

Jeroen Euwe

## Amsterdam as an international financial centre, 1914-1933: a consequence of interwoven economies?

During the interwar years, Amsterdam was an important financial centre that could hold its own in the company of New York and London. This paper takes a closer look at the emergence of Amsterdam as a financial centre, and charts its heyday during the interwar years. It aims to answer the question as to when Amsterdam became an international financial centre, and which factors contributed to its rise. The extent of the role of Germany in this regard will receive special consideration, as will the policies of both the Dutch central bank and the Dutch government with regards to the financial market.

The main point made in my paper, is that:

1. The mutual economic dependency of the Netherlands and Germany was a key element in the development of Amsterdam as an international financial market.

Additionally, I argue that:

2. During the interwar years, Amsterdam was the third largest financial centre, after New York and London,
3. With regards to German issues, the Amsterdam capital market was of more importance than London,
4. Amsterdam was already an international capital market of some importance before the First World War,
5. During the First World War, as a result of Dutch neutrality and extensive loans to both Central Powers and the Entente, Amsterdam emerged as an important international financial centre, and that
6. The policy of the Dutch central bank and the Dutch government were of great importance in solidifying Amsterdam's position,

### *The Dutch financial market prior to the Great War*

The 1860's saw the emergence of a modern banking system in the Netherlands, as the *Twentsche Bankvereniging*, *Rotterdamsche Bank*, *Nederlandsch-Indische Handelsbank*, *Kas Vereeniging*, *Amsterdamsche Bank*, and the *Nederlandsch-Indische Escompto Maatschappij* were founded.<sup>1</sup> The connection to Germany, which at that time was turning into an important economic hinterland to the Netherlands,<sup>2</sup> and which would later become the most important debtor to the Dutch, was already firmly established by the founding of the *Amsterdamsche Bank* on December fifth, 1871. Its main founding partners were the German *Darmstädter Bank*, the A. *Schaaflhausen'scher Bankverein*, and the *Österreichische Creditanstalt für Handel und Gewerbe*, with smaller contributions made by a number of Dutch banks, among which were the *Rotterdamsche Bank* and the Amsterdam-based firms of *Lippmann*, *Rosenthal & Co.*, and *Wertheim & Gompertz*.<sup>3</sup> The new bank was intended to

---

<sup>1</sup> W.J. Hartman, *Amsterdam als financieel centrum* (Gent 1937) 19.

<sup>2</sup> Hein A.M. Klemann, *Waarom bestaat Nederland eigenlijk nog?* (Inaugural lecture Erasmus University Rotterdam 2006) 15-28.

<sup>3</sup> C.A. Verriijn Stuart, *Bankpolitiek* (Wassenaar 1935 (3<sup>rd</sup> revised printing)) 125; K. Strasser, *Die deutschen Banken im Ausland. Entwicklungsgeschichte und Wirtschaftliche bedeutung* (München 1924) 87.

stimulate trade with Germany, as well as connect the German and Dutch money markets, and to further the investment of foreign moneys on the Dutch market. This foreign capital was mostly of German origin, as the German money market was exceptionally liquid as a result of French payments after the Franco-Prussian War.<sup>4</sup>

At the time, Dutch investors were mostly interested in foreign securities. According to estimates by Verrijn Stuart these investments grew from a total of 643 million guilders in 1854-57 to 2,204 million in 1879-82, or 2,414 million when adjusted for inflation. Possession of domestic securities remained fairly constant during the period, increasing from 1,122 million to 1,190 million (1,282 when adjusted).<sup>5</sup> Unsurprisingly, foreign securities were prominent at the Amsterdam exchange. Especially Russian bonds, American mortgage banks, and American railroads were in high demand, with Amsterdam being the key financier of the latter.<sup>6</sup> Additionally, between 1880 and 1914 considerable sums were placed in Belgium, Bulgaria, Denmark, Austria, Hungary, Bosnia Herzegovina, German states and cities, Finland, France, Italy, Portugal, Romania, Serbia, Spain, Turkey, Sweden, Switzerland, Egypt, China, Japan, Cuba, Mexico, the United States, Argentina, Brazil, Chile, Nicaragua, and Russia.<sup>7</sup> At the end of the nineteenth century, the situation started to change. In 1883 the *Finantieële Maatschappij voor Nijverheidsondernemingen* (Financial Company for Industrial Companies) was founded with the express purpose of financing industry in the Netherlands and Dutch-Indies. It would turn out to be very successful, partaking in the establishing of numerous businesses, some of which would turn into the largest Dutch industrial companies.<sup>8</sup> Nonetheless, it would take until the beginning of the twentieth century, before the banks and the general public started to show an interest in domestic securities.

A generally favourable economic climate, starting around 1895 and lasting until the outbreak of the Great War, meant increased activity on the capital market, as not only established industries, but also new capital-intensive companies such as the chemical industry were attracting capital.<sup>9</sup> An important part in the economic upswing was the burgeoning transit traffic and associated activity through the port of Rotterdam as a result of the blooming of the German hinterland, which started with the founding of the *Rheinisch-Westfälische Kohlensyndikat* and several years later the *Stahlwerksverband*. Transit traffic at Rotterdam – 5 million tons in 1896 – had doubled by 1907.<sup>10</sup> The growing need of funds, resulting from the increasing economic activity, led to a concentration in banking circles. The process is widely regarded as having started in 1911, with the merger of the *Rotterdamsche Bank* and

---

<sup>4</sup> P.C. Harthoorn, *Hoofddlijnen uit de ontwikkeling van het moderne bankwezen in Nederland vóór de concentratie* (Rotterdam 1928) 64.

