutch port of Rotterdam had become an outpost to the Ruhr-district, a hub for an important part of German imports and exports.² Dutch industry profited immensely from this traffic, as did the services sector: at that time transshipment and inland shipping, and later also finance. The Dutch-German economic bonds were therefore strong, and a German economic recovery was thus important to the Netherlands. Immediately after the war, influential Dutch bankers such as C.E. ter Meulen of *Hope & Co.* and G. Vissering, president of the Dutch central bank, were internationally active, trying to enable not only Germany and Austria, but the entire world to resume international trade by way of international loans, barter, or bilateral clearing.³ When international loans to Germany were not forthcoming, the Dutch government – out of well-understood self-interest – decided to furnish a f 200 million loan with the Coal- & Credit Treaty of 1920, and four years later actively promoted the Dawes-loans.

The post-war financial situation also presented Amsterdam with the opportunity to consolidate and expand its position as an international financial centre, a position it had attained during the war. Dutch credit would be an important factor in Germany's economic development during the 1920s, thereby further enhancing the financial ties between both countries. This paper addresses the question of how the economic interdependence that existed between the Netherlands and Germany was expressed on the Dutch financial market. It is centred on the question how the policies of the Dutch central bank influenced the growth of the acceptance market and how the central bank dealt with the requests of the German banks that settled in Amsterdam during the 1920s to declare their acceptances bankable.

To answer this question, it describes the developments on the Amsterdam capital- and money market, focussing especially on the activities of the 52 German banks that established themselves there. At the capital market, during the period 1927-1930, 41.4% of all foreign emissions were of German origin while 75% of these would remain in Dutch hands. On the money market, 67% of all international short-term loans – a significantly larger percentage than the United States or England – were to German individuals and companies, indicating that Dutch credit was employed to further German economic activity that was in Dutch interest. The financing of trade – and especially raw materials for German industry and the German import of Dutch products – brought immediate economic benefit to the Dutch. Its growth was regulated by the *Nederlandsche Bank*, which in its function as central bank

¹ This subject is still under research, therefore this paper should not be quoted without prior consultation with the author. Email: euwe@fhk.eur.nl

² E.E. Eisen, 'The Structure of Rhine Traffic', in: *Economic Geography*, Vol. 10, No. 3 (July 1934), 254-267.

³ Archive DNB, 2.1/0332/1, Kredietverlening aan het buitenland, Duitsland, Verenigd Koninkrijk, Verenigde Staten van Amerika, plan Ter Meulen. Statutes, reports, meetings; Archive DNB, 7/0300/1, Barterinstituut (vereeniging voor den goederenruil) vergaderingen en besprekingen betr de oprichting in nederland van de vereeniging voor den goederenruil. Correspondence, reports, and minutes from meetings, Feb.-June 1920.

controlled the quality, the nature – only self-liquidating documentary drafts were eligible for rediscount – and the maximum volume of the acceptances. This policy focussed on a stable, controlled growth while promoting Dutch economic interests as much as possible, and, based on the development of its volume, can be judged to have been successful. An important element in this policy was the eligibility of the acceptances of the German banks for rediscount at the central bank. When in 1926, after years of regular and exhaustive consultation with the Dutch banks, their acceptances were declared bankable, the adverse effects on the acceptance market that some banks had feared, turned out to be non-existent.

The development of Amsterdam as an international financial centre

Prior to the First World War, Amsterdam had a capital market of some importance.⁴ Considerable sums were invested in Europe, North- and South America, Asia and Africa.⁵ The money market however, was almost entirely local.⁶ The vast majority of funds were furnished as so-called *prolongatiekrediet*: renewable credit on a monthly basis, using stocks as collateral. Call loans (day-to-day loans) and *beleeningen* (three month loans) were of negligible importance. From the 1870s until the emergence of the *Incasso-Bank* in 1890 the only banks providing acceptance credit (documentary drafts and financial bills) were the four most important banks.⁷ The total amount in acceptances grew from 17.5 million guilders in 1872 to 50.8 million in 1910 (an increase from 1.6% to 2.5% of GDP).⁸ Raw materials for Dutch industry were mainly financed through the London acceptance market, with prices and acceptances made out in pounds sterling.⁹ As of July 1914, according to an inquiry by the *Nederlandsche Bank*, the volume of outstanding loans on the money market amounted to 325 million guilders, of which 201 million was placed as *prolongatiekrediet* (hereafter referred to as: renewable credit).¹⁰

During the crisis leading up to the outbreak of war on 27 July 1914, lenders – who, like many people, were expecting problems – wanted to be liquid and gave notice on their

⁴ W.J. Hartmann, *Amsterdam als financieel centrum* (Gent 1937) 20; F.H. Repelius, 'Niederlande, Geld- und Kapitalmarkt' in: *Handwörterbuch des Bankwesens* (Berlin 1933) 383-387; 'Amsterdam als internationaal financieel centrum. I.' in: *Nieuwe Rotterdamsche Courant*, 19 Sept. 1925; 'Amsterdam als internationaal financieel centrum. II.' in: *Nieuwe Rotterdamsche Courant*, 20 Sept. 1925

⁵ Hartman, *Amsterdam als financieel centrum* 19; K.D. Bosch, *De Nederlandse beleggingen in de Verenigde Staten* (Amsterdam 1948) 74.

⁶ P.J.C. Tetrode, 'Het Buitenlandsch Kapitaal in Nederland' in: *Economisch Statistische Berichten*, 31 Jan. 1923. Tetrode was a member of the board of directors of the *Nederlandsche Bank*.

⁷ A. Houwink, *Acceptkrediet. Economische en bankpolitieke beschouwingen over den in het bankaccept belichaamden credietvorm* (Amsterdam 1929) 27-33.

⁸ C.D. Jongman, *De Nederlandse geldmarkt* (Leiden 1960) 130, table 'Accepten'; R.J. van der Bie and J.P.H. Smits, *Tweehonderd jaar statistiek in tijdreeksen, 1800-1999* (Amsterdam 2001); own calculations.

⁹ W.J. Schmitz, *Der Amsterdamer Geldmarkt mit besonderer Berücksichtigung der Zinsschwankungen* (Köln 1931) 31.

¹⁰ Jongman, *Geldmarkt* 156. Call money and credits on current account were f 3.5 en 5.3 million respectively, while *beleening* was negligible. Of note is that brokers on the exchange supplied a large number of *prolongatiekredieten* as advances on current account (nearly f 160 million). De Roos & Wieringa give the total as being f 460 million. However, they neglect to subtract f 135 miljoen that was passed among the members of the *Vereeniging voor den Geldhandel*. See: F. de Roos and W.J. Wieringa, *Een halve eeuw rente in Nederland* (Schiedam 1953) 81. The *Nederlandsche Bank* is a private institution, which has received by law a so-called patent or charter for the issue of banknotes. The bank is restricted by a number of regulations. However, the government has no direct influence on its policy.

