



**SMALL FIRMS,
POLITICS, AND
CREDIT IN THE
NETHERLANDS:
1900-1980**

RUBEN PEETERS



SMALL FIRMS, POLITICS, AND CREDIT IN THE NETHERLANDS
1900-1980

Small Firms, Politics, and Credit in the Netherlands: 1900-1980

Kleine Bedrijven, Politiek, en Krediet in Nederland: 1900-1980
(met een samenvatting in het Nederlands)

Proefschrift

ter verkrijging van de graad van doctor aan de
Universiteit Utrecht
op gezag van de
rector magnificus, prof.dr. H.R.B.M. Kummeling,
ingevolge het besluit van het college voor promoties
in het openbaar te verdedigen op

dinsdag 29 juni 2021 des ochtends te 10.15 uur

door

Ruben Leo Maria Peeters

geboren op 30 november 1993
te Wilrijk, België

Promotoren:

Prof. dr. O.C. Gelderblom
Prof. dr. J.P.B. Jonker

Dit proefschrift werd mogelijk gemaakt met financiële steun van de Nederlandse Organisatie voor Wetenschappelijk Onderzoek (NWO) VICI-Beurs nr. 277-53-007.

Manuscript Committee:

Prof. dr. M. Prak

Prof. dr. C. Lemerrier

Prof. dr. J. Turner

Prof. dr. L. van de Grift

Prof. dr. J. van Zanden

voor mijn ouders

dla Michaliny

“When there is not much money, there is always a lot of calculating”

Ryszard Kapuściński, *Far Away*

“When you let me borrow money that you didn't really have 'cause you knew what I was worth (That's love)”

Odisee, *That's Love*

“The bank is something else than men. It happens that every man in a bank hates what the bank does, and yet the bank does it. The bank is something more than men, I tell you. It's the monster. Men made it, but they can't control it.”

John Steinbeck, *The Grapes of Wrath*

Acknowledgments

The saying goes that it takes a village to raise a child. I believe the same holds for a dissertation. I am convinced this dissertation would not have been possible without the support, guidance, and encouragement of many people around me. First of all, my gratefulness goes to my supervisors, Oscar Gelderblom and Joost Jonker. During the last four years, they taught me so incredibly much about research and teamwork. I want to thank them for believing in me and giving me this incredible opportunity. For broadening my horizons by enabling many interesting exchanges and conferences. For being understanding supervisors who cared about the people they work with and ensured everyone was heard and respected. But above all, I want to thank them for teaching me (and the Financial History Group) the importance of *bitterballen* after a seminar.

Before I continue to thank the people who helped bring this PhD journey to a fruitful end, I would like to start with thanking Ilja Van Damme who vouched for me and helped me get selected for this position in the first place.

I had an incredible time at Utrecht University, mostly thanks to the nice and supportive people of the Economic and Social History Research Group and the Financial History Group who were always ready to help and provide feedback. In particular: Keetie Sluyterman for letting me borrow copies of her works and Van Oss' effectenboek. Selin Dili for her many useful comments and Rick Maurits for getting me started with map-making in R. Joost Dankers and Bram Bouwens for the conversations about business interest groups and business history. Michalis Moatsos, Auke Rijpma and Frans Liagre-Böhl for helping with technical problems and data related things. Tom Gerritsen and José van Aelst for their practical help, their open door, and making sure PhD students were happy.

The PhD was a lot of fun for me and that is above all thanks to the *Pivo Boys*, my fellow PhD candidates at the Economic and Social History Research group, and other people hanging around at 'the Attic': Tim van der Valk, Robin Philips, Jaap de Haan, Joris Roosen, Bram van Besouw, Cuno Balfourt, Aditi Dixit, Steije Hofhuis, Junhao Cao, Zipeng Zhang, Faheem Rokadiya, and Leon Wessels. Thank you for the many (but

unfortunately due to COVID-19 cut short) seminars, lunches and bar-evenings with stimulating discussions about life, history, economics and politics. A very special thanks goes to my dear friends Amaury de Vicq and Bas Machielsen who made these four years into a fun filled experience which I will fondly remember. Thank you for the road trips, other adventures and many laughs!

I also want to thank the many people outside of Utrecht University who took the time and did the effort to help advance my research project. The organizers and participants of the Posthumus doctoral school. Chris Colvin for his continuous support, mentoring, and arranging of a splendid research stay at Queen's University in Belfast. Claire Lemercier for her enthusiasm, tireless reading of my chapters and her many introductions into the Parisian academic circles during my research stay at the Centre de Sociologie des Organisations (Sciences-Po/CNRS). Jacques van Gerwen for patiently answering my questions about business censuses and (potentially) lost archives. Hugo Van Driel for the many discussions about the Dutch Middenstand, research suggestions and lending me books. Philip Fliers and Christiaan van Bochove for their open door/mailbox and willingness to discuss hypotheses and paper ideas. Erik Sengers and Peter Heyrman for sharing notes and insights about Dutch and Belgian *Middenstands*-associations. Theo Kamphuis and Annette Beentjes for their guidance in the ING Archives. And the wonderful people in the Economic History Groups at Sciences-Po, Queens' University Belfast, and the Paris School of Economics for their feedback and suggestions.

During those four years I met many interesting and kind people at university, on conferences, research stays and workshops. In particular, I am glad that I met Joris Roosen, Homer Wagenaar, Marco Molteni, and Matthias Kemmerer, who, along the road, became good friends.

To Joris Roosen and Tine Schoutedden, Bas Machielsen, Elise van Nederveen-Meerkerk, Bram van Besouw, and Joost Peters; thank you for letting me stay on your couch/guest bed. Thank you Gerben Potman for giving me a home away from home. Commuting to Utrecht would have been a logistical nightmare without your help.

I want to thank my amazing wife Michalina who had to endure my four-year long monologues about credit and small traders. She lifted burdens when I had too much on my shoulders, and was my rock when I doubted myself. Last but not least, I want to thank my parents, who, as always, were supportive in many ways. Giving me the flexibility and freedom to pursue this PhD project on my own terms. Without them, it would have been near impossible.

Ruben Peeters, May 2021

Samenvatting in het Nederlands

Het midden- en kleinbedrijf (MKB) is een drijvende kracht achter groei, innovatie en werkgelegenheid, maar kleinere bedrijven gaan vaker failliet en hebben het vaak moeilijk om (bank)financiering te krijgen. Vanwege het economische belang van het MKB proberen regeringen kleinere bedrijven actief te steunen door belemmeringen voor hun voortbestaan en groei weg te nemen. In de praktijk betekent dit dat de marktregulering en overheidsbeleid wordt aangepast aan de behoeften van de MKB-bedrijven en dat hun toegang tot financiering wordt verbeterd. Deze ingrepen vinden niet altijd en niet overal plaats, maar zijn sterk afhankelijk van de wisselwerking tussen lokale of nationale regeringen, politieke belangenorganisaties en financiële markten.

Deze dissertatie onderzoekt de geschiedenis van overheidsinterventies in het Nederlandse financiële systeem tussen 1900 en 1980. Doorheen deze periode is de Nederlandse overheid, onder druk van belangenverenigingen van kleine bedrijven, een steeds grotere rol gaan spelen in de kredietverlening aan het MKB. Het hoofddoel van deze dissertatie is de politieke economie van kredietverlening aan kleine en middelgrote bedrijven in Nederland te begrijpen en te analyseren. Kleine en middelgrote bedrijven zijn sterk afhankelijk van banken vanwege de relatief hoge kosten van het aantrekken van externe financiering elders in de markt. Banken kunnen kleine bedrijven echter geen financiering verstrekken tegen dezelfde voorwaarden die grotere bedrijven krijgen. Deze tegenstelling roept de vraag op: hoe kregen kleine ondernemingen in Nederland in de twintigste eeuw toegang tot krediet? Wat was de invloed van belangenorganisaties van kleine en middelgrote bedrijven en van de Nederlandse regering op de kredietverlening, en tot welke uitkomsten heeft dit geleid?

Ik betoog dat kleine bedrijven in de loop der tijd samen met de overheid veranderingen in het financiële systeem hebben aangebracht om beter aan de kredietbehoeften van het MKB tegemoet te komen. Deze interventies hebben het Nederlandse MKB geholpen, vooral tijdens momenten van crisis. Daarbij was de wisselwerking tussen kleine bedrijven, de Nederlandse overheid en het financiële systeem van bijzonder belang bij het tot stand brengen van deze veranderingen. Het is belangrijk om deze drie actoren samen te onderzoeken, aangezien economische structuren (inclusief bankstelsels en financiële systemen), die van invloed zijn op de

overlevings- en groeivoorzichten van (kleine) bedrijven, gecreëerd en gewijzigd worden door politici, zakenlieden en andere sociale groepen.

Hoofdstuk 2 biedt een contextuele basis voor het proefschrift. Het geeft een overzicht van de economische veranderingen die de Nederlandse economie in de twintigste eeuw heeft doorgemaakt. Het doet dit door een correctie te geven op eerder gebruikte (maar vertekende) bronnen over de relatieve verdelingen van bedrijfsgrootte, werkgelegenheid en sector over de twintigste eeuw. Dit hoofdstuk vormt de achtergrond waartegen de andere hoofdstukken moeten worden geïnterpreteerd, zowel door de omvang van kleine bedrijven in de economische structuur te laten zien, als door het aanpunten van enkele effecten van beleidsmaatregelen die in latere hoofdstukken worden besproken.

Hoofdstuk 3 onderzoekt het verband tussen de geschiedenis van verenigingen van kleine bedrijven en de ontwikkeling van de Nederlandse financiële infrastructuur die op kleine bedrijven is gericht. In het bijzonder wordt Verdiërs these over de oorsprong van het staatsbankieren getoetst aan de hand van een diepgaande casestudy van de Nederlandse middenstandsbeweging. Dit hoofdstuk laat zien dat Nederlandse verenigingen van kleine bedrijven niet simpelweg politiek relevant werden en hun macht gebruikten om te lobbyen voor staatsbankieren, maar veeleer het thema van (onvoldoende) toegang tot krediet gebruikten om steun te verwerven, leden te mobiliseren, en subsidies van de overheid te verkrijgen. Tijdens dit verenigingsproces moesten zij zich een weg banen door lokale contexten en machtsstructuren die op hun beurt ook het financiële systeem vorm gaven. Staatsbankieren werd aanvankelijk niet geëist door de middenstandsorganisaties, maar het ontstond als gevolg van mislukte experimenten met gesubsidieerde bankinfrastructuur en een veranderend standpunt van de overheid over hoe in te grijpen in de economie.

Hoofdstuk 4, samen geschreven met Oscar Gelderblom, Joost Jonker, en Amaury de Vicq, onderzoekt van welke financiële diensten men in 1921 in Nederland gebruik maakte. Vanwege het specifieke karakter van het bronnenmateriaal ligt de nadruk in dit hoofdstuk niet op bedrijven maar op individuen. We analyseerden de krediettransacties van Nederlandse topvermogensbezitters die in 1921 overleden en ontdekten dat banken een beperkte rol speelden bij het lenen en uitlenen van hun vermogen. Goederen en diensten werden contant betaald of periodiek verrekend met leveranciers. Krediet werd

voor het overgrote deel georganiseerd via peer-to-peer of notariële contracten, bankleningen kwamen op een verre derde plaats. Banken hadden alleen een concurrentievoordeel op het gebied van spaarrekeningen voor kleine spaaroverschotten of lopende rekeningen voor zakenlieden. De afstand tot het dichtstbijzijnde bankkantoor deed er voor deze mensen niet toe, maar welgestelde stedelingen waren meer geneigd een bank te gebruiken dan hun tegenhangers op het platteland.

Hoofdstuk 5 bouwt verder op het door Taketa en Udell uitgewerkte concept van het "kredietverleningskanaal" om de reacties op veranderingen in de kredietverstrekking aan kleine bedrijven te onderzoeken. In dit hoofdstuk wordt betoogd dat kredietverleningskanalen die kleine bedrijven bedienen niet gemakkelijk kunnen worden vervangen vanwege de hoge kosten en risico's die aan kredietverlening aan het MKB zijn verbonden. Hierdoor zijn kredietverleners weinig geneigd hun diensten naar beneden toe uit te breiden. Overheden daarentegen hebben de mogelijkheid om risico's te nemen en kosten te maken voor het algemeen belang. Daarom kunnen zij besluiten kredietverleningskanalen te ondersteunen om ervoor te zorgen dat het MKB financiering blijft krijgen wanneer marktspelers de bijbehorende kosten en risico's niet kunnen of willen dragen.

Hoofdstuk 6 argumenteert dat krediet efficiënt aan kleine bedrijven kan worden verstrekt tegen lage kosten en lage risico's door de combinatie van overheidsgaranties voor leningen en intensief toezicht. Dit hoofdstuk gebruikt het voorbeeld van de Nederlandse Borgstellingsfondsen voor de Middenstand om te laten zien hoe Nederland hierin is geslaagd. De fondsen functioneerden onafgebroken tussen 1934 en 1978 en volgden een patroon van introductie, groei, kleine aanpassingen, neergang en transformatie. Dit hoofdstuk beschrijft hun geschiedenis, werking, veranderingen en kostenefficiëntie door de tijd heen. De fondsen werkten goed in een specifieke context van weinig beschikbare formele kredietmogelijkheden en lage lonen voor het personeel. Dit zijn situaties die vergelijkbaar zijn met die van veel moderne ontwikkelende economieën en kan derhalve inzichten bieden voor het ontwikkelingsbeleid.

Hoofdstuk 7 brengt de conclusies uit de voorgaande hoofdstukken samen. Er wordt kort stilgestaan bij verschillende mogelijkheden voor verder onderzoek, en bij beleidsimplicaties die uit dit onderzoek kunnen worden getrokken.

Table of Contents

Small Firms, Politics, and Credit in the Netherlands: 1900-1980	i
Kleine Bedrijven, Politiek, en Krediet in Nederland: 1900-1980 (met een samenvatting in het Nederlands).....	i
Acknowledgments	ix
Samenvatting in het Nederlands	xii
Table of Contents	xv
List of Figures	xvii
List of Tables.....	xviii
List of Images	xviii
Chapter 1: Introduction.....	1
1.1 Small Firms, Banks and Government Intervention	1
1.2 The Case of the Netherlands	8
1.3 Chapter Outline	11
Chapter 2: SMEs in an Era of Change: Overview of SMEs in the Netherlands, 1895-2000.....	15
2.1 Introduction	15
2.2 Historiography and Methodology	16
2.3 Number of Firms	21
2.4 Firm Dynamics	25
2.5 Share in Employment	28
2.6 Sectoral Composition	30
2.7 Conclusion.....	39
2.8 Appendix.....	41
Chapter 3: Getting a Foot in the Door: Small Firm Credit and Interest Group Politics in the Netherlands, 1900-1927	47
3.1 Introduction	47
3.2 The Rise of Middle-Class Movements in Europe.....	50
3.3 Forging a Common Identity	51
3.4 Pillarization	57
3.5 Mobilizing Members and the Government.....	60
3.6 Weathering a Crisis	76
3.7 Conclusion.....	78
Chapter 4: Exploring Modern Bank Penetration: Evidence from the Early Twentieth-Century Netherlands 81	
4.1 Introduction	81
4.2 The Dutch Succession Tax and Its Administration.....	83
4.3 Liabilities and Assets	87

4.4	The Use of Banks, Notaries and Private Lenders.....	95
4.5	Agglomeration Effects	101
4.6	Logit Regression.....	105
4.7	Conclusion.....	110
4.8	Appendix Code Book.....	112
Chapter 5: Small Firm Lending Channels and Government Intervention in the Netherlands, 1900-1940		
117		
5.1	Introduction	117
5.2	Situation in 1900	119
5.3	Information as Scaffolding, 1890-1914.....	127
5.4	Creating New SME-friendly Banking Channels, 1900-1914.....	129
5.5	Substituting Lending Channels, 1915-1920.....	130
5.6	Consolidating Lending Channels, 1923-1930	134
5.7	Expanding Existing Lending Channels, 1934-1940.....	138
5.8	Conclusion.....	143
Chapter 6: Lending and Coaching: Public Loan Guarantee Funds in the Netherlands, 1934-1978		
145		
6.1	Introduction	145
6.2	Start and the Second World War, 1935-1945.....	147
6.3	Expansion, 1945-1954	156
6.4	Tweaking, 1954-1965	160
6.5	Decline and Path-Dependency, 1965-1973.....	163
6.6	Transformation, 1969-1978.....	169
6.7	Conclusion.....	171
6.8	Appendix.....	173
Chapter 7: Conclusion		
175		
Bibliography		
181		
Books, Chapters, and Articles		
181		
Archival Sources		
203		
Newspapers and Magazines		
204		
Author's Short Bio.....		
205		