<sup>5</sup> C.A. Verrijn Stuart, *Inleiding tot de beoefening der statistiek* (Haarlem 1917) 355

<sup>6</sup> F. de Roos & W.J. Wieringa, *Een halve eeuw rente in Nederland* (Schiedam 1953) 8, 38; Hartman, *Amsterdam als financieel centrum* 19.

<sup>7</sup> Hartman, *Amsterdam als financieel centrum* 19.

<sup>8</sup> Roos & Wieringa, *Rente* 11.

<sup>9</sup> Idem 31-32.

<sup>10</sup> H.M. Hirschfeld, *Nieuwe stroomingen in het Nederlandsche bankwezen* (Roermond 1925) 9.

the *Deposito- & Administratiebank* into the *Rotterdamsche Bankvereniging*.<sup>11</sup> By way of mergers, participations, or downright acquisitions of – mainly – provincial banks, large banking corporations with greatly increased resources came into being. Two decades later, when the concentration process had run its course, the majority of Dutch banks were part of one of the groups headed by either the *Twentsche Bank*, the *Rotterdamsche Bankvereniging*, the *Nederlandsche Handel-Maatschappij*, the *Amsterdamsche Bank*, or the *Incasso-Bank*.<sup>12</sup> Before the onset of the First World War, the impact of this process was negligible however.

The Dutch money market was far less internationally active. The vast majority of funds were furnished as so-called *prolongatiekrediet*: renewable credit on a monthly basis, using stocks as collateral. Call loans and *beleeningen* (loans for three months) were of negligible importance. From the 1870's until the emergence of the *Incasso-Bank* in 1890 the only banks providing acceptance credit (documentary drafts and financial bills) were the *Amsterdamsche Bank*, the *Twentsche Bank*, the *Rotterdamsche Bank*, and the *Nederlandsche Handel-Maatschappij*.<sup>13</sup> The total amount in acceptances grew from 17.5 million guilders in 1872 to 50.8 million in 1910.<sup>14</sup> For the most part, raw materials for Dutch industry were financed through the London acceptance market, with prices and acceptances made out in pounds sterling.<sup>15</sup> As of July 1914, according to an inquiry by the Netherlands 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).<sup>16</sup>

Table 1: *Bonds and stocks issued in the Netherlands, 1904-1913*

Year	Dutch			Foreign*
	Business community	State	Total	
1904	61727	11009	72736	11562
1905	106054	45223	151277	
1906	56531	11138	67669	
1907	55204	31734	86938	
1908	89080	14587	103667	14042
1909	107716	19198	126914	

<sup>11</sup> More on the issue of the concentration in the banking business can be found in: Verrijn Stuart, *Bankpolitiek*; Westerman, W.M., *De concentratie in ons bankwezen* (Den Haag 1920), amongst others.

<sup>12</sup> Verrijn Stuart, *Bankpolitiek* 130-131, 208-213, 215.

<sup>13</sup> A. Houwink, *Acceptkrediet. Economische en bankpolitieke beschouwingen over den in het bankaccept belichaamden credietvorm* (Amsterdam 1929) 27-33.

<sup>14</sup> C.D. Jongman, *De Nederlandse geldmarkt* (Leiden 1960) 130, table 'Accepten'.

<sup>15</sup> W.J. Schmitz, *Der Amsterdamer Geldmarkt mit besonderer Berücksichtigung der Zinsschwankungen* (Köln 1931) 31.

<sup>16</sup> 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 miljoen. However, they neglect to subtract f 135 miljoen which was passed among the members of the *Vereeniging voor den Geldhandel*. See: De Roos & Wieringa, *Rente* 81. The Netherlands 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.

1910	98352	23087	121439	15177
1911	123965	75119	199084	
1912	111770	9540	121310	19041
1913	171633	41179	212812	

Bronnen: Renooij, D.C., *De Nederlandse emissiemarkt van 1904 tot 1939* (Amsterdam 1951) 111, 116, 145;

\*: F. De Roos en W.J. Wieringa, *Een halve eeuw rente in Nederland* (Schiedam 1953) 59.

According to a study by Brenninkmeyer, on the eve of the Great War circa half of the securities in Dutch possession was of foreign origin. Of the remainder, 25% consisted of colonial bonds, while the rest was of Dutch origin. Because of this, Hartmann concludes that Amsterdam was an international capital centre of some importance before the war.<sup>17</sup> His conclusion is supported by De Roos & Wieringa's assertion that the volume of foreign issues on the Amsterdam exchange increased rapidly during the latter part of the 19<sup>th</sup> century.<sup>18</sup> Renooij on the other hand, provides data that seem to undermine this portrayal of the situation. His data show the share of foreign issues to have been between 7.1 and 13.5% of all issues. However, they do not go back beyond 1904.<sup>19</sup> Given the fact that in 1918 the Dutch possessed f 941.5 million in Russian issues alone,<sup>20</sup> and the foreign issues during the period 1904-1914 amounted to at least f 60 million and at the very most f 120 million (during the years where no foreign emissions are shown, these did not total over f 10 million), it seems likely the amount of foreign issues declined during the decade prior to the war. Given the interest shown in Russian and American securities, the Russo-Japanese war and the following revolution of 1905, and the disposing of American securities during the crisis of 1907 may have been of influence.<sup>21</sup> Thus, the growing interest in domestic securities seems to have been accompanied by a temporarily diminished amount of foreign issues being offered. The conclusion that the pre-war Amsterdam capital market can be regarded as 'international' seems to be justified. The money market was not, however. During the First World War this would change, as Amsterdam would grow to be a fully-fledged international financial centre of great importance.