outstanding loans. Simultaneously, stocks plummeted in value, causing a similar decrease in value on the collateral on existing renewable credits, and a scarcity of new renewable credit.¹¹ This was further complicated by a – albeit short-lived – run on savings accounts.¹² The *Nederlandsche Bank*, bound by its legal obligation to keep gold coverage of money in circulation at 40%, could only increase circulation by f 100 million. Therefore – and because the exchanges at Paris, Brussels, Frankfurt, Berlin, and Vienna had already been closed, potentially inviting trading from these exchanges¹³ – the board of the *Vereeniging voor den Effectenhandel* – the private association regulating the Amsterdam Exchange – fearing many debtors would be unable to fulfil their obligations, causing further disruption of the financial market, decided to close the Stock Exchange, thereby extending all credit for an unknown period. Two days later, the minimum coverage of the banknotes in gold was decreased to 20%, allowing the *Nederlandsche Bank* enough room to increase the amount in circulation. Nonetheless, the exchange would remain closed until 9 February 1915.¹⁴ Upon its reopening almost all of the formerly blocked renewable credits were completed before the year was out, as many people made a profit on the sale of their American stocks on the New York stock exchange and the amount of money available on the market increased rapidly.¹⁵ The significant expansion of the money market was partly a result of the fact that the war severely impeded international trade. This resulted in the gradual selling out of stores by Dutch companies both at home and abroad, and a growing stream of the proceeds to the Dutch banks. Another important factor was the influx of a growing amount of foreign capital – mostly from the central powers – in the form of stocks and floating assets. The latter consisted of the proceeds of German exports – many of which were destined for the Dutch colonies¹⁶ – as well as Mark balances and banknotes.¹⁷ Surprisingly, it would take until the 23rd of August 1916 before the German authorities took measures to stem the flight of capital. Still, after the war prof. G.W.J. Bruins, a close friend of G. Vissering, the President of the *Nederlandsche Bank*, and therefore in an excellent position to adequately judge this, estimated the total amount of flight capital that had flowed from Germany to the Netherlands during the war and the subsequent period of inflation at between f 500 and f 800 million (equivalent to between 9.4% and 15% of Dutch GDP in 1923).¹⁸ In 1924 the McKenna committee, researching for the Dawes-report, estimated the total German capital abroad at 6750 million Goldmark (f 4000 million at the pre-war exchange rate).¹⁹

¹¹ Jongman, *Geldmarkt* 158. Undoubtedly, this is a result of both the wish to retain liquid assets and the decline of the value of stocks. J.E.

¹² National Archive, 2.18.29, *Nederlandsche Spaarbankbond*, 1906-2000, Inv.nr. 15, Minutes of the general meeting July 2nd, 1920. Point 3, Annual report by the secretary.

¹³ Hartmann, *Amsterdam als financieel centrum* 22.

¹⁴ Jongman, *Geldmarkt* 158-160.

¹⁵ De Roos and Wieringa, *Rente* 86.

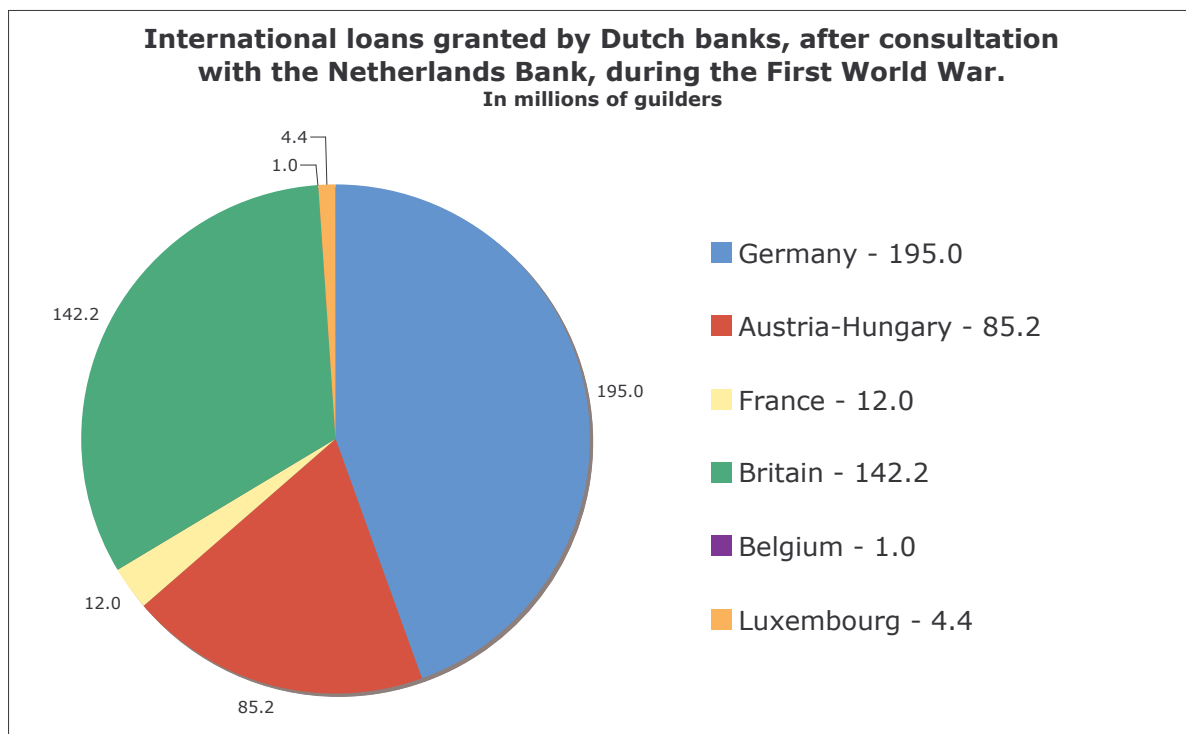
¹⁶ Archive DNB, 8/1501/1, Duitsland, conferenties met Duitsers, valorisatie, tarievenkwestie markenportefeuille dnb van voor 1914, H. Fabri, *Holland als doorvoerland en de huidige stand van het vraagstuk der Duitse spoorwegtarieven van en naar Holland*. Attachment to a letter by Fabri to Vissering, 26 Jan. 1926.

¹⁷ Hartmann, *Amsterdam als financieel centrum* 23, 32; G. Vissering, *Crediet-verleenen in Nederland* (Den Haag 1917) 13; Tetrode, 'Het Buitenlandsch Kapitaal in Nederland'.

¹⁸ J. Houwink ten Cate 'De Mannen van de Daad' en Duitsland, 1919-1939. *Het Hollandse zakenleven en de vooroorlogse politiek* (Den Haag 1995) 87; Idem, 'Amsterdam als Finanzplatz Deutschlands', in: *Konsequenzen der Inflation* (Berlin 1989) 149-179, there 156.

¹⁹ 'De rapporten van de comite's der Commissie voor Herstel. Het rapport van het comité-McKenna', in: *Handelsblad*, *Ochtendblad* 10 April 1924.

As a neutral country, the Netherlands was able to export its products to any country. Before the war, these had been financed through the London acceptance market. When this broke down as a result of the abandonment of the Gold Standard at the beginning of the war, Dutch imports and exports were financed in Amsterdam.²⁰ The president of the *Nederlandsche Bank*, G. Vissering, recognized the opportunity to expand the acceptance market and promote the use of acceptances in guilders.²¹ For the Amsterdam money market to be able to consolidate its new stature, the use of acceptances in guilders was important. The stability shown by the Dutch guilder was a great help in this regard, the British Journal the *Economist* stating as early as December 1915 that 'the position of the London exchange market is encroached upon by Amsterdam, so that Dutch currency has for the time being become a standard of value for other currencies'.²² With imports at a fraction of their pre-war level, the usual trade deficit became a trade surplus. As the conflict turned into a protracted war of attrition, this resulted in a marked increase in gold reserves. To limit this influx of gold, and its potentially harmful economic effects, the *Nederlandsche Bank* took on a central role in the granting of credit for foreign trade.²³ It guaranteed the loans, on condition that it was consulted beforehand, and the loans were in the common interest.²⁴ As collateral, treasury issues and industrial issues in guilders were deposited at the Dutch banks. The *Nederlandsche Bank* closely monitored both the nature and adequacy of these issues.²⁵ An overview of the loans, due after the end of the war, is given in graph 1. The importance of trade with both Germany and Great Britain is immediately apparent.



Source: Archive DNB; 2.1/332/1; kredietverlening aan het buitenland.

²⁰ Houwink, *Acceptcrediet* 37-43; Jongman, *Geldmarkt* 184-185, 189-190.