List of Figures

Figure 2.1 Size Structure of Firms in the Netherlands in 1903 and 2000	18
Figure 2.2 Absolute Number of Micro- and Small Firms and per 1000 Inhabitants	24
Figure 2.3 Absolute and Relative Number of Bankruptcies, 1895-2010	26
Figure 2.4 Number of Bankruptcies and Difference in Number of Firms per Period.....	27
Figure 2.5 Number of New Firms, Firm Closures, and Total Number of Firms, 1993-2010..	28
Figure 2.6 Share of Employment by Firm Size, 1890-2009.....	29
Figure 2.7 Percentage of Population Employed in Large Firms per Sector, 1890-1930	31
Figure 2.8 Percentage of Population Employed in Small Firms per Sector, 1890-1930.....	32
Figure 2.9 Total Number of Firms and Employees per Sector.....	35
Figure 2.10 Average Firms Size per Sector over Time (Excluding Air Transport).....	36
Figure 2.11 Percentage of Population Employed in Small Firms per Industry Sub-Sector, 1930- 1978	37
Figure 2.12 Percentage of Population Employed in Small Firms per Trade Sub-Sector, 1930-1978	38
Figure 3.1 Yearly Budget for Middenstandsbank-Subsidy by the Ministry of Agriculture, Industry, and Trade, 1907-1920.....	70
Figure 3.2 Number of Active Middenstandsbanks and Branches, 1910-1925.....	72
Figure 3.3 Membership of the Middenstand Federations, 1907-1936.....	77
Figure 4.1 The Estimated Wealth Distribution of the Dutch Deceased in 1921 and the Tafel V- bis.....	86
Figure 4.2 The Share of 1,608 Estates Worth 1,000 Guilders or More with Cash, Household Debt, or Loans Received from Peers, Notaries, and Banks in the Netherlands in 1921	91
Figure 4.3 The Share of 1,608 Estates Worth 1,000 Guilders or More Owning Savings Booklets, Bank Balances, Notarised Contracts, or Peer-to-Peer Loans in the Netherlands in 1921	94
Figure 4.4 The Share of 512 Estates of 50,000 Guilders or Using Financial Services in Agglomerations of Different Size in the Netherlands in 1921.....	103
Figure 5.1 Interest Rate Versus Loan Size	126
Figure 5.2 Newly Granted Loans for Five Main Middenstandsbanks, 1915-1921 (in 1915 Guilders)	135
Figure 5.3 Amount of New and Outstanding Current Account Credit Provided by NMB, 1929- 1943.....	138
Figure 6.1 Subsidy per Guilder Loaned, 1938-1946.....	155
Figure 6.2 Tasks of the PLGFS by type, 1937-1973.....	157
Figure 6.3 Value of Newly Granted Guarantee Fund Credits and Company Credits in Nominal Guilders, 1937-1973.....	158
Figure 6.4 Subsidy per Guilder Loaned, 1947-1969.....	159
Figure 6.5 Default Rates of Different Loan Types, 1952-1965.....	162
Figure 6.6 Maximum Loan Size Guaranteed by the PLGFs, 1938-1975.....	165
Figure 6.7 Evolution of Applications to PLGFs and Their Putcomes, 1954-1969	166
Figure 6.8 Default Rates of Guarantee and Special Credit, 1966-1973.....	167
Figure 6.9 Yearly Personnel Costs and Balance for PLGF of Amersfoort, 1962-1977	168
Figure 6.10 All Government Expenditures on PLGFs (in 1938 guilders).....	168

List of Tables

Table 2.1 Share of Employment by Firm Size, 1889-1930.....	19
Table 2.2 Number of Firms per Size Bucket	22
Table 2.3 Relative Share in Total Firm Population per Firm Size.....	23
Table 2.4 Classification Scheme for Harmonized Bedrijfstellingen 1930-1978.....	33
Table 2.5 Average Small Firms Size per Sub-Sector Over Time	39
Table 2.6 Absolute and Relative Share of Employment by Firm Size Across Sectors.....	41
Table 2.7 New Classification Scheme Concordance with Company Censuses	44
Table 4.1 Stratified Sample Drawn from Memories van Successie in the Netherlands in 1921	85
Table 4.2 The Percentage Share of Assets and Liabilities in the Value of 1,608 Dutch Estates Worth 1,000 Guilders or More in 1921.....	88
Table 4.3 Financial Relations Recorded in 1,608 Estates of 1,000 Guilders or More in 1921	90
Table 4.4 The Value and Price of Credit Transactions Reported in 2,321 Inheritance Tax Returns in the Netherlands in 1921	96
Table 4.5 The Value and Price of Bank Transactions Reported in 2,321 Inheritance Tax Returns in the Netherlands in 1921	100
Table 4.6 Bank Diffusion by Agglomeration Size, the Netherlands in 1921 (Population x 1,000)	102
Table 4.7 The Percentage Share of Counterparties Located in the Same Municipality in Credit Transactions Reported in 1,608 Inheritance Tax Returns in 1921	104
Table 4.8 Regression Results for the Financial Relations of 1,597 Private Wealth Owners in the Netherlands in 1921 (*p**p***p<0.01)	107
Table 4.9 Major Categories Identified in the 1921 Death Duty Forms.....	113
Table 4.10 Major Categories of Liabilities and Recievables.....	114
Table 4.11 The Coding of Bank Assets According to Bank Types.....	115
Table 5.1 Credit Market Segmentation around 1900	121
Table 5.2 Lending Channels, around 1900	123

List of Images

Image 5.1 All 35 PLGFs Approved by the Ministry of Economic Affairs in 1938.....	141
Image 6.1 Distribution of the 35 Public Loan Guarantee Funds	149

Chapter 1: Introduction

1.1 Small Firms, Banks and Government Intervention

The demise of small firms has been predicted multiple times.¹ Lenin, for example, expected capitalism to naturally evolve into a monopoly. Alfred Marshall also predicted the “inevitable” disappearance of small firms due to rising competition.² However, none of these predictions became reality. On the contrary, small and medium-size enterprises (SMEs) proved crucial to the continued growth, resilience and competitiveness of national economies.³ Nonetheless, a tension exists between, on the one hand, the importance of SMEs for national economies, and on the other hand, how vulnerable they are. SMEs are drivers of growth, innovation and job creation, yet they go bankrupt more frequently and often have difficulties obtaining funding.⁴ Because of the economic relevance of SMEs, governments actively try to support them and ease this tension by taking away impediments to their survival and growth.⁵ In practice, this means adjusting market regulation according to the needs of SME businesses and improving their access to finance.⁶

These interventions do not happen always nor everywhere. Comparing the experiences of the United Kingdom, France, Germany, and Italy, Carnevali showed how SME-friendly policies, including the support for local banking units, came about and how they affected small firms over the course of the twentieth century.⁷ She found that support for small firms was lacking in the UK until the 1970s, leading to a concentrated firm structure. The reverse was the case in Germany with its influential SME interest groups, strongly decentralized government, and support for local economies. In the early twentieth century, Germany’s many small firms had access to specialized SME banks and persisted because of political organization and intervention.⁸ After World

¹ For example, by Alfred Marshall. See: Carnevali, “Crooks, Thieves, and Receivers,” 533.

² Lenin, *Imperialism*; Carnevali, “Crooks, Thieves, and Receivers”; Oricchio et al., *SME Funding*.

³ Carnevali, *Europe’s Advantage*, 3–5; Glaeser, *Triumph of the City*, 56–57; Carree and Thurik, “The Impact of Entrepreneurship.”

⁴ Carnevali, *Europe’s Advantage*; de Kok et al., “Do SMEs Create”; de Kok, Deijl, and Veldhuis-Van Essen, *Is Small Still Beautiful? Literature Review of Recent Empirical Evidence on the Contribution of SMEs to Employment Creation*; Udell, “Issues in SME Access to Finance.”

⁵ Kersten et al., “Small Firms.”

⁶ As done for example by the EU Commission: https://ec.europa.eu/growth/smes/access-to-markets_en

⁷ Carnevali, *Europe’s Advantage*.

⁸ Carnevali, 45; Vitols, “German Banks.”

War II, local and regional governments had strong political and fiscal autonomy and fostered productive links between SMEs and large firms.⁹ These examples illustrate that governments and political organization greatly impact economic outcomes.¹⁰ As Scranton and Fridenson argued, we have to take into account that “the government is always in”.¹¹ Therefore, to understand the fate of small firms, we need to look at the political economies of small firms and small firm finance. What political actors and processes are at play? How do these shape the economic contexts that small firms operate in and to what outcomes does this lead?

This dissertation investigates the history of government interventions in the Dutch financial system between 1900 and 1980. During this period, while under pressure from small firm associations, the Dutch government took on a growing role in the credit provision to SMEs. The main goal of this dissertation is to understand and analyze the political economy of small firm credit provision.¹² Small firms rely more on banks because of the costs of raising external finance elsewhere in the market.¹³ However, banks cannot provide small firms with finance on the same terms as larger firms.¹⁴ So, how did small firms in the Netherlands obtain access to credit during the twentieth century? What was the influence of small firm interest groups and governments on credit provision, and what outcomes did it produce?

I argue that, over time, small firms together with the government made changes to the financial system to better serve SME credit needs. These interventions helped Dutch SMEs, particularly in moments of crisis. The interplay between small firms, the Dutch government, and the financial system in producing these changes is of particular interest. It is important to investigate these three actors together since economic

⁹ Carnevali, *Europe's Advantage*, 135.

¹⁰ The literature on varieties of capitalism uses a firm-centric approach to political economy to explain differences in economic structures between countries. Institutions, organizations, and culture provide support for the relationships that firms develop to resolve coordination problems. However, this literature has given scant attention to SMEs and has not featured them in their analyses. See: Hall and Soskice, “An Introduction.”

¹¹ Scranton and Fridenson, *Reimagining Business History*, 16.

¹² Political economy in this sense does not refer to dominant public choice theory or “the methodology of economics applied to the analysis of political behavior and institutions” as defined by Weingast and Wittman, but rather to the older notion of political economy where economic output or resource allocation is a function of political and socio-economic interaction. See: Weingast and Wittman, “The Reach of Political Economy,” 1.

¹³ Collins and Baker, “English Bank Business Loans,” 156.

¹⁴ Lescure, “Banking and Finance,” 342.

structures, which influence the survival and growth prospects of (small) firms, are created and modified by politicians, businessmen, and other social groups.¹⁵ The same goes for banking systems (and by extension financial systems), which are the result of what Calomiris and Haber called the “Game of Bank Bargains” played between the government, banking insiders (managers and board members), minority shareholders, and depositors.¹⁶

What I add is a broader perspective on credit provision, beyond just (joint-stock commercial) banks. Our modern experience with banks as main providers/mobilizers of credit made the literature focus on joint-stock commercial banks in the past.¹⁷ However, we should focus on the provision of credit through whatever possible avenue or intermediary. Countering the existing *whiggish* historical narrative of banks being the main source of finance to firms, a growing strand of research indicates that joint-stock commercial banks were simply one of the possible intermediaries providing credit and not even the most important one.¹⁸ Lescure argued that banks have to be studied in tandem with other institutions that complement or compensate banks.¹⁹ This dissertation studies how different parts of the financial system work together and complement each other and how this complementarity was produced.

Small Firms and Financial Systems

This dissertation focuses on small firms (fewer than ten employees) and micro-firms (fewer than five employees) and how they used the Dutch financial system and adapted it to their needs.²⁰ SMEs form the majority of all firms and until recently they were the main employers in most economies, including the Netherlands.²¹ Despite the ubiquity and economic relevance of SMEs, most financial historians have ignored SMEs as

¹⁵ Carnevali, *Europe's Advantage*, 1.

¹⁶ Calomiris and Haber, *Fragile by Design*.

¹⁷ Gerschenkron, *Economic Backwardness*; Cameron, *Banking*; Collins, *Banks and Industrial Finance*; Lamoreaux, *Insider Lending*; Burhop, “Did Banks Cause”; Jaremski, “National Banking’s Role”; Tilly, “Banking Institutions.”

¹⁸ Cull et al., “Historical Financing”; Hoffman, Postel-Vinay, and Rosenthal, *Dark Matter Credit*; Lamoreaux and Sokoloff, *Financing Innovation*.

¹⁹ Lescure, “Banking and Finance,” 342.

²⁰ Nearly all micro- and small firms are family businesses, but not all family businesses are small. Because the overlap between small firms and family businesses is nearly one on one, I leave the fact that they are family firms implicit throughout this dissertation. See: Sluyterman, *Dutch Enterprise*, 23.

²¹ See Chapter 2:.

consumers of financial intermediation and overlooked their importance in shaping the development of financial systems. Cull et al., Lescure, Carnevali and Colvin notably included SMEs in their analyses, but there is a need for much more research. We would like to know more about the availability and costs of financial services available to SMEs, how this changed over time, why, with whose involvement, and with what success.

Substantial economic literature indicates that SMEs face specific obstacles to funding which are different from larger firms.²² Small firms are especially prone to high information asymmetry and transaction costs which complicate their access to credit.²³ Small firms have less bookkeeping capability, and because they are not active in equity markets, they do not need to publicly share information.²⁴ Furthermore, SMEs are more vulnerable to external shocks, go bankrupt more often than larger firms, and regularly lack sufficient collateral. For the lender, this makes lending to small firms riskier, more difficult, and therefore costlier.²⁵ In addition, many of the costs to screen and monitor borrowers remain the same regardless of loan size, and have to be earned back through higher fees and interest rates.²⁶ When the higher costs are not absorbed by (public) subsidies or volunteer labor, the costs are usually transferred onto the borrower in the form of higher interest rates or fees. Alternatively, the lender can ration credit-worthy borrowers to avoid high-risk borrowers.²⁷ These problems can lead to a funding gap where firms receive less funds than they require as a result of permanent market failure.²⁸

Cressy finds two types of funding gaps. One is a situation wherein small, young firms and new technology-based firms that “are often run by optimistic and inadequately skilled or trained entrepreneur-owner-managers, may have products based on untested or novel technologies, and are more likely to fail than their larger counterparts.” A second is when, during economic downturns, a flight to quality takes place, and small

²² Abdulsaleh and Worthington, “Small and Medium-Sized”; Beck, Demirgüç-Kunt, and Maksimovic, “Financing Patterns”; Daskalakis, Jarvis, and Schizas, “Financing Practices.”

²³ Carnevali, *Europe’s Advantage*, 8; Udell, “Issues in SME Access”; Esho and Verhoef, “The Funding Gap,” 4.

²⁴ Esho and Verhoef, “The Funding Gap,” 8.

²⁵ Kersten et al., “Small Firms.”

²⁶ Banerjee and Duflo, “Giving Credit.”

²⁷ Stiglitz and Weiss, “Credit Rationing”; Bester, “Screening vs. Rationing.”

²⁸ Cressy, “Funding Gaps”; Esho and Verhoef, “The Funding Gap.”

firms are excluded from bank finance.²⁹ Furthermore, Beck et al. found that small firms do not use disproportionately more leasing or trade finance compared with larger firms, so these financing sources do not compensate for lower access to bank financing. Beck et al. also found that larger firms expand external financing more easily when they are constrained, compared to small firms.³⁰ Small firms' (lack of) access to credit and funding thus depends on the structure and inclusivity of the financial system whether information asymmetries can be overcome, as well as the amount of risk that lenders are willing to take.

Until recently, the study of financial systems focused mainly on banks, capital, and equity markets. In his influential essays, Gerschenkron drew a link between the existence of a bank-based financial system and a (government-led) big push toward modernization in backward economies.³¹ Cameron also saw the link running from financial institutions to economic growth.³² More recently, Rajan & Zingales and Ross & Levine have argued that financial development drives economic growth.³³ The story has recently become more nuanced. Hoffman et al. showed that the link between finance and growth might be substantially weaker when we take into account alternative forms of finance, such as those intermediated by notaries.³⁴ Banks seem to have acted as complements to other intermediaries and operated in areas where there was demand for credit. Moreover, Hoffman et al. claim that in France “for a long time, banks worked well for a limited number of financial activities (such as mobilizing savings in the provinces and investing them in Paris) or for a limited number of well-known clients (such as merchants who wanted to borrow in the short term, had good reputations, and could back up their loans with easily liquidated goods). But that left out an enormous demand for credit.”³⁵ The work by Hoffman et al. highlights the need to broaden our scope of research beyond banks and also include alternative and/or informal financial intermediaries serving SMEs and households.