### *The First World War*

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 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.<sup>22</sup> This was further complicated by a – albeit short-lived – run on savings accounts.<sup>23</sup> The Netherlands Bank, bound by its legal obligation to keep goldcoverage of the money in circulation at 40%, could only increase circulation by f

<sup>17</sup> Hartmann, *Amsterdam als financieel centrum* 20. Hartmann bases his conclusion on a study by L. Brenninkmeyer: *Die Amsterdamer Effektenbörse* (Berlin 1920)

<sup>18</sup> Roos & Wieringa, *Rente* 57-58.

<sup>19</sup> D.C. Renooij, *De Nederlandse emissiemarkt van 1904 tot 1939* (Amsterdam 1951) 111, 116, 145.

<sup>20</sup> Archive DNB; 2.1/332/1; Kredietverlening aan het buitenland. Confidential note by G. Vissering, president of the Netherlands bank, to Ant. van Gijn. dated February 3<sup>rd</sup> 1919.

<sup>21</sup> De Roos & Wieringa, *Rente* 58.

<sup>22</sup> 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.

<sup>23</sup> Nationaal Archive, 2.18.29, Nederlandsche Spaarbankbond, 1906-2000, Inv.nr. 15, Minutes of the general meeting July 2<sup>nd</sup>, 1920. Point 3, Annual report by the secretary.

100 million. Therefore – and because the exchanges at Paris, Brussels, Frankfurt, Berlin, and Vienna had already been closed, potentially inviting trading from these exchanges<sup>24</sup> – 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 in gold was decreased to 20%, allowing the Netherlands Bank enough room to sufficiently increase the amount of money in circulation. Nonetheless, the exchange would remain closed until 9 February 1915.<sup>25</sup> Upon the reopening of the exchange, 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.<sup>26</sup>

The significant expanding 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. As the war went on, a growing amount of foreign capital – mostly from the central powers – started to flow into accounts at the Dutch banks.<sup>27</sup> Somewhat surprisingly, it would take until the 23<sup>rd</sup> of August 1916 before the German authorities took measures to stem this flight of capital. Still, after the war it was estimated that from 1916 until 1919, 6180 million Goldmarks worth of stocks had been brought into safety abroad. An additional 832 million Goldmarks worth of stocks had been confiscated by the authorities, and was sold abroad. The proceeds in foreign currency were used to pay for imports.<sup>28</sup>

As a neutral country, the Netherlands was able to export its (mostly agricultural and related) products to any country. The breakdown of the London acceptance market as a result of the dropping of the Gold Standard at the beginning of the war, made Amsterdam the new centre for acceptances used to finance Dutch imports and exports.<sup>29</sup> The president of the Netherlands Bank, G. Vissering, recognized the opportunity to expand the acceptance market and promote the use of acceptances in guilders.<sup>30</sup> According to the English *Economist*, by as early as December 1915, the Dutch guilder had become the standard for the valuation of foreign currency.<sup>31</sup>

As the conflict turned into a protracted war of attrition, the currencies of the belligerents depreciated, which seems to have led to the growing use of loans against a pre-determined rate of exchange and with a longer duration than the ninety-day acceptances.<sup>32</sup> As collateral, treasury issues and industrial issues in guilders were

---

<sup>24</sup> Hartmann, *Amsterdam als financieel centrum* 22.

<sup>25</sup> Jongman, *Geldmarkt* 158-160.

<sup>26</sup> De Roos & Wieringa, *Rente* 86.

<sup>27</sup> Hartmann, *Amsterdam als financieel centrum* 23; Vissering, G., *Crediet-verleenen in Nederland* (Den Haag 1917) 13.

<sup>28</sup> F. Benfey, *Die neuere Entwicklung des deutschen Auslandsbankwesens 1914-1925 (unter Mitberücksichtigung der ausländischen Bankstützpunkte in Deutschland)* (Berlin/Wien 1925) 35-37.