²¹ Vissering, *Crediet-verleenen* 12.

²² *The Economist*, December 18, 1915, 'Supplement' 9.

²³ Joh. de Vries, *Geschiedenis van de Nederlandsche Bank. Vijde deel: De Nederlandsche Bank van 1914 tot 1948. Visserings tijdvak 1914-1931* (Amsterdam 1989) 78-80.

²⁴ Vissering, *Crediet-verleenen* 15-16.

²⁵ Archive DNB, 2.121/153/1, Duits krediet, onderpand Duitse industrie en schatkistwissels. Dossier No.44, Valuta-regeling.

After the war, these loans turned out to be even more than the f 440 million recorded by the *Nederlandsche Bank*. A number of Dutch banks had not bothered to consult the central bank, and had granted an additional f 113 million to German customers, bringing the total credit granted to Germany to f 308 million.²⁶ Whether the loans extended to others, such as the British, were higher as well, is unknown. As of 3 February 1919, the total outstanding loans to the former belligerents amounted to f 499.3 million. Some of these loans had been granted after the war: as part of the General Agreement with the Allied powers, a credit of f 123 million had been agreed upon, while f 7.2 million had been loaned to others.²⁷

Because of the uncertainty regarding the conditions of the Treaty of Versailles, which was under negotiation at the time, the German banks sought extensions on their loans. In Switzerland this resulted in a general *sauf qui peut* in banking circles, but Dutch bankers remained calm²⁸ as many loans had already been repaid as they came due during the war, and this had continued after the armistice. Director Franz Urbig of the *Disconto-Gesellschaft*, acting as representative of the German banks, was in constant communication with the Dutch creditors.²⁹ The latter turned to the *Nederlandsche Bank*, which had to approve any extensions. Its attitude towards extending the German loans was generally sympathetic, though there was some concern about the quality of the collateral.³⁰ The banks regarded the situation as highly delicate, as they were unwilling to put their excellent and longstanding relations with the German banks on the line. Therefore the existing loans were – though often reluctantly – extended, and paid in due time.³¹

Foreign banks in the Netherlands

After the war, Germany needed to revive its international trade. Before the war, this trade had been financed through London. The branches of the German banks there, however, had been seized and liquidated by the British as enemy property. Furthermore, the first few years after the war they no longer had access to the London money market.³² Given the post-war circumstances, German banks needed a neutral country to conduct their international financial business.³³ The Netherlands were a logical choice, not only because of its geographical location, but also because of the stability of the guilder, the stable discount-rate and the low commission that was charged. As Norway and Sweden did not allow foreign

²⁶ Archive DNB, 2.132/151/1, Regeringskredieten 1914-1918, verlenging kredieten na de oorlog, verlenging duitse kredieten. Visit by Urbig to the secretary of the *Nederlandsche Bank*, January 8th, 1919.

²⁷ Archive DNB, 2.1/332/1, Kredietverlening aan het buitenland. Note dated February 3rd, 1919.

²⁸ Archive DNB, 2.132/151/1, Regeringskredieten 1914-1918, verlenging kredieten na de oorlog, verlenging duitse kredieten. Visit by Wertheim and Hartogh to the secretary of the *Nederlandsche Bank*, 3 December 1918.

²⁹ Archive DNB, 2.132/151/1, Regeringskredieten 1914-1918, verlenging kredieten na de oorlog, verlenging duitse kredieten. Contains minutes of various meetings of Urbig with officials of DNB and representatives of Dutch banks.

³⁰ Archive DNB, 2.132/151/1, Regeringskredieten 1914-1918, verlenging kredieten na de oorlog, verlenging duitse kredieten. Report of a meeting of Westermann with the president of the *Nederlandsche Bank*, December 6th, 1918, 11.45.

³¹ Archive DNB; 2.132/151/1; regeringkredieten 1914-1918, verlenging kredieten na de oorlog, verlenging duitse kredieten. Report of a meeting of J. Wertheim, Mr. Hartogh with the secretary of the *Nederlandsche Bank*, December 3rd, 1918, 11.30.

³² J.T. Madden and M. Nadler, *The International Money Markets* (London 1935) 466.

³³ Archive DNB; 2.1/0018/1; bevorderen betalingsverkeer met het buitenland vestigingen van buitenlandse banken in amsterdam; discontofaciliteiten. Visit by Redelmeier to the board of the *Nederlandsche Bank*, 19 February 1926.

banks to be set up, Switzerland was the only real competitor, but Berne discouraged the establishment of foreign banks, and was also regarded as being too isolated.³⁴ Already during the war, German banks planned to establish banks in the Netherlands,³⁵ resulting in the founding of the *Bank voor Handel en Scheepvaart* in July 1918 by Vulcaan Rotterdam, a subsidiary of the Thyssen concern that had already invested substantially before the war.³⁶ In December of the same year, it was followed by the *Internationale Wisselbank*, whose German directors had been bankers in Belgium and France before the war. By March 1926, the *Nederlandsche Bank* listed no less than 69 financial institutions it regarded as being foreign. The number of newly founded institutions was even larger however, as some had only had a short lifespan. The branch of the *Standard Bank of South-Africa* for instance, which had been the first to establish itself in the Netherlands after the war, was not on the list.³⁷ Three of these institutions already existed before the war, while the remainder had been formed between July 1918 and March 1926 (Table 1). The overwhelming majority was of German or Austrian origin, only six had their origins elsewhere: France, Liechtenstein (i.e. Germany), Sweden, the United States and Poland.³⁸

Table 1: *Foreign financial institutions in the Netherlands, 1918 - March 1926*

Year	Unknown	pre-1918	1918	1919	1920	1921	1922	1923	1924	1925	March 1926
Newly established	2	3	2	4	11	10	5	18	11	2	1
Total		3	5	9	20	30	35	53	64	66	69

Source: Archive DNB; 7/0831/1; vestiging van buitenlandse banken in nederland. Overview 'Niet zuiver Nederlandsche bankinstellingen, 26 Maart 1926.

Most of the new banks were subsidiary companies, and as such formally Dutch banks. Only the *Deutsche Bank* chose to open a branch.³⁹ The new banks had German business

³⁴ W.J. Schmitz, *Der Amsterdamer Geldmarkt mit besonderer Berücksichtigung der Zinsschwankungen* (Köln 1931) 13; E. Hellauer, *Internationale Finanzplätze. Ihr Wesen und ihre Entstehung unter besonderer Berücksichtigung Amsterdams* (Berlin 1936) 103-104; J.L. de Jager, 'De harde leerschool, 1914-1950', in: Joh. Vries, W. Vroom and T. de Graaf, ed., *Wereldwijd bankieren. ABN Amro 1824-1999* (Amsterdam 1999) 241-298, there 275; Archive DNB, 7/0831/1, Vestiging van buitenlandse banken in Nederland. Statements by Mr. Dr. Van Tienhoven, director of the Rotterdamsche Bank, regarding foreign plans to establish banks in the Netherlands, 1 March 1918 and 2 March 1918. In all probability, the fact that so much flight capital had amassed in the Netherlands was of importance as well.

³⁵ Archive DNB, 2.1/0018/1, Bevorderen betalingsverkeer met het buitenland vestigingen van buitenlandse banken in amsterdam; discontofaciliteiten. Report on a telephone conversation between the secretary of the *Nederlandsche Bank* with Mr. Dr. J.P. van Tienhoven, director of the *Rotterdamsche Bankvereniging*, 8 October 1918; Archive DNB; 7/0831/1; vestiging van buitenlandse banken in nederland. Statements by Mr.Dr. Van Tienhoven, director of the Rotterdamsche Bank, regarding foreign plans to establish banks in the Netherlands, 1 March 1918 and 2 March 1918.