²⁹ Cressy, “Funding Gaps,” 294; Psillaki and Eleftheriou, “Trade Credit.”

³⁰ Beck, Demirgüç-Kunt, and Maksimovic, “Financing Patterns”

³¹ Gerschenkron, *Economic Backwardness*.

³² Cameron, *Banking*.

³³ Rajan and Zingales, “Financial Dependence”; Levine, “Finance and Growth.”

³⁴ Hoffman, Postel-Vinay, and Rosenthal, *Dark Matter Credit*; Hoffman, Postel-Vinay, and Rosenthal, “Entry, Information.”

³⁵ Hoffman, Postel-Vinay, and Rosenthal, *Dark Matter Credit*, 222.

Currently, we have little insight into the combinations of institutional arrangements available to small firms or how small firms made use of financial intermediation, including obtaining credit. Cull et al. noticed an astounding variety of local institutions, aside from banks, at the disposal of SMEs in Western Europe and North America.³⁶ However, they studied individual institutional case studies across different countries. Recently there has been an increased interest in alternative financial institutions, such as mutuals, cooperative banks, and loan funds, but these studies also mostly analyze single institutional arrangements in one or more countries.³⁷ This is often because source material is arranged by institution, or because a particular institutional set-up raises interesting questions. Still, such a single-institution approach tells us little about the institutions' position and function within the broader financial systems. Moreover, firms consider the whole range of options of financial intermediation available to them. To understand firms' behavior, we have to bring together information on (in)formal financial intermediaries and reconstruct a picture of the entire financial system. Imajoh pioneered this perspective for Japan in the interwar period.³⁸

In all developed countries at any given time, self-financing from retained earnings was the main source of finance for firms.³⁹ Alternatively, firms used trade credit, or banking services when available at good conditions.⁴⁰ From the lender's side, local and non-profit banks most likely played a much more important role than large banks.⁴¹ Cull et al. observed little interaction between SMEs and banks during the nineteenth century.⁴² In the twentieth century, banks played a larger role. Collins and Baker found large banks in the UK between 1920 and 1968 interacting with SMEs, but their policies hindered SME access.⁴³ In continental Europe, a set of non-profit banks, often with help from the state, emerged in the late nineteenth and early twentieth century to help SMEs

³⁶ Beck and Demirgüç-Kunt, "Small and Medium-Size Enterprises," 2939; Cull et al., "Historical Financing."

³⁷ Guinnane, "Cooperatives As Information Machines"; Colvin and McLaughlin, "Raiffeisenism Abroad"; Bätz-Lazo and Billings, "New Perspectives"; Hollis and Sweetman, "The Life-Cycle"; Colvin, Henderson, and Turner, "The Origins of the (Cooperative) Species"; Goodspeed, "Microcredit and Adjustment"; For the contemporary period: Bülbül, Schmidt, and Schüwer, "Caisses d'épargne."

³⁸ Imajoh, "The Evolution of Financial Institutions."

³⁹ Lescure, "Banking and Finance," 324; Hautcoeur, "L'autofinancement."

⁴⁰ Young, "Financing the Micro-Scale Enterprise"; Miwa and Ramseyer, "Japanese Industrial Finance."

⁴¹ Lescure, "Banking and Finance," 340.

⁴² Cull et al., "Historical Financing."

⁴³ Collins and Baker, "English Bank Business Loans."

get access to credit.⁴⁴ Lescure studied a set of French SME customers of the *Crédit National*, a specialized bank providing medium-term credit, during the 1920s.⁴⁵ That said, such in-depth analyses of firms' use of financial institutions are rare.

The economic and business history literature about small firms was mostly interested in those firms' organization and modes of production.⁴⁶ The social and political literature concentrated on the formation of a class consciousness of the so-called *petite bourgeoisie*, their political association, and relationship with governments.⁴⁷ The funding of small firms or financial system development was only marginally of interest to the political history literature, but this literature does offer many examples of small firm associations taking initiatives and exercising influence on governments to adapt financial systems. Examples include the French *banques populaires*, the Belgian *Centrale Middenstandsbank*, or the German *Landesbanken*.⁴⁸

Despite the fact that the social and political literature hints at the influence of governments and small firms, they rarely feature in financial history research as factors purposefully shaping financial systems. A notable exception is Verdier, who tried bringing together all three actors (SMEs, politicians and financial intermediaries) in a coherent narrative. He linked the rise of state banking to the increasing political relevance of small firms due to class war.⁴⁹ Later, Verdier argued that financial systems are shaped by how governments regulate and structure national deposit markets, and by whether the national bank acts as a lender of last resort.⁵⁰ Carnevali also assumed as a starting principle that "economic structures are created and modified not by unseen market forces but by politicians, businessmen, and other social groups."⁵¹ Recently, Calomiris, and Haber similarly explained the development of banking systems through

⁴⁴ Verdier, *Moving Money*; Lescure, *PME et Croissance*; Heyrman, *Middenstandsbeweging En Beleid*; Lescure, "Banking and Finance," 329.

⁴⁵ Lescure, *PME et Croissance*.

⁴⁶ Sabel and Zeitlin, "Historical Alternatives"; Lamoreaux, Raff, and Temin, "Beyond Markets and Hierarchies"; Carnevali, "Crooks, Thieves, and Receivers"; Colli, "Contextualizing Performances"; Lemercier, "Looking for 'Industrial Confraternity'."

⁴⁷ Crossick and Haupt, *The Petite Bourgeoisie*; Nord, "The Small Shopkeepers' Movement"; Crossick and Haupt, "Shopkeepers, Master Artisans"; Kocka, *Industrial Culture*; Heyrman, *Middenstandsbeweging En Beleid*; Van Driel, "De Vorming En de Ontwikkeling"; Jaumain, "Les Petits Commerçants"; Pilbeam, *The Middle Classes*; Bechhofer and Elliot, *The Petite Bourgeoisie*.

⁴⁸ Heyrman, *Middenstandsbeweging En Beleid*, 150; Verdier, *Moving Money*; Carnevali, *Europe's Advantage*.

⁴⁹ Verdier, "The Rise and Fall of State Banking."

⁵⁰ Forsyth and Verdier, *The Origins of National Financial Systems*, 2; Verdier, *Moving Money*.

⁵¹ Carnevali, *Europe's Advantage*, 1.

the political power-play between the politicians, bankers, bank shareholders, depositors, debtors, and tax payers.⁵² Calomiris and Haber's work says little about SME finance, but their approach shows exactly how different parties exercise influence and shape the system according to their needs and wants. Following this line of thinking, this dissertation argues that politics is omnipresent and consequently has to be investigated if we want to comprehensively understand changes in financial systems.

1.2 The Case of the Netherlands

The literature on Dutch financial history largely has followed the interests of the international literature and has focused on large financial institutions, stock markets, and public finances.⁵³ In line with Gerschenkron and Cameron, the late emergence of large universal banks has been connected to the late industrialization of the Netherlands.⁵⁴ Research in the 1980s and 1990s showed that industry did not lack financing options, yet there were few investment opportunities offering sufficient returns.⁵⁵ Nonetheless, the focus remained on financing large firms or emerging industries.⁵⁶ Recently, researchers have begun to look beyond banks and to study alternative financial intermediaries (that is, non-joint-stock commercial banks) in the Netherlands. Maassen studied pawn banks, while Deneweth et al. looked at "help banks".⁵⁷ Colvin, McLaughlin, Henderson, and Turner greatly expanded our knowledge about Dutch cooperative banking and their sustainability.⁵⁸ In a PhD research running parallel to my own, De Vicq examined the development of Dutch Credit Unions and their retreat from SME credit segments; together with Van Bochove, he analyzed the functioning of help banks.⁵⁹

⁵² Calomiris and Haber, *Fragile by Design*, 4.

⁵³ T'Hart, Jonker, and Van Zanden, *Financial History of The Netherlands*.

⁵⁴ A literature review can be found in: Jonker, "Lachspiegel van de Vooruitgang," 7.

⁵⁵ Jonker, 13.

⁵⁶ Sluyterman, *Ondernemen in Sigaren*; Homburg and Schot, "Financiers van de Nederlandse Industrialisatie"; Sluyterman, *Kerende Kansen*; Knaap, "Voor Geld Is Altijd Wel Een Plaats Te Vinden"; Berg, Wijsenbeek-Olthuis, and Fischer, *Venter, Fabriquer, Fabrikant*; Van Zanden, *Een Klein Land in de 20e Eeuw*; Schrover, *Het Vette, Het Zoete En Het Wederzijdse Profijt*."

⁵⁷ Maassen, *Tussen Commercieel En Sociaal Krediet*; Deneweth, Gelderblom, and Jonker, "Microfinance."

⁵⁸ Colvin, "Religion, Competition and Liability"; Colvin, "Banking on a Religious Divide"; Colvin, "Organizational Determinants"; Colvin and McLaughlin, "Raiffeisenism Abroad"; Colvin, Henderson, and Turner, "The Origins of the (Cooperative) Species."

⁵⁹ De Vicq, "Mission Drift"; De Vicq and Van Bochove, "Lending a Hand."

This dissertation builds on the recent trend to look at alternative financial institutions, by attempting to bring together all financial institutions serving SMEs. The period between 1880 and 1980 warrants a closer look because it saw substantial changes in the economic structure of the Netherlands and in the depth and breadth of the financial system. These changes altered SME's financial sector use. We only know the broad outlines of these changes, that many non-profit institutions serving SMEs, such as help banks and rural cooperative banks, entered the market in the second half of the nineteenth century. The banking sector grew in size, particularly after 1910, and entangled with industry during World War I.⁶⁰ Additionally, between 1880 and 1980, SMEs increasingly interacted with the financial system. This dissertation presents an in-depth analysis of how these changes took place, how institutions complementary to banks came into being, and how SMEs increasingly accessed the financial system.

Aside from looking at the financial system, this dissertation relates to the existing literature on Dutch small firm associations and their relations with government.⁶¹ Carnevali and Calomiris & Haber already showed the relevance of governments and interest groups for financial sector development, but this link has barely been made for the Netherlands, aside from the *middenstandsbanks*.⁶² The existing literature investigated the relationship between SME interest groups and the government but never through internal governmental (archival) sources. Moreover, the relationship has often been seen as one-directional, with the government unilaterally deciding to help small firms.⁶³ This dissertation tries to broaden the scope of existing research by investigating the group formation process of SMEs, the creation and functioning of the relationships between SMEs and the government, and the impact of that relationship on financial system development.

Additionally, this dissertation tries to follow De Jong, Higgins, and Van Driel's call for a "new business history". They stated that "business history research should create

⁶⁰ Van Zanden, *The Economic History of The Netherlands*, 96–98.

⁶¹ Van Driel, "De Vorming En de Ontwikkeling"; Clerx, *Een Halve Eeuw Middenstandsbeleid*; Clerx, "Middenstandsbeleid, Realiteit of Leuze"; Pompe, "De Kleine Middenstand in Nederland"; Pompe, Van den Tillaart, and Van Uxem, "Van Middenstander Naar Ondernemer."

⁶² Van den Eerenbeemt, "Middenstandskrediet"; Stoffer, *Het Ontstaan van de NMB*; Colvin, "Bank Stability."

⁶³ Clerx, "Middenstandsbeleid."

knowledge by using empirical research to explore, define and test theory.”⁶⁴ Therefore, this dissertation actively engages with theory. The underlying economic theory is that of transaction costs. This approach unites both the business history literature on small firms and the one on SME finance. Casson, Carnevali, Lamoreaux, and Lemerrier followed Williamson in using transaction costs to study the efficiencies of firms and why they opted for certain organizational forms.⁶⁵ Large firms lowered transaction costs by integrating vertically or horizontally. Small firms, on the other hand, lowered transaction costs by clustering together and associating.⁶⁶ High transaction costs also explained why small firms (and individuals) had difficulties accessing credit.⁶⁷ Physical distance from an intermediary, information asymmetry, and insufficient collateral all raise transaction costs between applicant firms and financial intermediaries. Larger firms have relatively lower transaction costs and are therefore less restricted in their options and actions. For the financial system to become more accessible for small firms, information costs have to be lowered. Transaction costs (including information costs) form the underlying framework of all chapters, but they are not always part of the central theory.

This research makes use of a wide array of sources. The collected source material ranges: from correspondence and internal reports of ministries to newspaper reports and commemorative books; from financial information, yearly reports, and internal communications of banks to the archives of small firm associations; and from reports and statistics provided by governments and think tanks to inheritance taxation records. The broad range of sources comes partially from a lack of surviving archival material from small firm federations⁶⁸ and a dearth of good quality information on SME interactions with financial institutions. During the four years of this PhD research, I visited multiple archives across the Netherlands to gather whatever was available.

⁶⁴ De Jong, Higgins, and Van Driel, “Towards a New Business History?” 12.

⁶⁵ Lamoreaux, Raff, and Temin, “Economic Theory and Business History”; Lemerrier, “Looking for ‘Industrial Confraternity’”; Carnevali, “‘Crooks, Thieves, and Receivers’”; Lamoreaux, “Constructing Firms: Partnerships.”

⁶⁶ Carnevali, “‘Crooks, Thieves, and Receivers’”; Sabel and Zeitlin, “Historical Alternatives”; Lemerrier, “Looking for ‘Industrial Confraternity’”; Lamoreaux, Raff, and Temin, “Beyond Markets and Hierarchies.”

⁶⁷ Berger and Udell, “A More Complete Conceptual Framework.”

⁶⁸ I searched for the archives of the NBVHIM but confirmed that they were lost in a fire during the Second World War. The only remaining parts can be found in the KDC in Nijmegen and are mostly from after 1945.

The sources were gathered with the intention to answer three question areas. First, what did SMEs look like in the Netherlands during the twentieth century? How many were there, in which sectors were they concentrated and how did their composition change over time? Second, what did the financial system look like over time and how did small firms use it? Third, how were information problems solved? How did small firms overcome the information asymmetries that prevented access to credit? What institutional arrangements were employed and who took the initiative--markets, clubs, or government? Combining these questions, it is possible to assess the role of the Dutch government in ensuring SME access to credit.

1.3 Chapter Outline

This dissertation tackles the broader questions in a contextual chapter (Chapter 2) and four thematically linked yet self-standing papers (Chapters 3 to 6). A concluding chapter serves to bring together the insights of the preceding chapters.

The second chapter, *"SMEs in an Era of Change: Overview of SMEs in the Netherlands, 1895-2000"* provides a contextual set-up to the thesis. It aims to provide an overview of the economic changes that the Dutch economy experienced in the twentieth century. It does so by presenting a correction to previously used (but known to be biased) sources about the relative distribution of firm size, employment, and sector over the twentieth century. This chapter forms the background against which the other chapters should be interpreted, both showcasing the magnitude of small firms in the economic fabric, and some of the effects of policies discussed in later chapters.

The third chapter, *"Getting a Foot in the Door: Small Firm Credit and Interest Group Politics in the Netherlands, 1900-1927"* explores the link between the history of small firm associations and the development of Dutch financial infrastructure geared toward small firms. In particular, it tests Verdier's thesis about the origins of state banking using an in-depth case study of the Dutch small firm movement. This chapter shows that Dutch small firm associations did not simply become politically relevant and use their power to lobby for state banking, but rather used the topic of insufficient access to credit to rally support, mobilize members, and obtain subsidies from the government. During this associational process, they had to navigate local contexts and power structures that, in turn, also shaped the financial system. State banking was initially not demanded by

small firms, but it arose as the result of failed experiments with subsidized banking infrastructure and a changing position of the government on how to intervene in the economy.