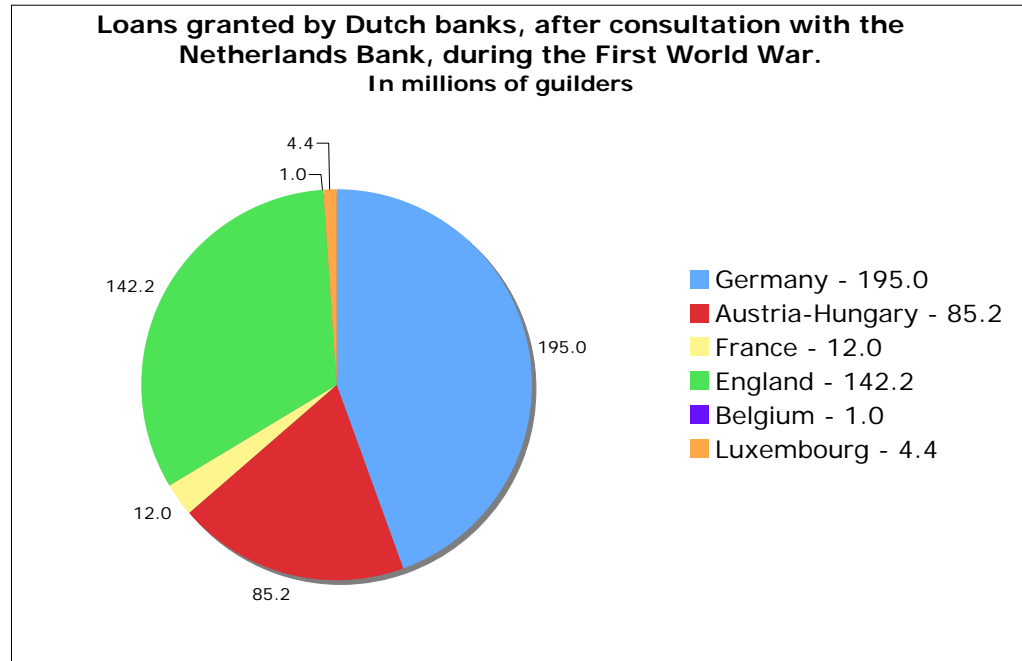
<sup>29</sup> Houwink, *Acceptcrediet* 37-43; Jongman, *Geldmarkt* 184-185, 189-190.

<sup>30</sup> Vissering, *Crediet-verleenen* 12.

<sup>31</sup> Jongman, *Geldmarkt* 189.

<sup>32</sup> This issue is currently being researched by the author at the archives of the Netherlands Bank.

deposited at the Dutch banks.<sup>33</sup> The Netherlands Bank fulfilled a central role in the granting of foreign credit. It guaranteed the loans, on condition that it was consulted beforehand, and the loans were in the common interest.<sup>34</sup> 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.

After the war, these loans turned out to be even more than the *f* 440 million recorded by the Netherlands Bank. A number of Dutch banks hadn't bothered to consult the central bank, and had granted an additional *f* 113 million to German customers.<sup>35</sup> Whether the loans extended to others, such as the British, were higher as well, is unknown.

With the growth and international orientation of the money market during the war, Amsterdam had grown into a fully-fledged international financial centre of international importance. Its importance would continue to grow after the Treaty of Versailles.

### *The Amsterdam financial markets, 1918-1929*

At the end of the war, Dutch banks had substantial international loans outstanding with former belligerents. As of 3 February 1919, these amounted to a total of *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.<sup>36</sup> Of the wartime loans, those granted to

<sup>33</sup> Archive DNB; 2.121/153/1; duits krediet, onderpand duitse industrie en schatkistwissels. Dossier No.44, Valuta-regeling.

<sup>34</sup> Vissering, *Credietverleenen* 15-16.

<sup>35</sup> 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 Netherlands Bank, January 8th, 1919.

<sup>36</sup> Archive DNB; 2.1/332/1; kredietverlening aan het buitenland. Note dated February 3<sup>rd</sup>, 1919.

Germany and Austria turned out to be potentially problematic. Because of the uncertainty regarding the conditions of the Treaty of Versailles, which was under negotiations at the time, German banks sought extensions on their loans. In Switzerland there was a general *sauf qui peut* in banking circles, but in the Netherlands bankers remained calm. Many loans had already been repaid as they came due during the war, and this continued after the armistice. The banks wanted to see the loans repaid, but 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 they were generally – though often reluctantly – willing to extend the existing loans.<sup>37</sup> Director Urbig of the Disconto-Gesellschaft, acting as representative of the German banks, was in constant communication with the Dutch creditors.<sup>38</sup> The latter turned to the Netherlands Bank, which had to approve any extensions. Its attitude towards extending the German loans was generally sympathetic, though there was some concern about the collateral.<sup>39</sup> A number of loans were extended for several months, and paid in due time.

Many German banks, whose branches and assets in London had been seized and liquidated during the war, opted to establish themselves in Amsterdam at this time.<sup>40</sup> Aside from the stable discount-rate and the low commission that was charged, the political stability, as well as the stability of the guilder and the Dutch neutrality certainly played their part in this decision, as did its geographical location: Switzerland, the only real competitor, was considered to be too isolated.<sup>41</sup> Most of the new banks were subsidiary companies, and as such formally Dutch banks, only the Deutsche Bank chose to open a branch.<sup>42</sup> The new banks had German business connections, German customers, and German capital.<sup>43</sup> Many German 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

---

<sup>37</sup> Archive DNB; 2.132/151/1; regeringskredieten 1914-1918, verlenging kredieten na de oorlog, verlenging duitse kredieten. Report of a meeting of J. Wertheim, Mr. Hartogh with the secretary of the Netherlands Bank, December 3rd, 1918, 11.30.

<sup>38</sup> 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.

<sup>39</sup> 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 Netherlands bank, December 6th, 1918, 11.45.

<sup>40</sup> J.T. Madden and M. Nadler, *The International Money Markets* (London 1935) 466.

<sup>41</sup> 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: Vries, Joh., W. Vroom and T. de Graaf, ed., *Wereldwijd bankieren. ABN Amro 1824-1999* (Amsterdam 1999) pp. 241-298, there 275. In all probability, the fact that so much flight capital had amassed in the Netherlands also played its part.