³⁶ Archive DNB, 7/0831/1, Vestiging van buitenlandse banken in nederland. Overview 'Niet zuiver Nederlandsche bankinstellingen, 26 Maart 1926, item no.12.

³⁷ Archive DNB, 2.1/0018/1, Bevorderen betalingsverkeer met het buitenland vestigingen van buitenlandse banken in Amsterdam; discontofaciliteiten. Report on a visit by the directors of the Amsterdam branch of the *Deutsche Bank*, 25 August 1921.

³⁸ Archive DNB, 7/0831/1, Vestiging van buitenlandse banken in nederland. Overview 'Niet zuiver Nederlandsche bankinstellingen, 26 Maart 1926.

³⁹ Archive DNB, 1.121/245/1, Corr. met G Vissering, allerhande onderwerpen: bib, reichsbank, kredieten oost-europa. Letter by Bruins addressed to Vissering, December 24th, 1925; Christoph Kreutzmüller, *Händler und Handlungsgehilfen. Der Finanzplatz Amsterdam und die deutschen*

connections, German customers, and German capital.⁴⁰ Many German industrial conglomerates, for instance, decided to ferry to Amsterdam the capital used for foreign transactions. This was not only done to safeguard this capital; the favourable Dutch tax laws were also duly noted.⁴¹ At first, the new banks limited their activities in the Netherlands to the arbitrage of currencies and the managing of German funds, by supplying short-term loans to German industry and the acquisition of Dutch stocks and treasury bills.⁴² Already in 1921 however, their activities were widening, much to the dismay of Dutch bankers. They started to attract Dutch deposits at a to Dutch banks astonishingly high interest of 6 to 7%. By lending highly rated currency such as Dollars, Pounds Sterling, and Guilders to Central European countries – mostly Germany – they were able to realize up to 12% interest on these deposits.⁴³

This is not to say that there were no longer any contacts with the London City, nor that these banks were only active in the Netherlands and Germany. *Mendelssohn & Co., Amsterdam*, for instance, co-founded the *Maatschappij voor Bank- en Handelondernemingen* in Amsterdam with the London firm of *Kleinwort, Sons & Co.* in 1922. The same year, these three firms founded *Kux, Bloch & Co.* in Vienna. The *Bayerische Vereinsbank* would later participate in the Viennese bank, after which the combination *Mendelssohn & Co., Kux, Bloch & Co.* and the *Bayerische Vereinsbank* would take a participation in the *Erste Ungarische Gewerbebank* (First Hungarian Bank for Industry). The latter was, on the instigation of its new owners, taken over by the large *Ungarische Allgemeine Creditbank* in Budapest, giving the German-British consortium a firm foothold in Hungary as well.⁴⁴ Foreign banks however, were not the only important institutions to settle in the Netherlands. Because of the exceptionally favourable tax laws regarding double taxation, many international holding companies opted to locate their headquarters in the Netherlands.⁴⁵ Because of the importance of its financial centre, Amsterdam was a favourite location, thereby further expanding its role.⁴⁶

The foreign banks contributed to a broadening of the infrastructure of the Amsterdam financial market. The capital that fled depreciation and taxation in Germany, Austria, and the Balkans⁴⁷ contributed to a growing supply of funds in search of short- and long-term investment. The reasons why so many of these funds sought refuge in the Netherlands both

Grossbanken (1918-1945) (Stuttgart 2005) 20. For clarity, in this text the newly founded banks of German origin are referred to as German banks.

⁴⁰ Hartmann, *Amsterdam als financieel centrum* 24.

⁴¹ Schmitz, *Der Amsterdamer Geldmarkt* 37.

⁴² Hartmann, *Amsterdam als financieel centrum* 24.

⁴³ Archive DNB, 8.2/2060/1, Duitsland, Duitse rijksbank. Report of a meeting of Ornstein with the president, the secretary, and director De Beaufort of the *Nederlandsche Bank*, July 5th, 1921; Archive DNB, 2.111.3/121/1, Letter by DNB to the minister of Finance, 27 aug 1923; Archive DNB, 2.1/0018/1, Bevorderen betalingsverkeer met het buitenland vestigingen van buitenlandse banken in Amsterdam; discontofaciliteiten. Meeting of Vissering, Van Vollenhoven, Defoer and the secretary of the *Nederlandsche Bank* with Paul May (Lippmann, Rosenthal & Co.), J.P. van Tienhoven and D. Ornstein (*Rotterdamsche Bankvereniging*), P. Hofstede de Groot (*Amsterdamsche Bank*), and J.M. Telders (*Twentsche Bank*), 21 March 1923.

⁴⁴ F. Benfey, *Die neuere Entwicklung des deutschen Auslandsbankwesens 1914-1925 (unter Mitberücksichtigung der ausländischen Bankstützpunkte in Deutschland)* (Berlin/Wien 1925) 155-156.

⁴⁵ Schmitz, *Der Amsterdamer Geldmarkt* 37.

⁴⁶ Idem

⁴⁷ Archive DNB, 2.3/2079/1, Invloed wegtrekken buitenlandsche saldi op positie nederlandsche gulden. Report with the same title, 5 December 1922.

during and after the war, are more or less the same as those that convinced the German banks, although in this case the fact that the Dutch banks guaranteed banking secrecy will also have been considered.⁴⁸ When the Mark was stabilized in the autumn of 1923, the German flight capital was only partially repatriated as there was still taxation to be avoided and residual fears of depreciation still existed. Moreover, any decrease was more than offset by the capital, which in the same year had started to pour in from Belgium, France, and Italy, as a result of monetary difficulties in those countries.⁴⁹

Although the influx of money from abroad was important, the funds generated by the Dutch economy should not be underestimated. Both the population as well as Dutch companies saved increasing amounts of money. The savings rates, for which data are available from 1923 on, rose from 4.3% to 8.7% of NNI in 1924, 11.1% in 1925, and would peak at 14.0 and 13.8% in 1928 and 1929. From then on, it would increasingly decline.⁵⁰ Part of the reason for this high rate was the taxation policy at the time, which had no corporate tax: taxes were only payable on dividends.⁵¹ Because many Dutch firms were a family business, they would thus refrain from paying dividends, choosing instead to keep the money within the company. Already during the war, savings were substantial. Companies as well as the general public had little opportunity to invest their earnings, and turned increasingly towards savings banks and the stock exchange.⁵² Thanks to the after the crisis of 1920 fast expanding economy – between 1922 and 1924 the GDP showed an average growth of 5.2%, and during the period 1925-1929 of 4.4%⁵³ – each year considerable sums were in search of investment. Apart from these savings, every year some f 250 million guilders was paid out as dividend from the Netherlands-Indies, while many fortunes that had been amassed in the Indies were put to work on the Dutch capital- and money markets.⁵⁴ Based on statistics for income tax and deposits, Hellauer calculates the average growth of Dutch capital for 1926 and 1927 as f 600 to 700 million per year, equivalent to 10 to 12% of GDP.⁵⁵

The capital market

Immediately after the war, the capital market at Amsterdam showed a flurry of activity, with many Dutch bonds being issued as the Dutch economy expanded, only to diminish when the global economic crisis of 1920 set in. The new German banks were very active in this

⁴⁸ Hartmann, *Amsterdam als financieel centrum* 24-25; Madden and Nadler, *International Money Markets* 426. In February 1923 the president of the *Nederlandsche Bank* had to appear in court to furnish information on a client. He declined to give specific information, which the court accepted. NA, DNB, inv. nr. 3319 DNB Commissie van Advies - 9 Feb. 1923.

⁴⁹ Hartmann, *Amsterdam als financieel centrum* 24-25; Madden and Nadler, *International Money Markets* 465-466; G.M. Verrijn Stuart, *Bankpolitiek* (Wassenaar 1935 (3rd revised printing)) 83.