The fourth chapter, *“The Role of Banks, Notaries and Private Lenders in the Dutch Credit System in the Early 20th Century”* is written jointly with Oscar Gelderblom, Joost Jonker, and Amaury de Vicq. This chapter investigates what financial services people made use of in the Netherlands in 1921. Because of the specificity of the data, the focus of this chapter is not on firms but on individuals. We analyzed the credit transactions of top Dutch wealth owners who died in 1921 and found that banks played a limited role in their borrowing and lending. Goods and services were either paid in cash or settled periodically with suppliers. Credit was overwhelmingly organized through peer-to-peer or notarized contracts, bank loans coming a distant third. Banks only possessed a competitive edge in savings accounts for small surpluses or current accounts for business people. Distance to the nearest bank office did not matter for these people, but wealthy urbanites were more inclined to use banks than their counterparts in the countryside.

The fifth chapter, *“Solving the Perennial Small Firm Funding Problem: The Case of the Netherlands, 1900-1940”* builds on the “lending channel” perspective pioneered by Taketa and Udell to investigate responses to changes in the provision of small firm credit.⁶⁹ This chapter argues that lending channels serving small firms cannot easily be replaced because of the high costs and risks associated with SME lending, causing little incentive for lenders to expand their services downwards. Governments have the ability to take risks and make costs for the greater good. Therefore, they can decide to support lending channels to ensure that SMEs continue to obtain financing when market players cannot or do not want to bear the associated costs and risks.

The sixth chapter, *“Lending and Coaching: Public Loan Guarantee Funds in the Netherlands, 1934-1978”* shows that credit can be effectively provided to small firms at low costs and low risks through the combination of public loan guarantees and intense monitoring. This chapter uses the case of the Dutch Public Loan Guarantee Funds to show how the Netherlands succeeded in this. The funds operated continuously between

⁶⁹ Taketa and Udell, “Lending Channels”; Udell, “Issues in SME Access to Finance.”

1934 and 1978 and followed a pattern of introduction, growth, small changes, decline, and transformation. This chapter describes their history, functioning, changes, and cost efficiency across time. The funds worked well in a specific context of little available formal lending options and low wages for staff. These are situations similar to many modern-day developing economies and can therefore offer some insights for development policy.

The seventh chapter brings together the conclusions reached in the previous chapters. It briefly reflects on research avenues that were taken but proved unfruitful, several possibilities for further research, and policy implications that can be drawn from this research.

Chapter 2: SMEs in an Era of Change: Overview of SMEs in the Netherlands, 1895-2000

2.1 Introduction

Government policies to support SMEs go back to at least the 1930s, and for the Netherlands even earlier, and they were a response to problems and changing circumstances. To understand the efficacy and effects of these measures, it is crucial to study the contexts in which they arose and how these contexts changed in response.⁷⁰ This chapter brings together information on the change of the population of SMEs in the Netherlands in the twentieth century (1895-2000). The goal is to document the macro-economic development of the SME population, with a particular focus on micro- and small firms. Assessing the overall structure of economies can help us better contextualize the specificities and effects of historical practices or changes. Given enough datapoints over a longer period, we can deduct long-term trends, which can contextualize, confirm, or question our understanding of economic development and policy-making.

For many countries, there exist older industry-statistics and company censuses going back to the nineteenth century which could potentially be connected or already have been connected to modern sources. Examples include Austria (1841), Belgium (1846), France (1845), Norway and Sweden (in the first half of the nineteenth century), the United States, (1850), Germany (1875), Finland, Canada, New Zealand, Denmark (1897), and Hungary.⁷¹

For the Netherlands, Van Gerwen and various co-authors investigated the economic make-up and the population of entrepreneurs and firms in several publications.⁷² Their work sheds some light on the relative size (in number of firms and share of employment) of SMEs and helps correct the picture that the industrial

⁷⁰ Outside of academia, a policy focus on SMEs and entrepreneurship since the 1980s has led to the construction of data series containing information about the number of SMEs, the number of employees, their financial behavior, and their economic performance. For example, see: EU Commission, SME Performance Review, https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en

⁷¹ These starting dates were listed in: Van Gerwen, "A Statistical Latecomer: Dutch Industry in Figures," 1.

⁷² Van Gerwen and De Goey, *Ondernemers in Nederland*; Van Gerwen and De Goey, "Ondernemers in Nederland: Variaties"; Van Gerwen, "A Statistical Latecomer"; Van Gerwen and Seegers, "De Industrialisatie."

transformation was solely due to large firms. They showed that SMEs remained relevant and contributed to industrialization in the early twentieth century.⁷³

Van Gerwen et al. consulted various sources, including the *Beroepentellingen* (1909-1950, professional census), *Ongevallenstatistieken* (1909-1947, Accident Statistics), and *Bedrijfstellingen* (1930, 1950, 1963, and 1978, company census). However, they noted that the data upon which they based their analysis suffered from an undercounting of small firms and therefore should be interpreted with care. This bias should be corrected before we can draw any final conclusions about the development and relative importance of SMEs in the twentieth century. To correct for the problem of undercounting, I use a methodology first proposed by Scheffer, who already in 1942 attempted to reconstruct the number of employees in small firms for the period of 1859-1930.⁷⁴ My findings then show a clear story of the population of small firms growing, then stagnating or slowly declining in number. Small firms grew in size, then decreased in size again while growing in number.

The paper starts by discussing sources and methodology. Section 3 provides an overview of how many firms there were and what their relative shares were in the total firm population. Section 4 discusses changing firm creation dynamism on the basis of bankruptcy statistics. Section 5 analyses the relative share of employment by SMEs. Section 6 shows the distribution of SMEs across sectors and their change over time. In the last section, I argue that many of these ebbs and flows in the population of small firms are linked not only to the development of the Dutch economy in this period, but also to the SME policies of the Dutch government between 1936 and 2000, as described in this thesis.

2.2 Historiography and Methodology

It is important to have clear definitions of what is included or excluded, as they allow for clear comparisons across time and space. I define micro-firms as firms with five employees at maximum (including the owner). Small firms employ no more than ten people.⁷⁵ Medium-size firms employ between 11 and 50, and large firms give work to

⁷³ Van Gerwen and Seegers, "De Industrialisatie van Nederland," 164-65.

⁷⁴ Scheffer, "Ontwikkeling."

⁷⁵ This is consistent with the definition of *middenstand* used by the Dutch Ministry of Economic Affairs between 1930 and 1965.

more than 50 people. In practice, the classification is not that easily maintained. The available sources are far from continuous, comparable, or complete, and data buckets or classifications often shift between sources.⁷⁶

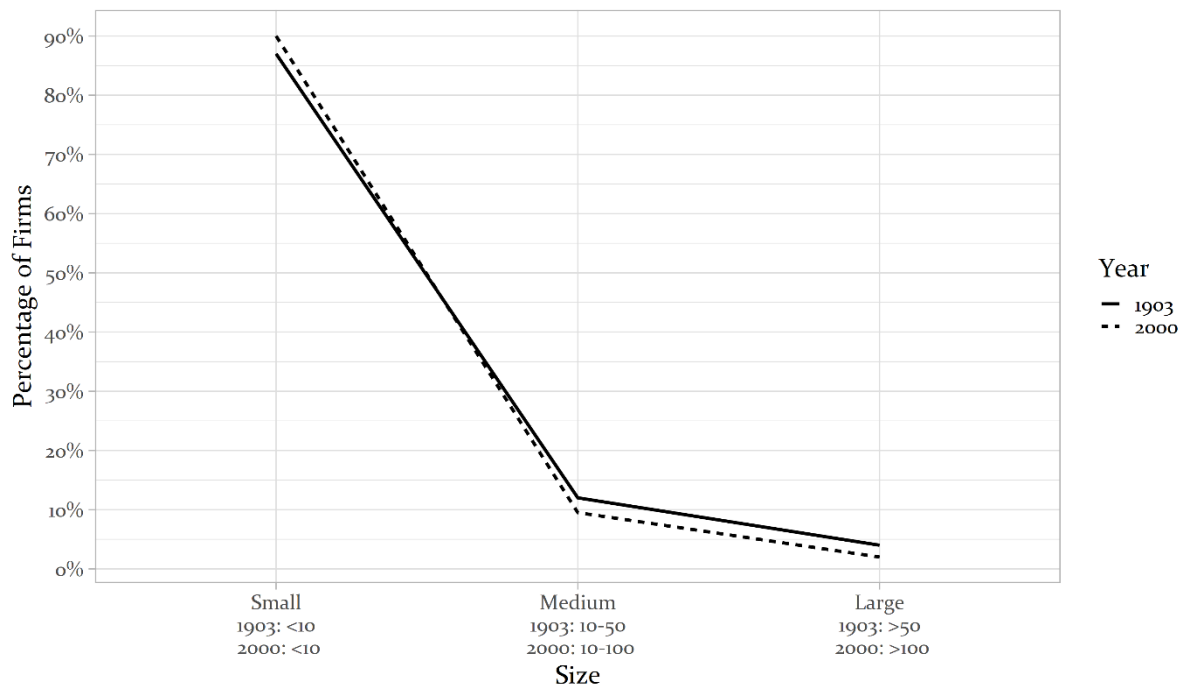
Figure 2.1 (taken from Van Gerwen and De Goey) illustrates two problems the sources pose. The figure shows the percentage of firms across different sizes in 2000 using CBS data and in 1903 based on the *Ongevallenstatistieken*. First, the legend shows a difference in definitions for medium and large firms between 1903 and 2000, because the data buckets or definitions are not consistent across sources. Second, Van Gerwen and Seegers noted that the *Ongevallenstatistieken* underestimated the number of firms and especially the smallest firms before 1921.⁷⁷ This underestimation had to do with the specific reasons for which the *Ongevallenstatistieken* were compiled. They list all firms subject to the *Ongevallenwet* (accident law) of 1903. These were firms with employees, active in sectors which were considered relatively more dangerous, namely industry, trade, and transportation. They do not count self-employed people, and particularly during the early years (1903-1914), many small firms did not register even when they had an obligation to do so. This led to an undercounting of the number of small firms.

Van Gerwen and De Goey opted for presenting the original numbers while openly signaling the limitations. Still, Figure 2.1 leads us to believe that the relative share of small firms in the firm population was a bit smaller in 1903 than it was in 2000. This is most likely not true. They are undercounting, but by how much?

⁷⁶ For a good source description and criticism, see: Van Gerwen, "A Statistical Latecomer"; Van Maarseveen, *Algemene Tellingen*.

⁷⁷ Van Gerwen and Seegers, "De Industrialisatie van Nederland," 155.

Figure 2.1 Size Structure of Firms in the Netherlands in 1903 and 2000



Source: Van Gerwen & De Goey, *Ondernemers in Nederland: Variaties in Ondernemen*, 278.

The first and (until now) only attempt to correct for this bias against small firms was by Scheffer in 1942. He was interested in the process of industrialization in the Netherlands and frustrated with the lack of good quality information.⁷⁸ Because of his specific interest, he only provided corrections for the share of employment per firm size, not for the number of firms. He based his work on an industry statistic from 1889 (*Nijverheidsstatistiek Struve en Bekaar*), the *Ongevallenstatistiek* from 1909, and the *Bedrijventelling* from 1930. His figures are still in use. Tjong recently published Scheffers estimate of the distribution of the share of employment across small, medium, and large firms. (Table 2.1) Unfortunately, Scheffer's original article was short and limited to the relative shares of employment by sector and firm size over time. Furthermore, he was very brief in his methodological description, making it sometimes unclear what exactly he did. Therefore, I decided to redo parts of his work and present an updated version, extended over time and scope.

⁷⁸ Scheffer, "Ontwikkeling van de Ambachts- En Fabrieksnijverheid," 542.

Table 2.1 Share of Employment by Firm Size, 1889-1930

Employment (percent)	1889	1909	1930
<i>Small Firms (1-9 employees)</i>	76.0	54.7	37.2
<i>Medium Firms (10-50 employees)</i>	8.6	15.4	19.1
<i>Large Firms (>50 employees)</i>	15.4	29.9	43.7
<i>Total</i>	100	100	100
<i>Number of Employees (nominal)</i>	545,653	802,469	1,234,984

Source: Scheffer, "Ontwikkeling van de Ambachts- En Fabrieksnijverheid", 545. Published in: Tjong, 51.

I follow Scheffer's methodology in order to obtain a more accurate estimate of the number of firms and share of employment. Scheffer used the *Beroepentellingen* (professional census) to correct for the bias in the *Ongevallenstatistieken* (Accident Statistics).⁷⁹ The *Beroepentellingen* list all employed people per profession and province and indicates how many are company owners/managers or employees. The number of company owners (A+B) should equal the number of firms, with the caveat that partnerships occasionally could be double-counted. The *Ongevallenstatistieken* list the number of companies by number of employees, and states how many people work in each firm size bucket. Given that companies without employees were not subject to registration and the fact that many of the smallest companies did not register, even if they had to, this source underestimates the number of smallest firms. The quality of registration for firms with more than five employees is better and could be naively taken at face value, since controls were stricter and employee pressure to register must have been greater. If we take the total number of company owners listed in the *Beroepentellingen* minus the number of firms with five or more employees (best data quality) registered in the *Ongevallenstatistieken*, this leaves us with an estimate of the number of firms with five or fewer employees. I calculated such estimates for 1909, 1920, and 1930.⁸⁰

I should note that the only reason it is even possible to combine these sources is because of the pioneering work in describing and critically assessing these sources, their

⁷⁹ Scheffer, "Ontwikkeling van de Ambachts- En Fabrieksnijverheid."

⁸⁰ For 1909, the source material did not provide the necessary information to estimate the relative share of employment by firm size.

methods of construction and respective biases. This allows me and other researchers to find a way in these sources and overcome the flagged problems in them. I rely especially on the works of Van Gerwen and Atsma.⁸¹

To validate Scheffer's method, I compare the estimates for 1930 to the *Bedrijventelling* (company census) of the same year. The estimates count consistently more firms than the *Bedrijventelling*. The number of micro-firms was also larger in the estimate, but the difference is minimal. The calculated total number of micro-firms (fewer than five employees) excluding those in excluding agriculture and fishing, is 363,670. The number of micro-firms (five employees maximum) excluding agriculture and fishing in the *Bedrijventelling* is 350,297. This is a difference of ca. 13,300 firms more in the estimate, or 3.8% of the total. Please note that the data buckets do not fully correspond, as the estimate does not include firms of five employees, whereas the 1930 count does. In relative terms, the estimate produces almost the same figure as the *Bedrijventelling*. According to my estimate, micro-firms made up 90,41% of the firm population in 1930, whereas the *Bedrijventelling* lists 91,18%. (Table 2.3), a minimal difference. The difference with the uncorrected *Ongevallenstatistieken* is much larger. According to the uncorrected *Ongevallenstatistieken* in 1930, micro-firms (maximum 5 employees) made up 79% of all firms. This is a 12% lesser difference from the *Bedrijventelling*.

These comparisons strengthen my opinion that Scheffer's methodology provides a meaningful correction and allows for more accurate claims about the relative size and importance of small firms in the Netherlands in the beginning of the twentieth century. I do not think that the nominal result of this calculation will provide an exact count of micro-firms. However, I do believe that this calculation properly indicates the relative size of micro-firms in the firm population. Theoretically, we could apply Scheffer's estimation method per sector. Scheffer presented such figures for 1909 (and even 1889, by combining it with an industry census).⁸² In practice, however, I found Scheffer's method to produce highly inaccurate results. When my estimates for 1930 were placed next to the 1930 *Bedrijventelling*, the figures for especially small sectors were off by

⁸¹ Van Gerwen, "A Statistical Latecomer"; Van Maarseveen, *Algemene Tellingen*; Van Gerwen and De Goey, "Ondernemers in Nederland."

⁸² Scheffer, "Ontwikkeling van de Ambachts- En Fabrieksnijverheid," 543.

sometimes more than 100%. I believe this is due to two reasons. One is the composition of certain sectors, more or less small firms with better or worse registration practices, leaving more or less room for mistakes. A second is the exact classification of certain crafts, trades, and professions. On the whole, these classification problems even out. Because we count all firms, there is no room for confusion as to which types of firms should be counted in which sector. Agriculture and fisheries are excluded from the calculations, but these are relatively straightforward to identify.