<sup>42</sup> 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 Grossbanken (1918-1945)* (Stuttgart 2005) 20. For clarity, in this text the newly founded banks of German origin are referred to as German banks.

<sup>43</sup> Hartmann, *Amsterdam als financieel centrum* 24.

also duly noted.<sup>44</sup> At first, the new banks limited their activities to the arbitrage of currencies – a German banker estimated the daily trading volume of currencies in Amsterdam at that time at 5 million pounds<sup>45</sup> – and the managing of German funds, by supplying short-term loans to German industry and the acquisition of Dutch stocks and treasury bills.<sup>46</sup> Already in 1921 however, their activities were widening to loans in other Central-European countries, and – much to the dismay of Dutch bankers – attracting Dutch deposits at an to Dutch banks astonishingly high 6 to 7% interest.<sup>47</sup>

By 1924, the German banks in Amsterdam were more firmly established than they had ever been in London before the war.<sup>48</sup> This is not to say, there was no longer any contact with the 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 consortium a firm foothold in Hungary as well.<sup>49</sup>

But foreign banks 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.<sup>50</sup> Because of the importance of its financial centre, Amsterdam was a favourite location, thereby further expanding its role.<sup>51</sup>

The foreign banks contributed to a broadening of the infrastructure of the Amsterdam financial market. The flight capital, in the wake of which the banks had reached Dutch shores, contributed to a growing supply of funds in search of short- and long-term investment. The reasons why so many of these funds – estimates range from f 270 to 800 million<sup>52</sup> – sought refuge in the Netherlands both 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 still adhered to full confidentiality will also have been considered.<sup>53</sup> From 1923 on, a substantial amount of capital poured in from Belgium, France, Italy and the Balkans, as a result of monetary difficulties in those

---

<sup>44</sup> Schmitz, *Der Amsterdamer Geldmarkt* 37.

<sup>45</sup> Kreutzmüller, *Händler und Handlungsgehilfen* (Stuttgart 2005) 38.

<sup>46</sup> Hartmann, *Amsterdam als financieel centrum* 24.

<sup>47</sup> 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 Netherlands Bank, July 5th, 1921; Archive DNB 2.111.3/121/1. Letter by DNB to the minister of Finance, 27 aug 1923; The fact that these banks were not allowed to discount at the Netherlands Bank appears to have been of little importance with regards to the attracting of deposits. J.E.

<sup>48</sup> Strasser, *Die deutschen Banken im Ausland* 35.

<sup>49</sup> Benfey, *Entwicklung des deutschen Auslandsbankwesens* 155-156.

<sup>50</sup> Schmitz, *Der Amsterdamer Geldmarkt* 37.

<sup>51</sup> Idem

<sup>52</sup> J. Houwink ten Cate, 'Amsterdam als Finanzplatz Deutschlands', in: *Konsequenzen der Inflation* (Berlin 1989) 149-179, there 156; Idem, *'De Mannen van de Daad' en Duitsland, 1919-1939. Het Hollandse zakenleven en de vooroorlogse politiek* (Den Haag 1995) 87.

<sup>53</sup> Hartmann, *Amsterdam als financieel centrum* 24-25; Madden & Nadler, *International Money Markets* 426.



countries.<sup>54</sup> Even when in 1923 the Mark was stabilized, and in 1924, when the Dawes-plan was accepted, nor when the French Franc began to be stabilized in 1925, did these moneys leave the financial market at Amsterdam.

Nevertheless, 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 rate, for which data is available from 1923-on, rose from 4.34% to 8.66% in 1924, 11.14% in 1925, and would peak at 14.02% in 1928, dropping to 13.79% the following year. From then on, it would increasingly decline.<sup>55</sup> Part of the reason for this high rate was the fiscal policy at the time, which had no corporate tax: taxes were only payable on dividends.<sup>56</sup> 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.<sup>57</sup> Thanks to the after the crisis of 1920 fast expanding economy – between 1922 and 1924 the GNP showed an average growth of 5.2%, and 4.4% during the period 1925-1929<sup>58</sup> – each year considerable sums were in search of investment. Aside 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.<sup>59</sup>

### *The capital market*

Directly 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. Although some foreign issues were made between 1920 and 1924, 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 (to a lesser extent) Germany<sup>60</sup> – that the international capital market would expand significantly (Table 2). Already in 1926, more German bonds were issued in Amsterdam than in London.<sup>61</sup>

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 native

---

<sup>54</sup> Hartmann, *Amsterdam als financieel centrum* 24; Madden & Nadler, *International Money Markets* 465; Verrijn Stuart, *Bankpolitiek* 83.

<sup>55</sup> 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.

<sup>56</sup> Post, *Besparingen in Nederland* 43.

<sup>57</sup> Renooij, *De Nederlandse emissiemarkt* 61; Hartmann, *Amsterdam als financieel centrum* 24; Nationaal 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.

<sup>58</sup> CBS, *Macro-economische ontwikkelingen 1921-1939 en 1969-1985. Een vergelijking op basis van herziene gegevens voor het interbellum* (Den Haag 1987) 28

<sup>59</sup> Th. Metz, *Die Niederlande als Käufer, Hersteller, Vermittler und Kreditgeber* (Leipzig 1930) 18-19.