⁵⁰ J.G. Post, *Besparingen in Nederland, 1923-1970: omvang en verdeling* (Amsterdam 1972) 38, Table 3: 'Nationale spaarquote en deelspaarquoten voor de periode 1923-1939 in procenten van het nationaal inkomen.' The savings rate is given by Post as the relation between net national savings and net national income at market prices.

⁵¹ Post, *Besparingen in Nederland* 43.

⁵² D.C. Renooij, *De Nederlandse emissiemarkt van 1904 tot 1939* (Amsterdam 1951) 61; Hartmann, *Amsterdam als financieel centrum* 23; National Archive, *Nederlandsche Spaarbankbond, 1906-2000*, 2.18.29, inv.nr. 15. Minutes of the general meeting July 2nd, 1920, point 7: speech by J.H. Lugt on the influence of the war on savings.

⁵³ CBS, *Macro-economische ontwikkelingen 1921-1939 en 1969-1985. Een vergelijking op basis van herziene gegevens voor het interbellum* (Den Haag 1987) 28

⁵⁴ Th. Metz, *Die Niederlande als Käufer, Hersteller, Vermittler und Kreditgeber. Grundsätzliches zum deutsch-niederländischen Warenaustausch* (Leipzig 1930) 18-19.

⁵⁵ Hellauer, *Internationale Finanzplätze*, 86-88; CBS, *Macro-economische ontwikkelingen 1921-1939 en 1969-1985*, 55; own calculations.

market, being especially interested in Dutch government bonds, and were considered to be responsible for the success of the many post-war Dutch issues.⁵⁶ Although between 1920 and 1924 there were some foreign emissions, it was only with the end of the crisis and the re-adoption of the gold standard in 1925 by a number of countries – among which the Netherlands, England, and Germany⁵⁷ – that the international capital market would expand significantly (Table 2). While Amsterdam would remain significantly smaller than London and New York, throughout the period 1922-1930 the volume of international emissions in Amsterdam was substantially larger than in Paris or any other market.⁵⁸ With regards to German bonds, Amsterdam was an important competitor to London, as already in 1926 more German bonds were issued in Amsterdam than in London.⁵⁹ Apart from the German offerings on the Amsterdam capital market (Table 3), a growing number of bonds and stocks from Belgium, Luxembourg and France were placed there. These foreign issues usually offered a better return than the local ones. This not only drew foreign capital, but Dutch investors as well. As a result, foreign issues were often greatly over-subscribed.⁶⁰ Overall, between 1927 and 1930 of the foreign bonds and stocks offered 41.4% were of German origin, while Belgium (12.3%), France (9.3%), South-America (8.3%) and the United States (7.7%) were of far lesser importance.⁶¹ According to Theodor Metz, who wrote extensively on economical issues during the interwar years, about 75% of these foreign issues would remain in Dutch hands.⁶²

Table 2: *Bonds and stocks issued in the Netherlands 1918-1931**

Year	(in millions of guilders)			(in percentages of total emissions)	
	Netherlands and colonies	Foreign bonds and stocks	Total	Netherlands and colonies	Foreign bonds and stocks
1918	663.1	-	663.1	100	0
1919	1209.9	-	1209.9	100	0
1920	1213.5	1.7	1213.5	100	0.1
1921	500.1	17.5	517.6	96.6	3.4
1922	448.3	21.5	469.9	95.4	4.6
1923	298.9	10.8	309.7	96.5	3.5
1924	394.4	49.1	443.5	88.9	11.1
1925	233.4	155.7	389.1	60.0	40.0
1926	264.3	300.7	565.0	46.8	53.2
1927	210.0	379.6	589.6	35.6	64.4
1928	428.6	377.4	806.0	53.2	46.8
1929	402.0	162.4	564.5	71.2	28.8
1930	439.3	250.7	690.1	63.7	36.3
1931	264.7	42.2	307.0	86.2	13.7

Source: D.C. Renooij, *De Nederlandse emissiemarkt van 1904 tot 1939* (Amsterdam 1951) 100; own calculations.

*: This category includes treasury bonds and security bonds.

⁵⁶ Tetrode, 'Het Buitenlandsch Kapitaal in Nederland'

⁵⁷ The German Reichsbank wanted to retain the right to choose whether it would export foreign currency or gold, should the need to stabilize its currency vis-à-vis the gold-point necessitate such an action. Therefore the *Nederlandsche Bank* was unwilling to export gold to Germany, which meant it was not recognized as having formally joined.

⁵⁸ Hartmann, *Amsterdam als financieel centrum* 174.

⁵⁹ Idem 26.

⁶⁰ Schmitz, *Der Amsterdamer Geldmarkt* 44.

⁶¹ F.H. Repelius, 'Niederlande, Geld- und Kapitalmarkt' 387.

⁶² Metz, *Die Niederlande als Käufer* 18.

Table 3: *German issues placed in the Netherlands, Jan. 1925 - March 1928*

Year	Currency, in millions						
	Dutch guilders	US dollars	GB pounds	Goldmark	Rentenmark	Reichsmark	Swiss Frs.
1925	14.9	21.7	1.0	1.3			8.0
1926	24.4	33.1	1.1	6.0	25.0		7.0
1927	34.3	17.3		22.0	2.0	32.5	6.0
Jan-Mar 1928	11.4	3.8		17.0	1.0	24.0	

Source: Archive DNB; 2.3/3053/1; Duitse emissies in Nederland. Notes by Vissering to Morgan, detailing the German issues placed each month.

The money market

Figures regarding the volume of the Dutch money market during this period are rare. According to a conservative estimate by Hartmann, the Amsterdam money market during the latter part of the 1920's had a volume of at least *f* 900 million, of which some 25% was of foreign origin.⁶³ According to Hartmann's calculations, 30% of the available funds were used at the acceptance market, where – according to director Redelmeier of *H. de Bary & Co.* – 75% of all credits were to German debtors.⁶⁴ When compared to information from the *Nederlandsche Bank* and the statistics given in the 'Reparations and War Debts Supplement' of the *London Economist* of 23 January 1932, this seems credible.⁶⁵ The extent of the economic bonds between the two countries is illustrated by the fact that in July 1931, at the time of the *Stillhalte*, 67% of Dutch short-term credits were from Dutch banks, individuals and companies to German individuals and companies. For the other major creditors, the United States and Great Britain, this was 28% and 40% respectively. At that moment the Netherlands was Germany's second largest creditor.⁶⁶ Much more than any other country, it seems the Dutch used the money market to actively promote German economic activity that was of benefit to the Dutch economy, which to a great extent relied on exports and transit shipping to Germany. By furnishing these loans, Germany could import products from the Netherlands and the Dutch East-Indies, while German industry was enabled to import the raw materials it needed, which were mostly shipped through Rotterdam and from there were transported to the Ruhr by Rhine barge or train. Given the importance of acceptances in financing international trade, and the volume of the Dutch acceptance market, it is therefore of interest to examine both the developments on the acceptance market, such as turnover and the role of the German banks, and the policy of the *Nederlandsche Bank*.

An acceptance is a form of credit where the drawer orders his bank to pay a specified sum of money to the bearer of the acceptance at a specified date, which during this period was usually three months in the future. The bank accepts responsibility for payment to a bona fide bearer who presents it with the acceptance at that time. Therefore, the creditworthiness of the drawer is not an issue for the bearer, only the banks' credit. The bank, in turn, either holds

⁶³ Hartmann, *Amsterdam als financieel centrum* 47-49.

⁶⁴ Houwink ten Cate, 'Amsterdam als Finanzplatz Deutschlands' 178.

⁶⁵ Archive DNB, 8.2/618/1, Report 'De buitenlandse credieten van Duitsland', based on the official German statistics, 16 December 1931; The relevant table from the *London Economist* is reproduced in: A.T. Bonnell, *German Control over International Economic Relations* (Urbana 1940) 36 (table 4). The information contained therein is with regard to the state of affairs on July 28th, 1931 (before the Standstill Agreement).