The numbers presented in the following sections are based on four sources which are available in multiple forms:

(1) The *Ongevallenstatistieken* were published starting from 1903 until 1967.⁸³

(2) The *Beroepentellingen* are available online for 1889, 1899, 1909, 1920, 1930, 1947, and 1971.⁸⁴ For the purpose of this chapter, we are interested in 1909 and 1920.⁸⁵

(3) The *Bedrijventellingen* were held in 1930, 1950, 1963, and 1978, and they can be found in photographed form at DANS.⁸⁶

(4) The CBS data is available starting from 1987 in the digital Statline archive of the CBS.⁸⁷

2.3 Number of Firms

First, I calculate the number of firms by firm size over the twentieth century. Table 2.2 and Table 2.3 list the new estimates (listed as est.) alongside the company census data (BDT) and the Central Bureau of Statistics data (CBS). The year 1930 has both data from the estimate and the company census and serves as a point of reference to connect both series. Table 2.2 shows the order of magnitude of the number of firms, and should not be interpreted as precise counts. The data buckets slightly change between years, which is why I have opted to present each year with the bucket as given in the source.⁸⁸

⁸³ Consulted at Utrecht University Library: Call Number (Ts qu 878)

⁸⁴ All censuses are accessible online at: www.volkstellingen.nl

⁸⁵ Before 1903, there are no *Ongevallenstatistieken* to combine them with, and after 1930 there are *Bedrijventellingen* and CBS statistics which provide much more complete and better-quality information.

⁸⁶ Data Archiving and Networked Services (DANS), <https://easy.dans.knaw.nl/>

⁸⁷ CBS, Statline Open Data, <https://opendata.cbs.nl/statline/>

⁸⁸ Some data buckets are aggregated, but the borders are always maintained.

Table 2.2 Number of Firms per Size Bucket

Year	<5	5-9	10-49	50-199	200-499	500-999	1000≤
1909 (est.)	324,641	9,772	7,791	1,488	230	73	29
1920 (est.)	406,016	10,863	9,963	2,221	415	143	71
1930 (est.)	363,670	20,291	14,715	2,763	524	156	106
1947 (est.)	375,537	21,386	17,686	3,340	614	175	123
Year	≤5	6-10	11-50	51-200	201-500	501-1000	1000<
1930 (BDT)	350,297	18,555	12,409	2,244	4,35	142	91
1950 (BDT)	349,583	29,655	22,865	4,391	1,005		121
Year	<5	5-9	10-49	50-199	200-499	500-999	1000≤
1963 (BDT)	401,196	64,393	41,206	7,214	1,202	340	164
1978 (BDT)	345,606	63,341	43,250	6,863	1,074	285	112
Year	≤5	6-10	11-50	51-200	201-500	501<	
1993 (CBS)	316,990	31,520	33,570	6,605	1,150	565	
2000 (CBS)	394,005	42,950	38,980	7,305	1,240	685	

Source: Own calculations. These figures have been harmonized in order to be comparable. Not all sectors and firms are included.⁸⁹

⁸⁹ Counted sectors are limited to industry, trade, and certain services. Banking, finance, and government sectors (including education) are left out.

Table 2.3 shows the same, as relative shares of the total number of firms per year. Rows add up to 100.

Table 2.3 Relative Share in Total Firm Population per Firm Size

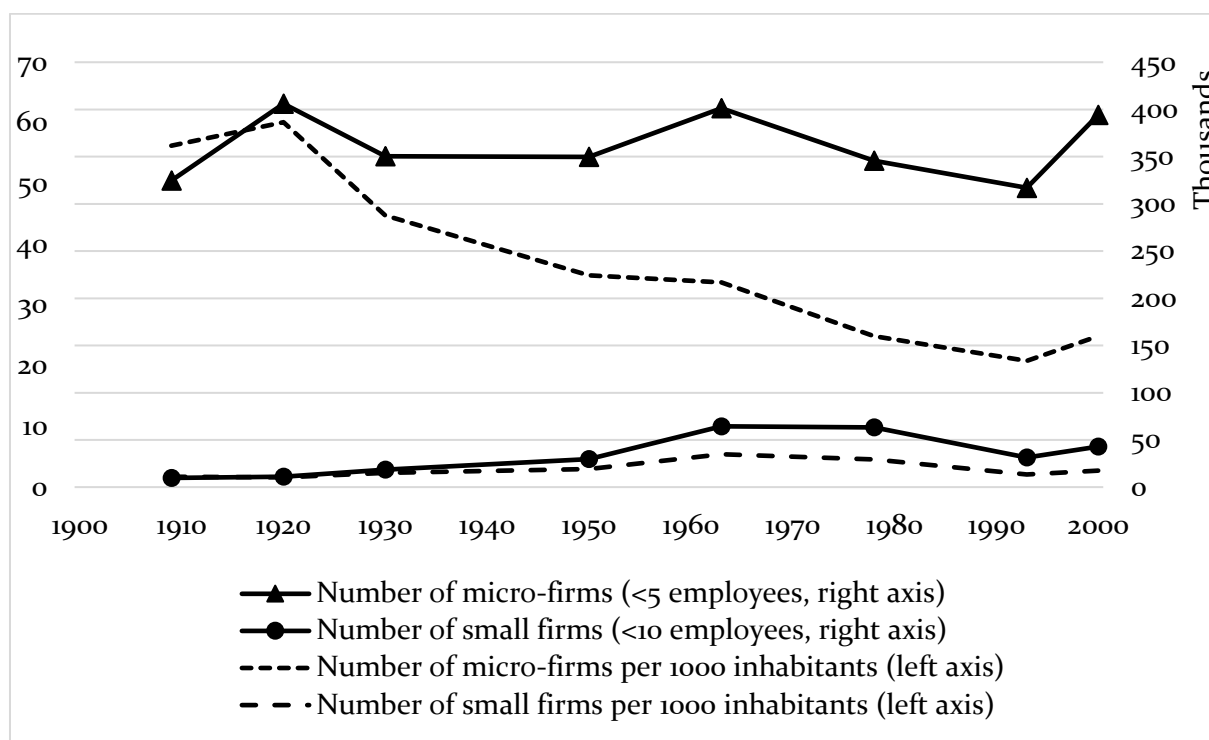
Year	<5	5-9	10-49	50-199	200-499	500-999	1000≤
1909 (est.)	94,37%	2,84%	2,26%	0,43%	0,07%	0,02%	0,01%
1920 (est.)	94,49%	2,53%	2,32%	0,52%	0,10%	0,03%	0,02%
1930 (est.)	90,41%	5,04%	3,66%	0,69%	0,13%	0,04%	0,03%
1947 (est.)	89,66%	5,11%	4,22%	0,80%	0,15%	0,04%	0,03%
Year	≤5	6-10	11-50	51-200	201-500	501-1000	1000<
1930 (BDT)	91,18%	4,83%	3,23%	0,58%	0,11%	0,04%	0,02%
1950 (BDT)	85,76%	7,28%	5,61%	1,08%	0,25%		0,03%
Year	<5	5-9	10-49	50-199	200-499	500-999	1000≤
1963 (BDT)	77,79%	12,49%	7,99%	1,40%	0,23%	0,07%	0,03%
1978 (BDT)	75,05%	13,75%	9,39%	1,49%	0,23%	0,06%	0,02%
Year	≤5	6-10	11-50	51-200	201-500	501<	
1993 (CBS)	81,20%	8,07%	8,60%	1,69%	0,29%	0,14%	
2000 (CBS)	81,21%	8,85%	8,03%	1,51%	0,26%	0,14%	

Source: Own calculation. These figures have been harmonized to be comparable. Not all sectors and firms are included.⁹⁰

Table 2.2 and Table 2.3 give a first overview of how the make-up of the Dutch economy evolved during the twentieth century. Over time, we see a steady increase in the absolute and relative number of medium (10-50), large (50-500), and very large firms (500<). The number of small firms (five to ten employees) increased until the 1960s, only to then decrease again. The growth of these groups of firms came at the cost of the relative share of micro-firms. In particular, small firms with five to ten employees took over most of the share of the micro-firms. The share of micro- and small firms combined stayed more or less the same, decreasing from ca. 97% to ca. 90% of all firms.

⁹⁰ Counted sectors are limited to industry, trade, and certain services. Banking, finance, and government sectors (including education) are left out.

Figure 2.2 Absolute Number of Micro- and Small Firms and per 1000 Inhabitants



Source: Own calculations

The absolute number of micro-firms fluctuates over time (Figure 2.2). There are three points where an increase is noticeable. One is between 1909 and 1920, which might be proof of the claim of small firm lobby groups that competition rose in the prewar period and during the First World War, when production expanded and the bankruptcy rates were low (Figure 2.3).⁹¹ The second is an increase between 1950 and 1963, when the Dutch economy grew very rapidly and there were ample opportunities for entrepreneurship and growth. The increase in small firms suggests that micro-firms slowly made the transition into small or even medium-size firms. This was already noted in contemporary governmental reports such as the *Middenstandsnota* and seems to have been an objective of the Dutch SME policy at the time.⁹² Third, there was a sharp increase in the number of small firms between 1993 and 2000, driven by an increase in firms without employees aside from the owner. This has to do with flexibilization and deregulation of the labor market and the introduction of the ZZZ statute (*zelfstandige zonder personeel*, self-employed without personnel) in 1986, which aimed to facilitate

⁹¹ In 1918, there were 938 bankruptcies, versus 4341 in 1921. Source: *Jaarcijfers voor Nederland 1923* p.166.

⁹² Ministerie van Economische Zaken, "Middenstandsnota 1954," 13.

freelancing by exempting them from certain social contributions. The form became popular over time and increased by ca. 33,000 between 1993 and 2000.⁹³

However, the number of firms did not keep pace with population growth in the Netherlands. We see this clearly in Figure 2.2, where the number of micro-firms per 1000 inhabitants decreased from 56 in 1920 to ca. 21 in 1993, only to increase again to ca. 25 per 1000 inhabitants in 2000. The decrease is linked to rising firm size and the lack of growth in the number of micro-firms. Fewer firms per capita normally means more clients per firm and an increase in firm profitability and growth opportunities. The increase between 1993 and 2000 is again linked to the increase in the number of ZZP employed.

2.4 Firm Dynamics

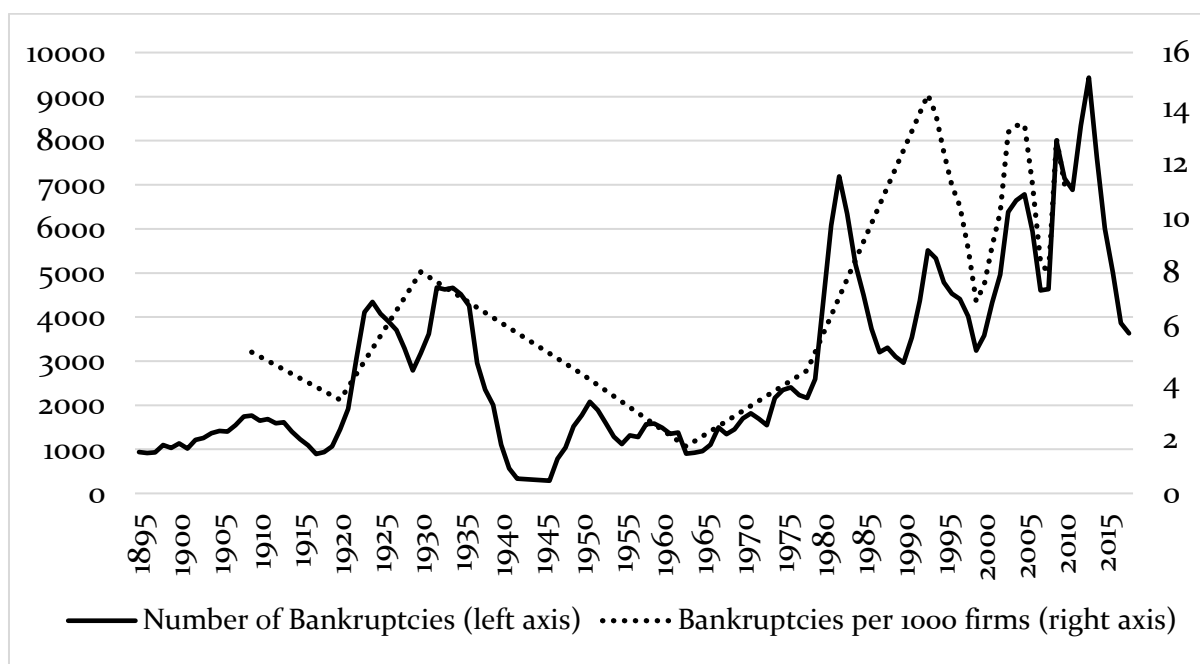
The point estimates provided in Section 2.3 show the long-term evolution of the number of firms in the Netherlands. However, the long periods between datapoints can hide substantial volatility in firm exits and entries. These fluctuations were definitely there, because most micro- and small firms were tightly linked to the entrepreneur and often closed when he/she retired or quit, or because many firms simply did not make it and were forced out of business. We can get an idea of the size of the latter thanks to the bankruptcy statistics which the Dutch state has maintained since the nineteenth century.

Figure 2.3 shows the number of bankruptcies across all sectors and types of firms between 1895 and 2015. We immediately see more bankruptcies during the banking crisis of 1921-1923 and the Great Depression of 1930-1936, followed by relatively low bankruptcy levels during the postwar period, until the stagflation crisis of the 1980s. Since the 1980s, there have been on average more bankruptcies, and the number fluctuates strongly. The low rate of bankruptcies in the 1960s indicates a strong economy but is also partially due to the government policy at that time to stimulate smaller, older entrepreneurs to close their firms by providing them with a guaranteed income. (Rijksgroepregeling Zelfstandigen).⁹⁴ These closures are not counted in the bankruptcy statistics.

⁹³ Van Stel and Diephuis, "Aantallen Ondernemers," 25.

⁹⁴ Huyghens ING, Afdeling Sociale Bijstand 1945-1967, http://resources.huygens.knaw.nl/socialezekerheid/nadere_toegangen/html_bestanden/AfdelingSocialeBijstand1945.

Figure 2.3 Absolute and Relative Number of Bankruptcies, 1895-2010



Source: Jaarcijfers voor Nederland, 1906-1968; CBS, Faillissementsstatistiek, 1974-1979; CBS, Faillissementen Kerncijfers, 1983-2015; and CBS, 708111ed.

Bankruptcy statistics can be an indication of especially small firm exits, since those were much more likely to exit or to enter. The bankruptcy statistics do not allow to distinguish between the size of the firms in terms of number of employees, only by the size of the executed estate which is difficult to interpret because assets might have been sold before entering the bankruptcy procedure. For the period 1895-1900, however, we have information about the sector and size of the firms that failed. During this period, more small factory owners failed than large factory owners (335 vs 69).⁹⁵ Of course, there were more small firms than large firms, but that is exactly why bankruptcy statistics mostly follow small firm exits. Nonetheless, retail is most certainly overrepresented in the statistics. For the period 1895-1940, retail consistently made up between 40 and 50% of all bankruptcies. The fact that most bankruptcies occur among small retailers strengthens the argument that bankruptcy figures especially track micro- and small firms.⁹⁶

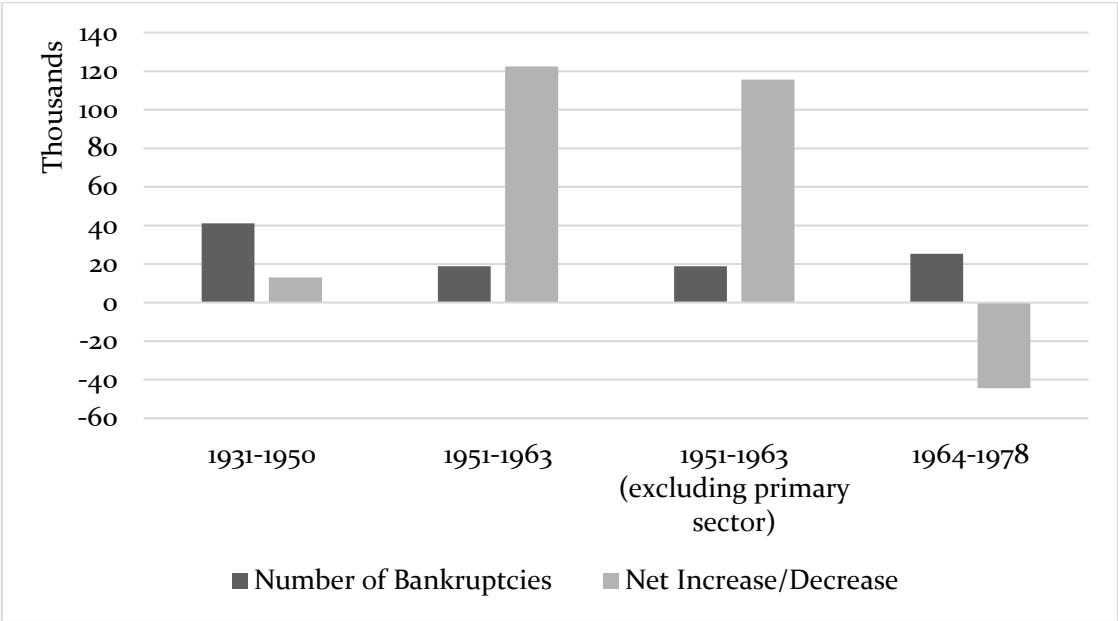
Inversely, the bankruptcy statistics can be used to get a grasp of the number of new firms started. By taking the difference between the number of firms between two

⁹⁵ CBS, Jaarcijfers voor Nederland, 1906, 128.