<sup>60</sup> 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 Netherlands Bank was unwilling to export gold to Germany, which meant it was not recognized as having formally joined.

<sup>61</sup> Hartmann, *Amsterdam als financieel centrum* 26.

issues. This not only drew foreign capital, but Dutch investors as well. As a result, foreign issues were often greatly over-subscribed.<sup>62</sup>

Overall, about one third of the foreign bonds and stocks offered until 1928 was of German origin. According to Theodor Metz, who wrote extensively on economical issues during the interwar years, about 75% of all foreign issues would remain in Dutch possession.<sup>63</sup> Others at the time however, commented that bonds and stocks issued by German industry and commercial enterprises were acquired mostly by Germans. The plausibility of this, and the ensuing implications for the importance of Germany and German capital to the Amsterdam financial market, will be dealt with in a separate paragraph.

Table 2: *Bonds and stocks issued in the Netherlands 1918-1937\**

(in millions of guilders)

Year	Netherlands and colonies	Foreign bonds and stocks	Total
1918	663.1	-	663.1
1919	1209.9	-	1209.9
1920	1213.5	1.7	1213.5
1921	500.1	17.5	517.6
1922	448.3	21.5	469.9
1923	298.9	10.8	309.7
1924	394.4	49.1	443.5
1925	233.4	155.7	389.1
1926	264.3	300.7	565.0
1927	210.0	379.6	589.6
1928	428.6	377.4	806.0
1929	402.0	162.4	564.5
1930	439.3	250.7	690.1
1931	264.7	42.2	307.0
1932	368.7	23.4	392.1
1933	356.3	9.3	365.6
1934	362.2	0.2	362.4
1935	86.5	-	86.5
1936	312.2	0.4	312.7
1937	110.2	28.4	138.6

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

\*: This category includes treasury bonds and security bonds.

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

Year	Currency, x 1,000						
	Dutch guilders	US dollars	GB pounds	Goldmark	Renten- mark	Mark	Swiss Frs.
1925	14,860	21,700	1,000	1,250			8,000
1926	24,425	33,100	1,050	6,000	25,000		7,000
1927	34,320	17,300		22,000	2,000	32,500	6,000
Jan-Mar 1928	11,435	3,750		17,000	1,000	24,000	

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

<sup>62</sup> Schmitz, *Der Amsterdamer Geldmarkt* 44.

<sup>63</sup> Metz, *Die Niederlande als Käufer* 18.

Of far less importance to the capital market, yet still worthy of mention, were the activities of the specialized mortgage banks. These can be divided into three main groups: banks supplying mortgages solely on a national level, banks working abroad, and banks specializing in facilitating the financing of ships. The banks that were in the business of supplying mortgages on foreign markets, invested their funds mostly in the United States, Canada, Argentina, and South Africa.<sup>64</sup> The mortgage banks that specialized in the financing of ships also worked abroad, albeit only partly. Most of their foreign investments were made in German shipping, where some f 40 million was invested.<sup>65</sup> Given the importance of transit traffic to and from Germany by way of the Rhine, it is tempting to think the companies were financing inland shipping. As Germany had also lost much of its sea-going freighters during the war, no conclusions can be drawn at this stage.

Table 4: *Mortgage banks in the Netherlands, 1910-1933*

Jaar	National		International		Ships	
	Number of banks	Outstanding mortgages in mln guilders	Number of banks	Outstanding mortgages in mln guilders	Number of banks	Outstanding mortgages in mln guilders
1910	51	447			7	45
1918			11	72		
1920	52	594	26	175	13	85
1925	53	741	21	110	12	77
1929	55	933	20	95	12	108
1930	53	1014	20	89	11	116
1931	55	1051	18	79	11	113
1932	54	1040	17	66	11	106
1933	53	1028	17	47	9	97

Source: G.M. Verrijn Stuart, *Bankpolitiek* (Wassenaar 1921) 26-28.

### *The money market*

The post-war money market had expanded significantly vis-à-vis the pre-war situation. Account balances at the banks had grown considerably.<sup>66</sup> 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). Dutch civilians and banks bought large amounts of marks. 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.<sup>67</sup> In spite of the efforts by Vissering, renewable credits were still in important part of the money market. The new German banks however, were unable to furnish these particular loans, due to the fact the *Vereeniging voor den Effectenhandel* did not as yet allow them access to the stock exchange. Therefore they were unable to trade the collateral (stocks) for these loans.

<sup>64</sup> Verrijn Stuart, *Bankpolitiek* 27.

<sup>65</sup> Metz, *Die Niederlande als Käufer* 17-18.

<sup>66</sup> Hartmann, *Amsterdam als financieel centrum* 23.

<sup>67</sup> A. Frankfurter, *In klinkende munt. Herinneringen van een bankier* (Amsterdam 1961) 50; 'De dalende mark. Hoog-conjunctuur en beurswinst', in: *De Telegraaf*, 4<sup>th</sup> October 1921.

The most important developments occurred at the burgeoning acceptance market. Already in June 1917, the president of the Netherlands Bank concluded: '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.'<sup>68</sup> He would turn out to be right, even though the 'freedom of movement on all sides' turned out not to apply to Germany. On 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 growth of the acceptance market was in no small measure the result of the policy of the Netherlands Bank. This institution not only strived to maintain a low discount rate compared to competing financial centres,<sup>69</sup> it also regulated the growth of the acceptance market with its policy regarding which banks were allowed to rediscount their acceptances with the bank.