⁶⁶ *Idem*, 37 (table 5). At that time, German short-term debt to the Netherlands had significantly diminished. Nevertheless, it is likely that the ratio between debtors remained fairly constant.

the acceptance in portfolio or sells it to a third party. The acceptances bearing its stamp need to be eligible for rediscounting at – i.e. sell the acceptance to – the central bank because otherwise the bank's promise to pay would tie up its liquid assets. Basically, two kinds of credit are possible using this process: finance bills – basically a short-term loan against a lower interest rate than other kinds of short-term loans – and bills used to finance the importation of goods. The latter kind is of course in essence self-liquidating, as it is drawn against delivery of goods, which represent the value of the acceptance.

A prerequisite for a flourishing acceptance market is the existence of an active currency market, because unless both buyer and seller are using the same currency, there will have to be a moment when currencies are converted. Before the war, there had not been a currency market of importance. However, due to the combination of post-war monetary instability in many countries and the volume of the Dutch money market, such a currency market came into being. Because of diminishing activity of Dutch trade and industry during the war, account balances had grown considerably.⁶⁷ As these deposits could be requested at any moment, the banks were in dire need of short-term investments. Some of these were found in speculation *à la hausse* in the German Mark, which was steadily decreasing in value (but would not reach hyper-inflation for some time) as it was thought over and over again that this time, the German currency really had hit rock bottom, and would start to rise again. Dutch civilians and banks bought large amounts of Marks, which the German banks were only too willing to sell as both they and the German population (which was speculating *à la baisse* on a similar scale) expected the Mark to decrease still further in value.⁶⁸ With an estimated daily trading volume of 5 million pounds⁶⁹ (f 60.5 million at pre-war parity) the Amsterdam currency market was of great importance, but also suffered tremendous losses. This trading volume was only partly due to the German banks: several central banks from Central Europe maintained large balances in Amsterdam to support their exchanges.⁷⁰ As the currency market (and the use of currency options to safeguard against the then oftentimes wildly fluctuating currencies) was exceedingly important for the development of the burgeoning acceptance market, the *Nederlandsche Bank* was also actively involved, using a substantial portfolio of foreign acceptances and currency in order to restrict sudden fluctuations in the exchange rate.⁷¹

The popularity of acceptances had started to grow during the war, causing the president of the *Nederlandsche Bank* to conclude in June 1917: 'The Dutch florin has assumed a far greater significance on the international money and bill market, and this fact will come into even greater prominence when at the conclusion of peace the international bill market has recovered its freedom of movement on all sides.'⁷² He would turn out to be right, even though the 'freedom of movement on all sides' turned out not to apply to Germany. On

⁶⁷ 'Onze groote banken in 1918 en de voorafgaande 5 jaren.' in: *In- en Uitvoer. Handels-economisch maandblad voor Nederland en zijne kolonien* 23 July 1919; Hartmann, *Amsterdam als financieel centrum* 23.

⁶⁸ A. Frankfurter, *In klinkende munt. Herinneringen van een bankier* (Amsterdam 1961) 50; 'De Markenkoers' in: *H.D. de Vos' Wekelijksch Uitlotingsblad*, 1 Sept. 1921; 'De dalende mark. Hoogconjunctuur en beurswinst', in: *De Telegraaf*, 4 October 1921; 'De groote uitverkoop' in: *Handelsblad, Avondblad* 19 Nov. 1921.

⁶⁹ Kreutzmüller, *Händler und Handlungsgehilfen* 38.

⁷⁰ Madden and Nadler, *International Money Markets* 466; Hartman, *Amsterdam als financieel centrum* 24

⁷¹ Hartmann, *Amsterdam als financieel centrum* 60-62, 112-113.

⁷² G. Vissering, 'The Netherlands Bank and the War'. In: *The Economic Journal*, Vol. 27, No. 106 (Jun., 1917) 159-186, there 186.

the contrary, the Dutch acceptance (or bill) market would even gain extra impetus because of the restricted German access to the international money- and capital markets.

The development of the acceptance market was in no small measure the result of the policy of the *Nederlandsche Bank*. This institution not only strived to maintain a low and stable discount rate compared to competing financial centres,⁷³ it also regulated the growth of the acceptance market. To do so, it had two official instruments: firstly, it decided which banks were allowed to rediscount their acceptances with the bank; secondly, those banks whose acceptances were declared bankable were limited to a maximum amount payable based on the ratio between acceptances and the banks' own capital. This ratio was not a given, but depended on the risks involved with a particular portfolio. When the market was perceived to be instable, or when either individual portfolios or the market as a whole focussed too much on a particular commodity, the bank would adjust the ratio.⁷⁴ In 1917, the *Nederlandsche Bank* declared the acceptances created by Dutch banks to be bankable, subject to prior consent and their benefit to Dutch interests. Because this created a large amount of paperwork and caused considerable delays – therefore harming trade as well as the growth of the sector – in April of 1922 the rule of prior consent was dropped, though larger acceptances and those of a special nature still needed prior consent.⁷⁵ At that time, the German banks in Amsterdam were increasingly active on the acceptance market. Their acceptances however, were not bankable, meaning that the banks were not allowed to rediscount at the central bank. Therefore they were limited by the ratio of the obligations to pay and their capability to do so, unless they could resell their acceptances on the open market. As there was no market in Amsterdam for acceptances that were not bankable, these had to be refinanced on the money markets in London and New York.

Naturally, the German banks approached the *Nederlandsche Bank* with the request to declare their acceptances bankable. At first, the bank discussed the matter within its Commission of Advice, where the consensus was that there should be no discrimination against the new banks, as long as they were legally Dutch. Nevertheless, it was concluded that it would be prudent to see how these banks developed and whether they were here to stay.⁷⁶ When over a year and a half later the bank was again confronted with requests regarding rediscounting, the central bank decided to take soundings in the Dutch banking community. In a meeting of its Commission of Advice on 15 December 1922, and again on 22 December, their response – which was decidedly negative – was discussed.⁷⁷ In the judgement of both the Dutch banks and the *Nederlandsche Bank*, to grant the request would at that time not result in an expansion of the acceptance market. As the *Nederlandsche Bank* had no insight into the financial standing and activities of the German banks, the risks were also considered to be too great. In principle though, the majority of the members had no fundamental objections to granting the request at a later date. The following years, the question would arise regularly, every time resulting in a refusal. The reasons for this varied over time, from an assessment that the Dutch banks had more than enough capacity to ensure further growth, to a belief that the German banks would exclusively use German companies in all aspects related to their acceptances: German shipping companies, insurance, etcetera. An important and probably decisive argument, which was shared by the *Nederlandsche*

⁷³ G.W.J. Bruins, 'The Netherlands Bank, 1926-7', in: *The Economic Journal*, Vol.37, No. 148 (Dec., 1927) 672-676, there 675-676.

⁷⁴ Hartmann, *Amsterdam als financieel centrum*, 102.

⁷⁵ Archive DNB, 2.3/0681/1, discontering. Declaration by the *Nederlandsche Bank*, 7 Februari; Idem, Standard confirmation to the replies by the individual banks, 7 April 1922.

⁷⁶ NA, DNB, inv. nr. 3317. Commissie van Advies – 11 March 1921.

⁷⁷ NA, DNB, inv. nr. 3319. Commissie van Advies – 15 Dec. 1922 and 22 Dec. 1922.