⁹⁶ CBS, Jaarcijfers voor Nederland, 1906-1946.

points in time, and then adding the number of bankruptcies between those years, I estimate the number of firms that were started during that period.⁹⁷ Since micro- and small firms are most likely to fail and to be established, we can assume that most of the turnover to be micro- and small firms. Between 1931 and 1950, 41,080 firms went bankrupt, but at least 54,063 new firms were established, giving a net increase of 12,983 firms.⁹⁸ Between 1951 and 1963, 18,840 firms went bankrupt and 141,257 firms were founded, causing a net increase of 122,417 firms. The period between 1963 and 1976 saw a net loss of 44,425 firms (Figure 2.4). Unsurprisingly, most firms were established in the economic boom time after the Second World War, and more firms exited during crises. The effect of self-entrepreneurship due to economic distress most likely played more in the early 1930s than in the 1970s when regulation to enter the market was less restrictive.

Figure 2.4 Number of Bankruptcies and Difference in Number of Firms per Period



Source: Own calculations based on Jaarcijfers voor Nederland, 1906-1968; CBS, Faillissementsstatistiek, 1974-1979; and *Bedrijventellingen* of 1930, 1950, 1963, and 1978.

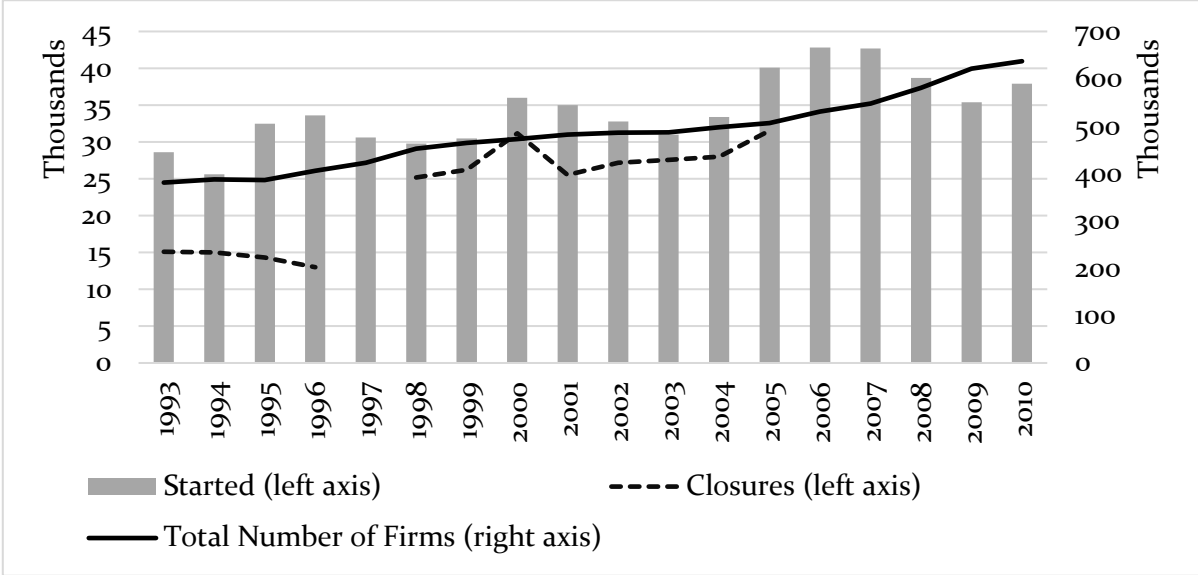
For recent periods, there is better quality data. Figure 2.5 shows the total number of firms, the number of newly established firms per year, and the number of closures (all

⁹⁷ This approach is surely an underestimation, because we miss the firms that started and closed between the starting and end date of the calculated period.

⁹⁸ Please note that in the *Bedrijventellingen* of 1930 and 1950, agricultural firms and free professions are not counted.

types of closures including bankruptcies). The total number of firms continuously rose between 1993 and 2010. The number of newly established firms followed a same trend with a peak in 2007.

Figure 2.5 Number of New Firms, Firm Closures, and Total Number of Firms, 1993-2010



Source: CBS, datasets 7081ned, 07223ed, and 70234ned.⁹⁹

2.5 Share in Employment

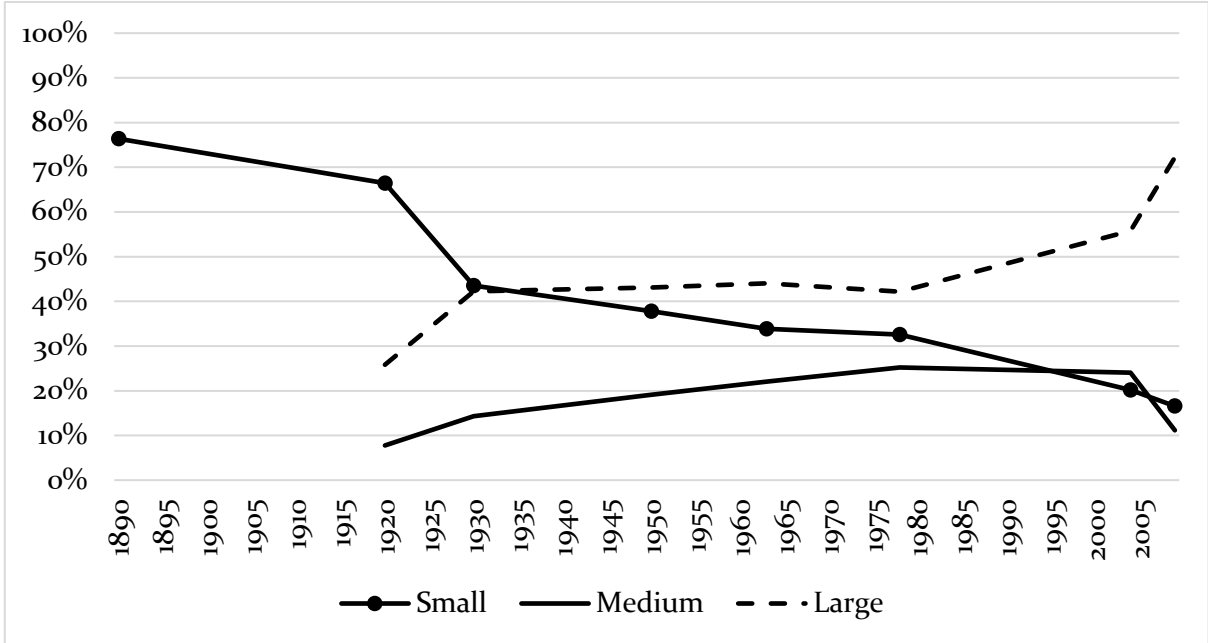
The trends regarding the number of firms are not the same as those of the number of people they employed and their relative share in employment. The number of firms stayed more or less stable but the labor force grew from around 3.1 million in 1930 to 3.8 million in 1950, 4.2 million in 1963, nearly 5 million in 1978 and surpassing 7 million in 2000. This made firms larger on average. The average number of employees in small firms went up from 2.1 in 1930 to 2.6 in 1963 to remain there until 1978. Afterwards, however, the trend reversed. The large increase in micro-firms by the year 2000 further decreased that number. By 2006, small firms only employed 1.8 employees on average. The increase in size made that nominally more people than ever worked in micro- and small firms by 2000.

Nonetheless, the relative share of micro and small firms in employment fell. Medium firms remained more or less the same size, employing around 20 people on average between 1920 and 1978. Large firms peaked at employing on average 258 people

⁹⁹ Not all firms are counted. The graph shows ATOT. Also, for Closures 1998-2005, it shows classes C-I.

in 1930, and decreased afterwards to around 166 people in 1978. Their number grew enough to still increase their share in employment. The shift toward medium and large firms becomes fully visible in Figure 2.6. However crudely, the figure clearly shows a shift away from employment concentrated in small firms toward being employed in medium-size firms (here defined as 11-50 employees) and an increase in the number of people employed in large firms (more than 50 employees). The shift took place between 1920 and 1930, when the share of employees in small firms fell from 65% to 43% and stabilized between 1963 and 1978 at ca. 32%. Between 1978 and 2009, it fell even further to 16% of the workforce. An upswing for employment in large firms happened after 2000.

Figure 2.6 Share of Employment by Firm Size, 1890-2009



Small: <10, Medium: 10-50, Large: 50<

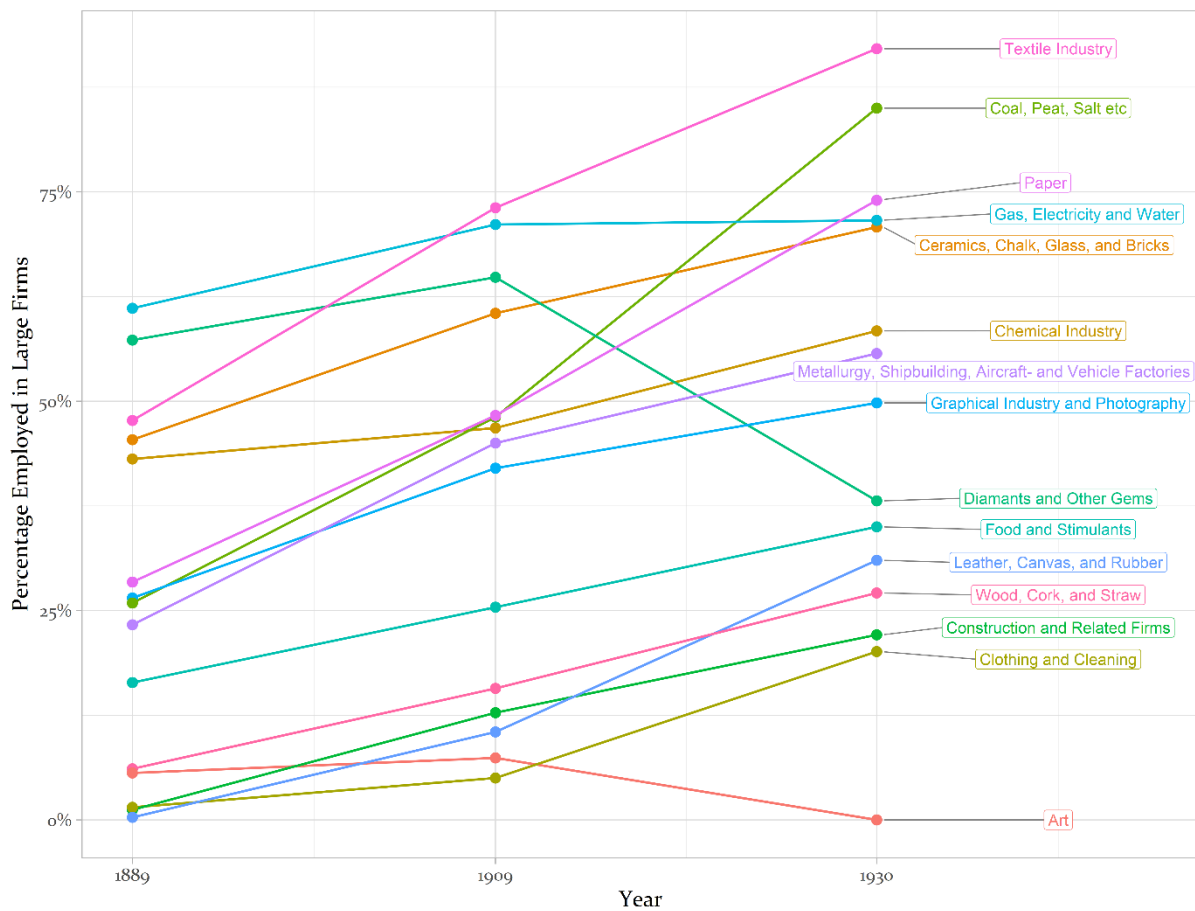
Source: Own Calculations

2.6 Sectoral Composition

Scheffer provided a first overview of changing firm structures on the sectoral level. His main interest was in how small-scale crafts production (*ambachtsnijverheid*) and large-scale factory production (*fabrieksnijverheid*) developed over time, and which sectors were relatively more organized as crafts (which he equaled with small firms having fewer than ten employees) and which ones had more factories (large firms with more than 50 employees). His research focused on the period 1859-1930. He found that factories existed already in the nineteenth-century Netherlands, but that they were mostly concentrated in certain sub-sectors of metallurgy, textile industry, and parts of ceramics, porcelain, and paper industries. Factories remained limited to these sectors in the nineteenth century, with the exception of agricultural industries (potato-flour factories, beet sugar factories and straw board factories) developing in the closing decades of the nineteenth century.¹⁰⁰ The biggest increase in the number and relative share of employment by factories, according to Scheffer, took place between 1889 and 1909, and this particularly in the sectors of mining, paper, metallurgy, leather, oil cloth, and rubber production.

¹⁰⁰ Scheffer, "Ontwikkeling van de Ambachts- En Fabrieksnijverheid," 545.

Figure 2.7 Percentage of Population Employed in Large Firms per Sector, 1890-1930

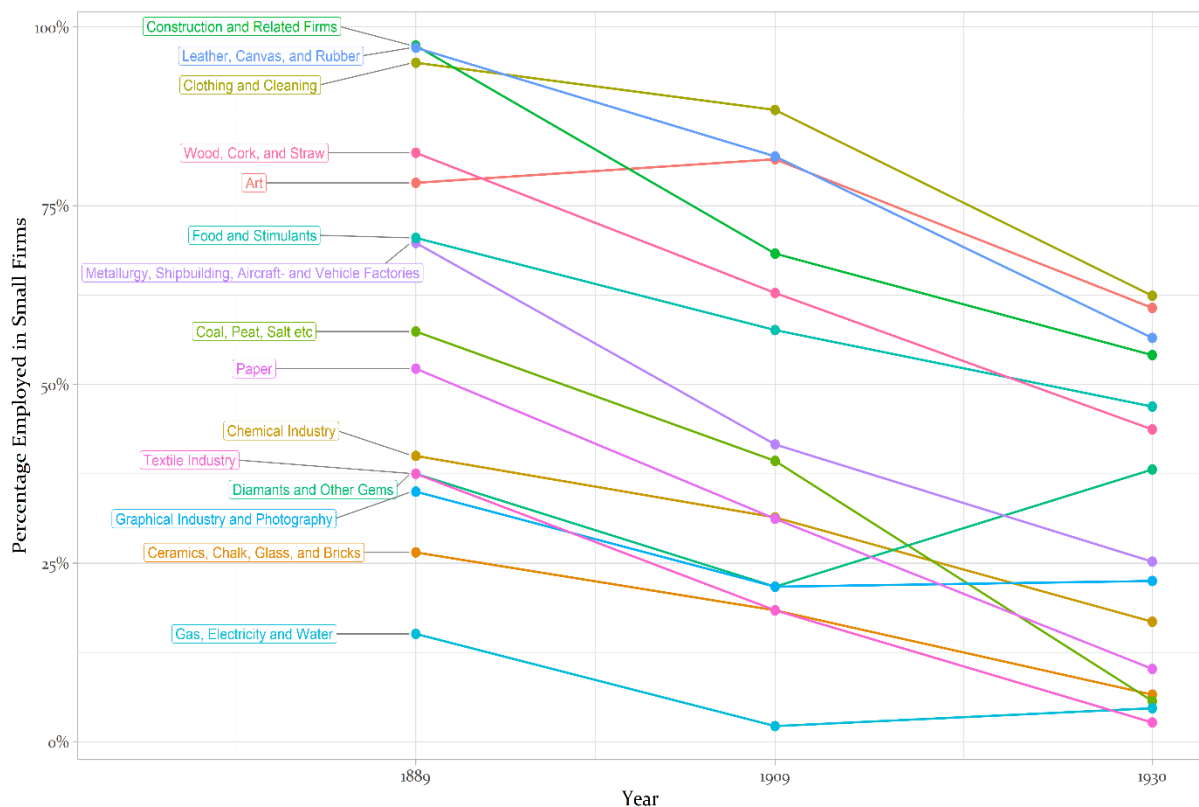


Source: Scheffer, "Ontwikkeling van de Ambachts- En Fabrieksniijverheid", 543.
Full Table in Appendix

The increasing spread in Figure 2.7 shows that not all sectors were making the move to employment in large firms. When we look at Figure 2.8, which shows the percentage employed in small firms, we see nearly all sectors moving away from employment in small firms as the standard. Starting from a large diversity in share of employment in small firms, there is a decisive concentration toward 1930, with the majority of sectors employing less than 50% of the employees in small firms. Scheffer's data clearly shows that small firms were being replaced as the main modus of employment.¹⁰¹

¹⁰¹ I believe Scheffers' figures need to be interpreted cautiously. as I found large differences between estimates and the company census when employing Scheffers' technique on the sectoral level.