As of 1917, the Netherlands 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. At that time, the German banks in Amsterdam were increasingly active on the acceptance market. The Netherlands Bank however, did not declare their acceptances bankable. Therefore, these banks used the money markets at New York and London to refinance their acceptances. Early in 1924, a work-around was constructed: the German banks joined forces with the 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 wooltrade, which had shifted from Antwerp to Amsterdam during the war.

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 Netherlands 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. When a year later an article penned by director Redelmeier of H. Albert de Bary & Co. about the importance of the German banks in Amsterdam for the Dutch financial market appeared, the resulting broad discussion in Dutch financial circles ultimately moved the central bank to proclaim the acceptances of the German banks to be – albeit within some constrictions – bankable. On the face of it, this was 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 always had branches.

---

<sup>68</sup> G. Vissering, 'The Netherlands Bank and the War'. In: *The Economic Journal*, Vol. 27, No. 106 (Jun., 1917), pp. 159-186, there 186.

<sup>69</sup> G.W.J. Bruins, 'The Netherlands Bank, 1926-7', in: *The Economic Journal*, Vol.37, No. 148 (Dec., 1927), pp. 672-676, there 675-676.

Another year passed, before in May of 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, had to report these. The acceptance market was now free of limiting regulations.<sup>70</sup>

Table 5: *Turnover of acceptances at Amsterdam, 1925-1936*

(in millions of guilders)

Year	Author				
	De Roos	Hellauer		De Jager	Hartmann
	Not specified	Turnover	Outstanding at year's end	Turnover	Outstanding at year's end
1925					190
1926					275
1927			325		350
1928	ca. 325	1183	301		360
1929	ca. 350	1353	326	800	
1930	ca. 375				
1931	ca. 300				
1932	ca. 100				
1933	75				
1934	62				
1935	41				
1936	57				

Sources: The figures given by De Roos are cited in: Jongman, C.D., *De Nederlandse geldmarkt* (Leiden 1960) 226; Hellauer, E., *Internationale Finanzplätze. Iher Wesen und ihre Entstehung unter besonderer Berücksichtigung Amsterdams* (Berlin 1936) 121; J.L. de Jager, 'De harde leerschool, 1914-1950', in: Vries, Joh., W. Vroom and T. de Graaf, ed., *Wereldwijd bankieren. ABN Amro 1824-1999* (Amsterdam 1999) pp. 241-298, there 276; W.J. Hartmann, *Amsterdam als financieel centrum. Een beschrijvende, critische en vergelijkende studie* (Gent 1937) 36.

As a result of this gradual deregulation, the turnover of the acceptance market showed a steady growth. The turnover however, is as yet unknown. De Jager claims it reached f 800 million in 1929, while Hellauer sets the total at f 1153 million.<sup>71</sup> De Roos and others are more conservative in their estimates, citing statistics by the Netherlands Bank that convey a total turnover of f 350 million in the same year.<sup>72</sup> It is quite possible that both Hellauer and De Jager confuse turnover with available capital and reserves, or that the vast majority of acceptances were not reported to the Netherlands Bank, as the German banks often discounted their acceptances with third parties in London and New York.<sup>73</sup> An alternative, and more likely, explanation may be that the figures of the Netherlands Bank represent the acceptances outstanding at the end of the year, an argument which is further strengthened by the fact that both Hartmann and Hellauer explicitly state that their figures represent the total acceptances on the market at the end of the year. Given the three-month nature of the overwhelming majority of acceptances that were used, and a total working capital estimated at

<sup>70</sup> This overview is based on the work of Houwink, *Acceptcrediet* (42-45), Hartmann, *Amsterdam als financieel centrum* 32-37, Madden & Nadler, *International Money Markets* 464-472, and Jongman, *Geldmarkt* 183-226.

<sup>71</sup> J.L. de Jager, 'De harde leerschool, 1914-1950', in: Joh. de Vries, W. Vroom and T. de Graaf, ed., *Wereldwijd bankieren. ABN Amro 1824-1999* (Amsterdam 1999) pp. 241-298, there 27; Hellauer, *Internationale Finanzplätze* 121.

<sup>72</sup> Jongman, *Geldmarkt* 226. Jongman agrees with F. De Roos. *De algemene banken in Nederland* (Utrecht 1949) 97.

<sup>73</sup> Houwink, *Acceptcrediet* 44; Hartmann, *Amsterdam als financieel centrum* 33.

between f 400 and f 500 million,<sup>74</sup> a yearly turnover of between 800 and 1,353 million guilders no longer seems all that unlikely.

In October 1929, the American stock market crashed. The ensuing financial crisis in the United States forced American banks to consider their liquidity. Therefore they called in the short-term loans they had furnished to mostly German and Austrian banks and industry. As the Central-European banks had used these short-term loans to furnish long-term loans to their customers, this resulted in a banking crisis in these countries. In Germany, the Darmstädter und Nationalbank fell in July 1931, soon to be followed by others. As can be seen in tables 2 and 5, the volume of emissions of stocks and bonds and the turnover of the acceptance market fell steeply. After the German *Stillhalte*, foreign acceptances were rare.<sup>75</sup> While the Dutch banking system withstood the crisis, the heyday of the financial market at Amsterdam was over.