Bank, was that the stability of the guilder would suffer because it was feared the German banks would work on too large a scale for the Amsterdam market. In the words of J.P. van Tienhoven of the *Rotterdamsche Bankvereniging* – one of the most important banks – he was ‘delighted when the German banks established themselves here and he would at this time [March 1923, J.E.] not like to see them leave.’ He was of the opinion that ‘they only help the Amsterdam market, as long as they are prevented from endangering the guilder, in other words: as long as their acceptances are ineligible for rediscounting.’ The possibility that these banks would relocate to another country because of the continued refusal was considered to be negligible, as their acceptances would not be bankable there either.⁷⁸

Early in 1924, a work-around was constructed: the German banks joined forces with Dutch banks, as well as banks from Switzerland, England and Sweden, and founded specialized acceptance institutions. In January and February, the *Internationale Bank*, the *Nederlandsche Accept Maatschappij*, and the *Internationale Crediet Compagnie* were founded. In October that year, the *Wolbank* followed. The latter specialized in the financing of the continental wool trade, which had shifted from Antwerp to Amsterdam after the war.⁷⁹ In March of 1925 – possibly in anticipation of the return to the gold standard in April that year, and the renewed international competition this would bring – the *Nederlandsche Bank* dropped the requirement that the acceptances eligible for rediscount had to further Dutch interests, thus paving the way for further growth. Now, it required that the acceptances would not harm these interests. In November of the same year, the Bank also recognized the need for a more active role of the bill brokers in order to assure a more even match between supply and demand on the bill market, which had been decidedly uneven. It enhanced the possibilities of the bill brokers to borrow money on acceptance credits, thereby enabling them to do more business.⁸⁰ It was in these circumstances, that W. Redelmeier, director of the German bank *H. Albert de Bary & Co.*, decided to use the media as a means to get the *Nederlandsche Bank* to declare the acceptances of the German banks eligible for rediscounting. In January of 1926, an article written by Redelmeier about the importance of the German banks in Amsterdam for the Dutch financial market appeared.⁸¹ Redelmeier made a thinly veiled argument that the German banks should be allowed to rediscount their acceptances at the *Nederlandsche Bank*. This time, the plea did not fall on deaf ears. Firstly, the article started a broad discussion in the Dutch media. The *Telegraaf* – a liberal-conservative daily newspaper – for instance, remarked that while the German banks had become an important factor in the Amsterdam financial market, they had done so without unduly competition with the Dutch banks. Yet they were still discriminated against, as they could not become a member of the stock exchange and their acceptances were ineligible for rediscounting.⁸² Once again, the *Nederlandsche Bank* decided to do a survey of the opinions

⁷⁸ Archive DNB, 2.1/0018/1, Bevorderen betalingsverkeer met het buitenland vestigingen van buitenlandse banken in amsterdam; discontofaciliteiten. Meeting of the board of the *Nederlandsche Bank* with representatives of the major Dutch banks, 21 March 1923; NA, DNB, inv. nr. 3319 Commissie van Advies – 2 March 1923; Idem, 23 March 1923.

⁷⁹ Madden and Nadler, *International Money Markets* 467; Jongman, *Geldmarkt* 225; National Archive, De Nederlandsche Bank 2.25.08, inv. nr. 3319. Commissie van Advies – 30 Oct. 1922.

⁸⁰ Archive DNB, 2.12/0282/1, Geldmarktbeleid, discontopolitiek faciliteiten aan wisselmakelaars ; speciale belenings en discontofaciliteit. 24 Nov. 1925 and 2 December 1925. Meetings of representatives of Dutch bill brokers with members of the board of the *Nederlandsche Bank*.

⁸¹ W. Redelmeier, ‘Die Deutschen Banken in Amsterdam’ in: *Jubileumnummer In- en Uitvoer*, Januari 1926.

⁸² *De Telegraaf*, 27 Feb. 1926.

within the banking community.⁸³ This was followed by a meeting of the board of directors with Redelmeier, who was asked how he envisioned the German banks would be able to promote further growth of the acceptance market.⁸⁴ Although the Dutch banks turned out to be still deeply divided on the issue, several influential bankers – most notably C.E. ter Meulen of *Hope & Co.* and A.J. van Hengel of the *Rotterdamsche Bankvereniging* – had changed their position and were now in favour, albeit solely regarding self-liquidating commercial bills: acceptances used to pay for goods. The latter was a standard condition for the bankability of acceptances with the central bank, however, it was thought the German banks would not always be entirely straightforward in this regard.⁸⁵

All things considered, the board of the *Nederlandsche Bank* was convinced the measure would indeed promote further growth and on 25 March declared the acceptances of the German banks to be – albeit within certain restrictions – bankable.⁸⁶ This may seem to have been unprecedented, as the German banks in London had never been granted this privilege by the Bank of England. It should however be noted, that the German banks in Amsterdam were, with the exception of the branch of the *Deutsche Bank*, formally Dutch banks, whereas in London the German banks had mostly had branches. Moreover, because of the size of the London money market the German banks had never needed this privilege. Interestingly, due to circumstances beyond the control of the central bank, the rate their acceptance credits commanded on the market was still – and would continue to be – slightly above prime rate.⁸⁷ Another year would pass, before in May 1927 the constrictions regarding the rediscounting by German banks were lifted. As of that date, those banks wishing to have the ability to rediscount their acceptances with the central bank, only had to report these. Except for the provisions of the arrangement of April 1922, the acceptance market was now free of limiting regulations. However, all participating banks were allocated a maximum sum of acceptances based on their balance – which they had to provide for inspection – and the precise nature of the acceptances was checked as well.⁸⁸ The control by the *Nederlandsche Bank* of both the quality and the maximum volume of the bills in circulation was thus still very much intact.

Despite the strict policy of the *Nederlandsche Bank*, it is difficult to say just how much of the success of the Amsterdam acceptance market, which in 1930 – despite the sudden rise of Paris as a financial centre after the stabilization of the Franc – was the largest on the European continent,⁸⁹ was due to its policy. The Bank wanted to ensure a steady rather than explosive growth, as it regarded stability on the Amsterdam financial market a prerequisite for the long-term establishment of an international financial centre. That this policy assured

⁸³ Archive DNB, 2.1/0018/1, Reports of meetings of representatives of leading Dutch banks, 5 – 25 February 1926.

⁸⁴ Archive DNB, 2.1/0018/1, Meeting of W. Redelmeier with the board of directors of the *Nederlandsche Bank*, 19 Februari 1926.

⁸⁵ Archive DNB, 2.1/0018/1, Meeting of C.E. ter Meulen with the board of the *Nederlandsche Bank*, 5 Feb. 1926; Idem, Meeting of A.J. van Hengel with the board of the *Nederlandsche Bank*, 4 Feb. 1926.

⁸⁶ Archive DNB, 2.1/0018/1, Declaration by the *Nederlandsche Bank*, 25 March 1926.

⁸⁷ 'Continental Discount Markets. I. – Amsterdam' in: *The Economist*, 4 October 1930.

⁸⁸ Archive DNB, 2.121.3/0010/1 Arrangement, betreffende discontabiliteit van wissels waaraan goederentransacties met buitenland ten grondslag liggen. Reports on total acceptances allowed versus actual acceptances in portfolio, and on the nature and quality of the material; Archive DNB, 2.3/0681/1, Disconterring. Declaration by the *Nederlandsche Bank*, 7 Februari; Idem, Standard confirmation to the replies by the individual banks, 7 April 1922.

⁸⁹ 'Continental Discount Markets. I. – Amsterdam' in: *The Economist*, 4 October 1930.

stable foundations for the acceptance market should be clear, and was demonstrated in July 1931 as Amsterdam banks remained unshaken when as a result of the *Stillhalte* all acceptances – and many other financial claims – on Germany were frozen.⁹⁰ Just how much its policy had actually influenced the growth of the market is another matter. When we regard the acceptances that were automatically eligible for rediscounting following the stipulations of April 1922 – also known as ‘Arrangement 4-22B’ – the market started to expand during 1924, and reached a new plateau at a turnover of on average 735 million guilders during the period 1927-1930 (Table 5). This was not the true turnover of the market as a whole, however. All acceptances used with regards to the financing of seasonal or storage credit, finance bills for companies, or acceptances for large sums had to be approved on a case-by-case basis by the Advisory Committee (*Commissie van Advies*).⁹¹ During the period of the expansion of the acceptance market, these specially approved acceptances remained fairly constant, albeit at a high level (Table 6).