Figure 2.8 Percentage of Population Employed in Small Firms per Sector, 1890-1930



Source: Scheffer, "Ontwikkeling van de Ambachts- En Fabrieksnijverheid", 543.
Full Table in Appendix

How did this development continue into the twentieth century, and was this development consistent across all sectors? To get a better idea of which sector consisted of small firms, and which sectors consolidated over time, I harmonized the *Bedrijventellingen* and split up the data in sectors and sub-sectors. Because sector-level estimates based on the combination of both *Ongevallenstatistieken* and *Beroepentellingen* proved too inaccurate, for this section I rely only on data from the *Bedrijventellingen* (1930, 1950, 1963, 1978). The CBS data were available per sector or firm size, but they could not be combined to research sectoral division by firm size.¹⁰²

As noted in the introduction of the censuses and by Atsma, the classification schemes used in the censuses were inconsistent. This was a problem in the past when contemporaries tried to compare the *Bedrijfstellingen* of 1930 and 1950.¹⁰³ To remedy this, I converted all censuses to a harmonized 24-level classification scheme and made certain

¹⁰² It was unfortunately not possible to expand this series to earlier periods.

¹⁰³ Ministerie van Economische Zaken, "Middenstandnota 1954," 13.

that subgroups were properly recombined.¹⁰⁴ A few sectors were not systematically counted in the censuses and thus excluded from the classification scheme. These include agriculture, fishing, hunting, financial intermediaries, insurance companies, laboratories, cultural sector and entertainment (including cinemas), auctions, educational facilities, and real estate companies.

Table 2.4 Classification Scheme for Harmonized Bedrijfstellingen 1930-1978

Code	Sector	Sub-Sector	Description
NC1	Extractive Industries	Extractive Industries	Mining, oil and coke production, stone quarries, and production of glass and ceramics
NC2	Industry	Graphical Industry	Printing houses and graphical work
NC3	Industry	Construction	Construction companies and firms working in construction (plumbers, elevators etc.)
NC4	Industry	Chemical Industry	Chemical companies, excluding oil and gas refinement
NC5	Industry	Metallurgy, Shipyards, and Aircraft and Vehicle Factories	Metallurgy, shipyards, and aircraft and vehicle Factories
NC6	Industry	Textile Industry	Textile industry
NC7	Industry	Clothing Industry	Clothing, including shoes
NC8	Industry	Wood Industry	Wood Industry, including wooden furniture
NC9	Industry	Machinery and Electrotechnical Industry	Machinery factories and repair places, including electrotechnical industry, plumbing, and watchmakers
NC10	Industry	Leather	Leather industry, excluding clothing and shoes

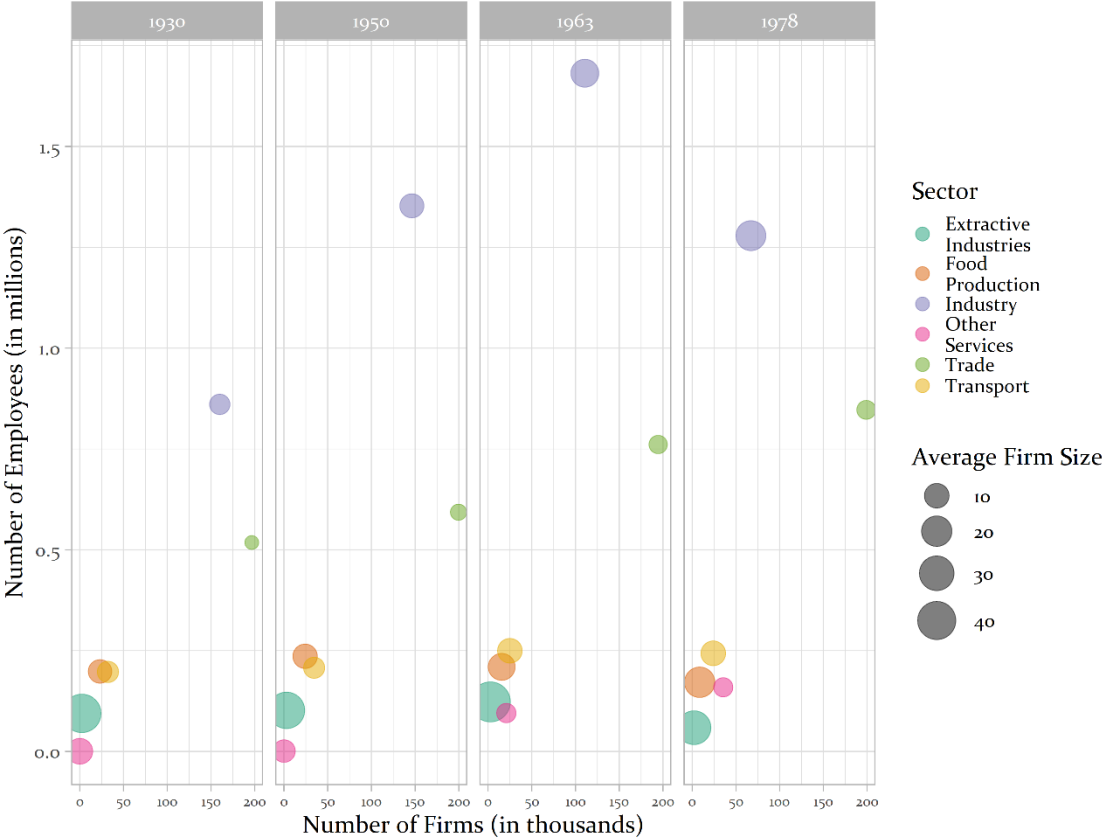
¹⁰⁴ The full reclassification book can be found in the Appendix.

<i>NC11</i>	Industry	Rubber and Synthetics	Rubber industry
<i>NC12</i>	Industry	Paper	Paper production industry
<i>NC13</i>	Industry	Utilities	Gas, water and electricity companies, post, telephones, and telegraphs and radio
<i>NC14</i>	Industry	Other Industry	Other industries
<i>NC15</i>	Food Production	Alcoholic Beverages and Tobacco	Breweries and distilleries and tobacco
<i>NC16</i>	Food Production	Foodstuffs and Non-Alcoholic Beverages	Foodstuff production, including non-alcoholic beverages, bakers and butchers
<i>NC17</i>	Trade	Retail	Retail, excluding bakers and butchers
<i>NC18</i>	Trade	Wholesale	Wholesalers, including middlemen
<i>NC19</i>	Transport	Land Transport	Land transport, including taxi services and other companies related to transportation, excluding public transportation
<i>NC20</i>	Transport	Air Transport	Air transport
<i>NC21</i>	Transport	Public Transportation	Including private tramways and private bus companies
<i>NC22</i>	Transport	Shipping	International and national shipping
<i>NC23</i>	Trade	Hospitality Industry	Hotels, restaurants, and bars
<i>NC24</i>	Other Services	Other Services	Travel agencies and other services

After recoding the various company censuses into the 6 sectors and 24 sub-sectors, we can plot a first overview of what happened on the macro level. Figure 2.9 shows the total amount of employees (vertical axis) and the number of firms (horizontal axis) per sector across time. The size of the circle indicates the average firm size in that sector. We see immediately that industry is the largest sector in terms of number of employees in the twentieth century, whereas trade represents most firms. Industry grew

as a sector in number of employees and firms until 1963 after which it decreased. Extractive industries comprised of few but large firms and decreased in terms of number of firms and employment between 1963 and 1978. This shows the deindustrialization and disappearance of mining of the Netherlands in the last quarter of the twentieth century. The shift to a more service-oriented economy is shown by the reverse trends in trade and other services, which saw a continuous rise in both the number of firms and employees between 1930 and 1978. The average firm size increased by a little, but trade remains on average the sector organized in the smallest firms (Figure 2.9).

Figure 2.9 Total Number of Firms and Employees per Sector



Source: Own calculations

When we disaggregate to the sub-sector level, we get a more detailed view of the changing situation. Figure 2.10 shows the average firm size per sub-sector across the four years for which we have data. Air transport is excluded, as it is basically a monopoly sector.

Figure 2.10 shows that average firm size varies tremendously across sub-sectors and that not all sectors follow the same path. In the case of food production, most of the average firm size growth took place in alcoholic beverages and tobacco. The large average firm size of transport is mostly due to public transportation companies, such as bus operators and railroads. In industry, on average the largest firms can be found in the sectors already identified by Scheffer, namely paper, textiles, and rubber and synthetics. I find that metallurgy and related industries have relatively fewer large firms. Interesting is the rapid growth in firm size of the chemical industry, from 10.6 employees in 1930 to 86.3 in 1978. Trade was organized in very small firms and only wholesale grew in terms of firm size, whereas the hospitality industry and retail continued to be made up of mostly small firms.

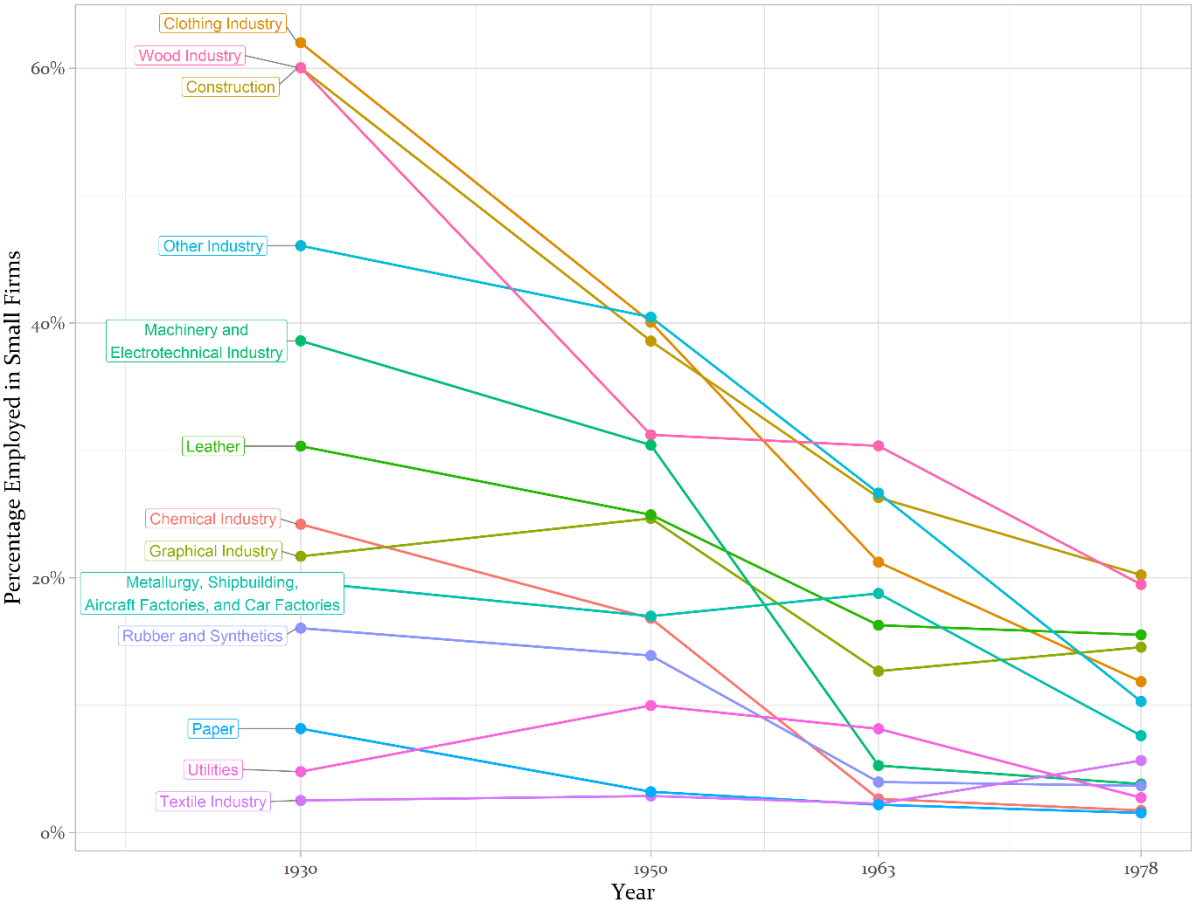
Figure 2.10 Average Firms Size per Sector over Time (Excluding Air Transport)



Source: Own calculations

The concentration was consistent across industry sub-sectors, almost all of which converged to 0-20% of people employed in small firms by 1978 (Figure 2.11). Paper, utilities, textile industry, rubber and synthetics, and metallurgy were already at that level in 1930, and by 1978 they were even joined by the clothing industry, wood industry, and construction, all of which had more than 60% of employees working in small firms 48 years earlier.

Figure 2.11 Percentage of Population Employed in Small Firms per Industry Sub-Sector, 1930-1978

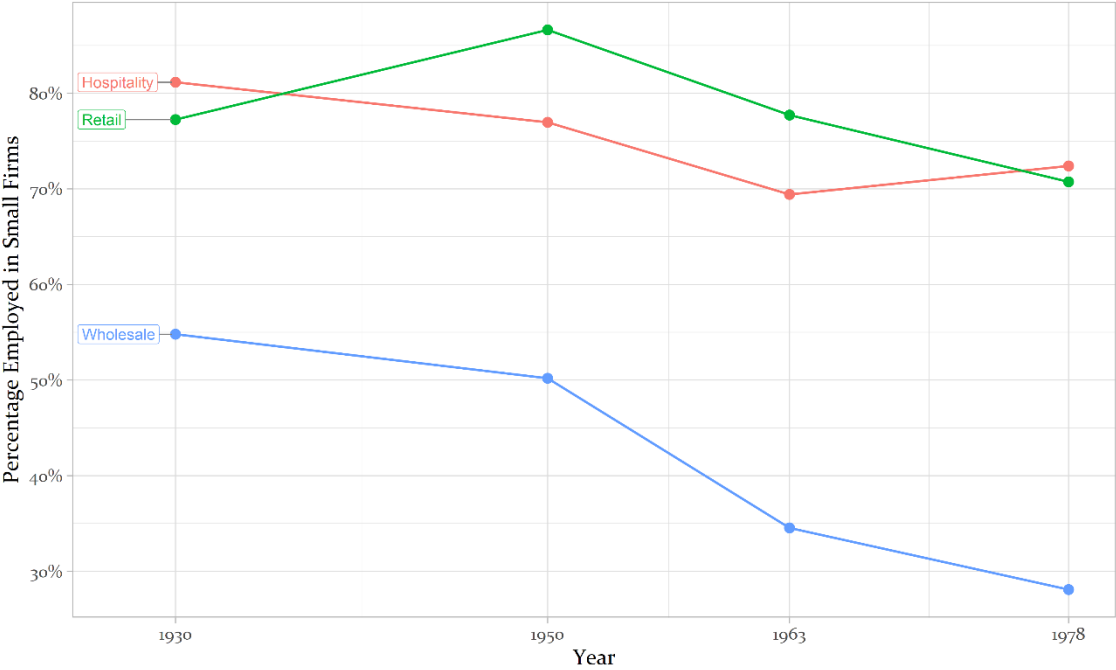


Source: Own calculations

Trade, on the other hand, remained a bastion of small firms, particularly in hospitality industry and retail, which still had more than 70% of employees employed in small firms in 1978. Only wholesale saw a substantial decrease, from 55% in 1930 to less than 30% in 1978 (Figure 2.11). This has to do with the difference in advantages of scale. Retail and hospitality industry need a large input of manual labor that is hard to

automate, such as waiters, cooks, shop attendants, rack fillers, and cleaners. Wholesale merchants on the other hand had many more opportunities to automate and scale sales and logistics.