### *The importance of Germany*

The importance of Germany to the development of the Amsterdam financial market is a direct consequence of the mutual economic dependency that existed between the economies of both countries. Ever since the start of the industrialisation in Germany and the Netherlands, their economies became more and more dependent upon one another. Part of this was due to increasing trade between the two nations, but a large part was the result of increasing transit traffic by way of the Dutch ports (primarily Rotterdam) and the Rhine. At the outbreak of the Great War, the role of transit traffic through the Netherlands was considered to be so important, that Germany decided to respect Dutch neutrality. The Netherlands was to be 'unsere Luftröhre [...], damit wir atmen können.'<sup>76</sup>

After the war, this neutrality and the German reasons to respect it, as well as the liberal Dutch trade policy – which extended to the financial market<sup>77</sup> – made Amsterdam a logical choice for the establishment of German banks who were to finance its foreign trade, thereby further increasing the economic interdependence. That this fact was recognized can be concluded from the fact that Gerard Vissering, president of the Netherlands Bank, viewed the establishment of these German banks as both advantageous and desirable.<sup>78</sup> The active role, played by the Dutch government in increasing the available credit for Germany, such as the f 200 million loan granted with the Coal & Credit Treaty of 1920, or the active promotion of the Dawes-loans, can also be seen as such.

Some tentative conclusions regarding the importance of the German hinterland, and German capital, for the rise of Amsterdam as a leading international financial centre can be reached by taking a closer look at the sources of funds that were made available there, and how they were put to use on the money- and capital markets.

---

<sup>74</sup> Madden & Nadler, *International Money Markets* 470-471.

<sup>75</sup> Hartmann, *Amsterdam als financieel centrum* 37.

<sup>76</sup> Klemann, *Waarom bestaat Nederland eigenlijk nog* 11, 15-24, 46. The quote translates as: 'our windpipe, allowing us to breathe', and was uttered by German Chief of Staff Von Moltke in 1909.

<sup>77</sup> B.W. Kranenburg, *Hoofdtrekken der overheidsbemoeiing met het internationale betalingsverkeer in Nederland sinds 31 juli 1914* (Assen 1937) 9-11, 15-19.

<sup>78</sup> Archive DNB; 8.2/2060/1; Duitsland, Duitse Reichsbank, Diversen. Report by the advisory committee (Commissie van Advies) 11 maart 1921, Point 2: granting of facilities to foreign banks (Verleenen van faciliteiten aan buitenlandse bankinstellingen).

When we accept the estimate given by prof. dr. G.W.J. Bruins, a close friend of Vissering and therefore in an excellent position to adequately judge this, the amount of flight capital that came in from Germany was between f 500 and f 800 million. As according to Renooij (table 2) during the period 1918-1930 issues were placed at the Amsterdam capital market with a total worth at time of issue of f 8,431.5 million, of which f 1,727.1 million worth were foreign issues, the impact of German moneys on the capital market, though noteworthy, was not enough to warrant the conclusion, that Amsterdam was predominantly German-orientated. This is put even more into perspective when we consider that, according to his contemporary dr. Th. Metz, who was an active economic writer on the subject of the Dutch economy and its ties to Germany, about 75% of all foreign issues placed in Amsterdam until 1928 would remain in Dutch possession. The ratio of German issues versus other foreign issues was about 1/3, which, though considerable, does not merit the designation 'German financial centre'. It does, however, reflect the importance of the German economy to the Netherlands.

At the money market however, the situation was different. According to an 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.<sup>79</sup> How much short-term credit was extended to German clients at this time is as yet unknown. 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.<sup>80</sup> When comparing the statistics of the Netherlands bank (table 5) with the statistics given in the 'Reparations and War Debts Supplement' of the *London Economist* of January 23<sup>rd</sup>, 1932, this percentage seems credible.<sup>81</sup> Given the volume and economic importance of the transit traffic over the Rhine and the intensive trade relations between the two countries, this bias is hardly surprising.

The nature of the economic ties between the two countries is further reflected in the nature of the short-term loans granted by Dutch creditors to Germany. Whereas the granting of credit by other foreign lenders consisted mostly of loans from banks to banks, 67% of Dutch 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. In July 1928, when these figures were recorded in preparation for the Standstill Agreement, the Netherlands was Germany's second largest creditor.<sup>82</sup> From this, and the fact that most of the acceptance credits were extended to Germans, it seems the Dutch used the money market to actively promote German economic activity that was of benefit to the Dutch economy.

---

<sup>79</sup> Hartmann, *Amsterdam als financieel centrum* 47-49. In his calculations, Hartmann puts the share of the acceptance market at f 300 million. He probably assumes that the unused part of the working capital of those engaged in the acceptance business was employed elsewhere on the money market. J.E.

<sup>80</sup> Houwink ten Cate, 'Amsterdam als Finanzplatz Deutschlands' 178.

<sup>81</sup> The relevant table 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 28<sup>th</sup>, 1931 (before the Standstill Agreement).

<sup>82</sup> 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.

Jeroen Euwe

[euwe@fhk.eur.nl](mailto:euwe@fhk.eur.nl)

Room L3-73

Tel: (010) 408 2476

[euwe@fhk.eur.nl](mailto:euwe@fhk.eur.nl)

Faculty of History and Arts

Erasmus University Rotterdam

Burgemeester Oudlaan 50

P.O. Box 1738, 3000 DR Rotterdam

The Netherlands