Given the fluid nature of the money employed on the money market, and the acceptance market in particular, the interest rate will have been of importance. The discount rate was lowered several times during 1924 and 1925, and from April 1925 until October 1927 Amsterdam was considerably cheaper than its competitors. When eventually the interest rate had to be raised, it was at the same level as London. When the latter raised its discount rate in early February 1929, the *Nederlandsche Bank* was able to refrain from doing so until over six weeks later.⁹² A clear cause-and-effect relation can not be established however, as the period coincided with growing German economic activity due to the end of the hyperinflation in November 1923 and the adoption of the Dawes-plan in August 1924, and because the expansion on the Dutch market can not be compared to developments in other financial centres.

Table 5: *Turnover of acceptances, as reported to the Netherlands Bank under the stipulations of April 1922 (arrangement 4-22B), 1922 - 1933*

Financial year	Total, in million guilders	Divided by financier, in percentages			
		Dutch banks	'German' banks	Acceptance banks	Other foreign banks
1922 - 1923	36.2	100	0	-	0.0
1923 - 1924	34.6	100	0	-	0.0
1924 - 1925	59.0	95.1	0	4.9	0.0
1925 - 1926	130.3	87.1	0	10.4	3.2
1926 - 1927	368.8	80.9	0	14.7	16.2
1927 - 1928	709.5	74.7	16.6	4.7	27.8
1928 - 1929	707.5	78.6	15.8	3.3	16.9
1929 - 1930	798.8	75.3	16.3	1.7	54.3
1930 - 1931	723.9	76.7	15.1	6.1	14.9
1931 - 1932	376.3	81.7	12.6	4.4	4.9
1932 - 1933	215.0	82.2	12.0	5.1	1.4

Sources: Archive DNB, 2.121.3/0010/1, arrangement, betreffende discontabiliteit van wissels waaraan goederentransacties met buitenland ten grondslag liggen. arrangement, verstrekte opgaven gedurende een boekjaar. Miscellaneous reports for the period 1922-1933; own calculations.

⁹⁰ Hartmann, *Amsterdam als financieel centrum* 102.

⁹¹ NA, DNB, inv. nr. 3316 – inv.nr. 3328. Minutes of meetings of the *Commissie van Advies*, 1919-1933.

⁹² Hartmann, *Amsterdam als financieel centrum* 34-36.

Table 6: *Bills reported to the Netherlands Bank, Feb.1926 - April 1929*

Year	Month	Arrangement 4-22B	Special arrangement	Total
1926	February	45*	129*	174
	July	62	125	187
	October	72	84	156
1927	January	103	144	247
	April	125	169	294
	July	186	146	332
	October	182	144	326
1928	January	177	145	322
	April	162	137	299
	July	152	124	276
	October	161	124	285
1929	January	161	142	303
	April	224	141	365

Sources: Archive DNB, 2.121.3/0008/1, kredieten waarbij het buitenland betrokken is, n&e kredieten. Various reports, February 1926-April 1929; own calculations.

When the specialized acceptance banks were formed in 1924, their acceptances were immediately declared bankable. However, the market share of these new banks was small in proportion to the growth of the market during the same year (Table 5). When in March 1926 the German banks were allowed to rediscount their acceptances at the *Nederlandsche Bank*, followed by the decision, a year later, that they would have the same rights as the Dutch banks, these banks started to use the Amsterdam centre for part of the business they formerly conducted in London. The fears of both the Dutch banks and the central bank that the acceptance market would expand too fast because the German banks would conduct business on too large a scale – thereby endangering the stability of the guilder – were proven to have been unfounded. Because their acceptances were still above prime rate, the difference in cost between London, New York and Amsterdam was marginal to them, and they continued to do much of their business elsewhere. Again, the growth of the Dutch acceptance market was significantly larger than the market share of these banks (Table 5). Considering that the available credit on the market always far exceeded the actual volume of acceptances, and their small market share compared to the expansion of the market, the policy regarding the German banks had a relatively small impact on the development of the market.

Of far greater importance were the general restrictions regarding the discountability of acceptances. When in March 1925 the condition that each acceptance credit should further Dutch economic interests was replaced by the condition that they should not harm these interests, the potential for growth was multiplied. That this decision was not made earlier is not surprising, as the Dawes-plan had only been accepted six months earlier. Nevertheless the *Nederlandsche Bank* could have shown its faith in the German economy by revising its restrictions in August 1924. In view of the growth of the German economy that year, it is

* The figures available for February 1926 are divided in unusual categories: 'Arrangement 4-22B', 'Special arrangements', and 'Acceptance banks'. The bills accepted by the special acceptance houses were on average 1/3 under arrangement 4-22B and 2/3 on special dispensation from the *Nederlandsche Bank*. Using this formula, the total for the acceptance houses has been distributed across the two categories. The figures for the other months are the figures as reported to the *Nedelandsche Bank*.

quite likely that the turnover of the acceptance market would have expanded a few months earlier.

Conclusion

Thanks to temporary circumstances, Amsterdam was able to expand and consolidate its newly attained position as an international financial centre, and would be the most important financial centre of continental Europe during the period 1919-1930. During and immediately after the war, large amounts of flight capital from central European countries had found a safe haven in Amsterdam. In its wake, foreign – mostly German – banks were founded in the Netherlands as legally Dutch firms. As Germany did not have access to London – which prior to the war had financed its international trade – this was now for a large part done through these banks.

The economic ties between the Netherlands and Germany were apparent in all aspects of the financial market. On the capital market, during 1927 and 1930, 41.4% of all foreign emissions were of German origin. Some 75% of these would remain in Dutch hands. A far more telling illustration of the importance of the economic bonds between both countries can be found in the money market. Here, 67% of all short-term loans to German debtors were from Dutch banks, individuals and companies to German individuals and companies. The acceptance market, which was by its very nature – finance bills were not allowed – geared to financing trade, was for the most part used to finance German trade. 75% of all credit granted, was to German debtors. The development of the turnover of this market is a good indicator for both the extent of the financial ties and the effectiveness of the policy of the *Nederlandsche Bank*. The Amsterdam financial market could only try to profit from the international borrowing requirements. To do so, required for the acceptance market a low discount rate, a high maximum allowable total amount in acceptances, and the ability to rediscount acceptances with the central bank. The first two of these were always provided for. With regards to declaring the acceptances of the German banks to be bankable, the *Nederlandsche Bank* showed considerable caution. That the wishes of the German banks were not granted during and directly after the German inflation is understandable. That the adoption of the Dawes-plan did not merit such a gesture, is far less logical. In view of the limited effects on the expansion of the market when the wish of the German banks was finally granted, the negative influence of the delay was slight. Nevertheless, it probably did cause a delay of six months in the participation in the borrowing requirements of the already rapidly growing German economy.

Overall, the policy of the *Nederlandsche Bank* can be characterized as focussed on a stable growth of the acceptance market, while promoting Dutch economic interests as much as possible. That this occasionally harmed the short-term interests of the acceptance market was considered acceptable. Within the goals the *Nederlandsche Bank* had set itself, its policy can therefore be judged to have been successful. As has become clear from the consultations with other financial institutions with regards to the German banks, the *Nederlandsche Bank* attached great importance to its contacts with all financial institutions that were active at the Amsterdam financial market, and was also not inclined to disregard the media.