Figure 2.12 Percentage of Population Employed in Small Firms per Trade Sub-Sector, 1930-1978



Source: Own calculations

The persistence of small firms does not mean that small firms did not change over time. Table 2.5 shows the average size of small firms by sub-sector; over time and on average, they grew. We see again alcoholic beverages and tobacco doubling in average firm size, while small firms in wholesale were relatively larger than those in the hospitality industry and retail. Still, small firm size in these last two groups also increased over time.

Table 2.5 Average Small Firms Size per Sub-Sector Over Time

Sub-sector	Sector	1930	1950	1963	1978
Extractive Industries	Extractive Industries	3.34	3.08	3.66	3.10
Alcoholic Beverages and Tobacco	Food Production	2.64	2.60	4.95	3.42
Foodstuffs and Non-Alcoholic Beverages	Food Production	3.36	3.62	3.94	4.21
Graphical Industry	Industry	3.08	3.01	4.37	3.06
Construction	Industry	2.41	3.08	3.73	3.41
Chemical Industry	Industry	2.92	3.41	4.04	3.02
Metallurgy, Shipbuilding, Aircraft Factories, and Vehicle Factories	Industry	1.95	2.62	3.05	3.07
Textile Industry	Industry	2.34	3.18	3.86	2.62
Clothing Industry	Industry	1.88	2.20	2.26	2.01
Wood Industry	Industry	2.41	2.70	3.10	2.72
Machinery and Electrotechnical Industry	Industry	2.61	2.91	3.52	3.25
Leather	Industry	2.23	2.93	3.18	2.95
Rubber and Synthetics	Industry	2.49	2.86	4.25	3.34
Paper	Industry	2.86	4.11	4.86	4.03
Utilities	Industry	3.59	3.46	4.00	4.01
Other Industry	Industry	2.16	2.28	2.72	2.12
Other Services	Other Services	3.18	3.37	2.41	2.27
Retail	Trade	1.94	2.10	2.44	2.48
Wholesale	Trade	1.75	2.61	3.03	2.64
Hospitality	Trade	1.83	2.32	2.50	2.38
Land Transport	Transport	2.08	2.03	2.91	2.89
Air Transport	Transport	NA	NA	4.38	2.58
Public Transportation	Transport	3.51	4.35	4.77	2.16
Shipping	Transport	2.23	2.49	2.66	2.30

Source: Own calculations

2.7 Conclusion

Using the estimation method pioneered by Scheffer and the source corpus described by Van Gerwen et al., I have provided updated figures and given an overview of the development of the number of firms by firm size, their share in employment, the firm dynamics, and sectoral division over time.

I have shown that the number of small firms appeared relatively constant in the twentieth century, with an increase in the last quarter of the century due to the liberalization of the labor market. However, the aggregate numbers hid a substantial variation in firm dynamics, with periods of greater firm creation or destruction. The importance of small firms in employment decreased over time. In particular, micro-firms

lost out in importance, while mostly small and medium firms took over their share. Nonetheless, the absolute number of employees increased as the labor population grew.

Section 6 shows that there was substantial variation across sectors. We find that, in particular, industrial sub-sectors concentrated in large firms between 1930 and 1978, while trade sub-sectors, in particular retail and hospitality industry, remained bastions of small firm activity. Most sub-sectors saw an increase in average firm size, and small firms also became larger on average. The notable exceptions to this were other services, which included travel services.

This overview has provided context on how small firms and the wider Dutch economy developed throughout the twentieth century. I argue that many of these ebbs and flows in the population of small firms are linked to the development of the Dutch economy in this period, but also very much to the SME policies of the Dutch government between 1900 and 1980, as described in this thesis.

2.8 Appendix

Table 2.6 Absolute and Relative Share of Employment by Firm Size Across Sectors.
Taken from: Scheffer, "Ontwikkeling van de Ambachts-En Fabrieksnijsverheid," 543.

No	1889 Description	Total	Small Firms		Medium Firms		Large Firms	
			Abs.	Rel.	Abs.	Rel.	Abs.	Rel.
1	2	3	4	5	6	7	8	9
I	Ceramics, Chalk, Glass, and Bricks	17617	4662	26,5	4954	28,1	8001	45,4
II	Diamonds and other Gems	10406	3903	37,5	545	5,2	5958	57,3
III	Graphical Industry and Photography	9199	3222	35	3541	38,5	2436	26,5
IV	Construction and Related Firms	120238	117077	97,4	1662	1,4	1499	1,2
V	Chemical Industry	5613	2247	40	948	16,9	2418	43,1
VI	Wood, Cork, and Straw	36644	30195	82,4	4202	11,5	2247	6,1
VII	Clothing and Cleaning	76968	73149	95	2687	3,5	1132	1,5
VIII	Art	980	766	78,2	159	16,2	55	5,6
IX	Leather, Canvas, and Rubber	37457	36370	97,1	966	2,6	121	0,3
X	Coal, Peat, Salt, etc. Metallurgy,	14189	8148	57,4	2369	16,7	3672	25,9
XI- XIII	Shipbuilding, Aircraft and Vehicle Factories	75301	52528	69,8	5209	6,9	17564	23,3
XIV	Paper	6193	3234	52,2	1202	19,4	1757	28,4
XV	Textile Industry	45050	16862	37,5	6689	14,8	21499	47,7
XVI	Gas, Electricity, and Water (Utilities)	2281	345	15,1	543	23,8	1393	61,1
XVII	Food and Stimulants	87517	61728	70,5	11435	13,1	14354	16,4
	Total	545653	414436	76	47111	8,6	84106	15,4

<i>No</i>	<i>1909</i> <i>Description</i>	<i>Total</i>	<i>Small</i> <i>Firms</i>		<i>Medium</i> <i>Firms</i>		<i>Large</i> <i>Firms</i>	
			<i>Abs.</i>	<i>Rel.</i>	<i>Abs.</i>	<i>Rel.</i>	<i>Abs.</i>	<i>Rel.</i>
<i>1</i>	<i>2</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>14</i>	<i>15</i>	<i>16</i>
I	Ceramics, Chalk, Glass, and Bricks	30953	5702	18,4	6542	21,1	18709	60,5
II	Diamonds and other Gems	10183	2214	21,7	1370	13,5	6599	64,8
III	Graphical Industry and Photography	20443	4431	21,7	7422	36,3	8590	42
IV	Construction and Related Firms	164197	112065	68,3	31093	18,9	21039	12,8
V	Chemical Industry	11054	3467	31,4	2409	21,8	5178	46,8
VI	Wood, Cork, and Straw	46878	29424	62,8	10081	21,5	7373	15,7
VII	Clothing and Cleaning	110380	97550	88,4	7278	6,6	5552	5
VIII	Art	905	738	81,5	101	11,1	66	7,4
IX	Leather, Canvas, and Rubber	37290	30575	81,9	2821	7,6	3894	10,5
X	Coal, Peat, Salt, etc. Metallurgy,	23635	9299	39,3	2961	12,6	11375	48,1
XI- XIII	Shipbuilding, Aircraft and Vehicle Factories	119702	49872	41,6	16017	13,4	53813	45
XIV	Paper	10430	3252	31,2	2143	20,5	5035	48,3
XV	Textile Industry	60436	11107	18,4	5173	8,5	44156	73,1
XVI	Gas, Electricity, and Water (Utilities)	19180	430	2,2	5121	26,7	13629	71,1
XVII	Food and Stimulants	136803	78843	57,6	23281	17	9	25,4
			43896				2396	576,
	Total	802469	9	54,7	123813	15,4	87	5

<i>No</i>	<i>Description</i>	<i>Total</i>	<i>Small Firms</i>		<i>Medium Firms</i>		<i>Large Firms</i>	
			<i>Abs.</i>	<i>Rel.</i>	<i>Abs.</i>	<i>Rel.</i>	<i>Abs.</i>	<i>Rel.</i>
<i>1</i>	<i>2</i>	<i>17</i>	<i>18</i>	<i>19</i>	<i>20</i>	<i>21</i>	<i>22</i>	<i>23</i>
I	Ceramics, Chalk, Glass, and Bricks	40084	2638	6,6	9061	22,6	28385	70,8
II	Diamonds and other Gems	6919	2636	38,1	1647	23,8	2636	38,1
III	Graphical Industry and Photography	30867	6942	22,5	8567	27,7	15358	49,8
IV	Construction and Related Firms	257466	139180	54,1	61191	23,8	5709	22,1
V	Chemical Industry	25956	4355	16,8	6439	24,8	15162	58,4
VI	Wood, Cork, and Straw	57748	24937	43,7	17191	29,7	15620	27,1
VII	Clothing and Cleaning	135049	84244	62,4	23650	17,5	27155	20,1
VIII	Art	1383	841	60,7	542	39,3	0	0
IX	Leather, Canvas, and Rubber	42766	24150	56,5	5343	12,5	13273	31
X	Coal, Peat, Salt, etc.	50520	2872	5,7	4718	9,3	4293	85
XI-	Metallurgy, Shipbuilding, Aircraft						13244	
XIII	and Vehicle Factories	237672	60058	25,2	45165	19	9	55,7
XIV	Paper	21226	2169	10,2	3340	15,8	15717	74
XV	Textile Industry	88208	2360	2,7	4604	5,2	81244	92,1
XVI	Gas, Electricity, and Water (Utilities)	23286	1097	4,7	5521	23,7	16668	71,6
XVII	Food and Stimulants	215834	101314	46,9	39093	18,1	75427	35
							53911	
	Total	1234984	459793	37,2	236072	19,1	9	43,7

Table 2.7 New Classification Scheme Concordance with Company Censuses

Code	New Classification	Description	Codes 1930	Codes 1950	Codes 1963	Codes 1978
NC1	Extractive Industries	Mining, oil and coke production, stone quarries and production of glass and ceramics	I, X	K1, K10	K11, K12, K13, K19, K32, K33	K10, K32, K28
NC2	Graphical Industry	Printing houses and graphical work	III	K3	K28	K27
NC3	Construction	Construction companies and firms working in construction (plumbers, elevators etc.)	IV	K4	K41, K42	K51, K52
NC4	Chemical Industry	Chemical companies, excluding oil and gas refinement	V	K5	K31	K29
NC5	Metallurgy, Shipyards, Aircraft Factories and Vehicle Factories	Metallurgy, shipyards, aircraft factories and vehicle factories	XI-XIII.1-33, 37-51	K11.1-37+41-58	K34, K35, K38	K33, K34, K37
NC6	Textile Industry	Textile industry	XV	K15	K23	K22
NC7	Clothing Industry	Clothing, including shoes	VII+IX.5-6	K7 + K9.5-6	K24	K23
NC8	Wood Industry	Wood industry, including wooden furniture	VI	K6	K25, K26	K25
NC9	Machinery and Electrotechnical Industry	Machinery factories and repair places, including electrotechnical industry, plumbing, watchmakers	XI-XIII.34-36, 52-74	K11.38-40+59-77	K36, K37	K35, K36, K38
NC10	Leather	Leather industry, excluding clothing and shoes	IX.1-3+7-9	K9.1-4, 7-9	K29	K24
NC11	Rubber and Synthetic	Rubber industry	IX.10-12	K9.10-18	K30	K31, K30
NC12	Paper	Paper-producing industry	XIV	K14	K27	K26
NC13	Utilities	Gas, water, electricity companies, post, telephones, and telegraphs and radio	XVI+XXI.28,29,30,31	K16+K55	K51, K52+K79	K40
NC14	Other industry	Other industries	II, VIII	K2, K8	K39, K43	K39

NC15	Alcoholic Beverages and Tobacco	Breweries and distilleries and tobacco	XVII. 36-39+44-46	K17.37-39+42-44	K21.1-2+K22	K214+215
NC16	Foodstuffs and Non-Alcoholic Beverages	Foodstuff production including non-alcoholic beverages, including bakers and butchers	XVII.1-35+40-43+48-51	K17.1-36,40-41, 45-49	K20+K21.3	K201-213+216
NC17	Retail	Retail, excluding bakers and butchers	XX. 1-53+117+118+129	K40-K43	K65-K66	K65-66
NC18	Wholesale	Including middlemen	XX.54-116+119-128	K45+K49	K61, K62, K63, K64	K61-64
NC19	Land Transport	Land transport (including taxi services, excluding public transportation), including other companies related to transportation	XXI.6-16	K52	K73	K722-724
NC20	Air Transport	Air transport	XXI.1	K50	K76	K75
NC21	Public Transportation	Including private tramways and private bus companies	XXI.2, 3, 4, 5	K51	K71, K72	K71, K721
NC22	Shipping	International and national shipping	XXI.17-27	K53, K54.1-4	K74, K75, K77, K78	73, 74, 762
NC23	Horeca	Hotels, restaurants, and bars	XXI. 32, 33, 34	K56	K88	67
NC24	Other Services		XXI.35	K54.5	K53, K89	85, 98, 68, 761

Chapter 3: Getting a Foot in the Door: Small Firm Credit and Interest Group Politics in the Netherlands, 1900–1927

This chapter has been published in *Enterprise & Society*, 2020, 1-37, [doi:10.1017/eso.2020.53](https://doi.org/10.1017/eso.2020.53).

3.1 Introduction

The origins and development of national financial systems have attracted much attention since Gerschenkron's seminal papers.¹⁰⁵ Recently, the debate has emphasized the influence of politics and interest groups in the development of financial systems.¹⁰⁶ A special case of this relation between governments and financial systems is state banking, when governments directly intervene in the allocation of credit through state banks that finance their needs by issuing state-guaranteed bonds.¹⁰⁷ This chapter investigates the link between the formation of small firm interest groups and the emergence of state banks geared toward small firms in the Netherlands during the early twentieth century. In particular, this chapter analyzes how Dutch small businessmen succeeded in only seventeen years (1902–1919) to organize themselves sufficiently to obtain extensive government support for their needs and how this resulted in state banking.¹⁰⁸

State banking first appeared in the nineteenth century in many European countries and reached an apex in the 1960s.¹⁰⁹ However, there were large differences between countries in terms of state intervention and timing. Generalizing from empirical observations, Verdier put forward a novel thesis to explain the historical trend and cross-country variation. He claims that “state banking was the unintended child of class politics,” and argues this in three points.¹¹⁰ First, state banking was demanded by sectors that were pressed to invest but did not have access to long-term credit because

¹⁰⁵ Gerschenkron, *Economic Backwardness*; Forsyth and Verdier, *Origins of National Financial Systems*, 2.

¹⁰⁶ Carnevali, *Europe's Advantage*; Calomiris and Haber, *Fragile by Design*; Forsyth and Verdier, *Origins of National Financial Systems*.

¹⁰⁷ Verdier, “Rise and Fall of State Banking,” 285; Monnet, *Controlling Credit*.

¹⁰⁸ I use the term “businessmen” because, while the majority of small shopkeepers were women, the associations and lobby groups were almost exclusively male.

¹⁰⁹ Verdier, “Rise and Fall of State Banking,” 291; Monnet, *Controlling Credit*, 9.

¹¹⁰ Verdier, “Rise and Fall of State Banking,” 284.

of the marginal importance of small and local banks in centralized states. Second, the emergence of class cleavage made these groups politically relevant, giving them the power to extract state banking from central governments. Third, the decrease in state banking is conversely linked to the fading of class cleavage.¹¹¹ Verdier also identified three waves of state banking. The first one took place between 1850 and 1900 and targeted farmers.¹¹² The second wave came after World War I and was geared toward small firms thought to suffer from a “MacMillan gap.” The third wave took place after World War II and focused on financing (large) industry while keeping inflation under control.¹¹³

Verdier draws a causal link from small firm lobbying to the emergence of state banks during the second wave, but the story is not that straightforward. This chapter presents an in-depth analysis of the Dutch case, which reveals that it was neither obvious nor necessary that lobby groups of small entrepreneurs, termed *middenstanders* in Dutch, would successfully form and instantly exercise large political influence, nor that they wanted to obtain state banking. This highly diverse group was divided by social status, economic activity, and religious affiliation, and it had to go through a difficult process of group formation and institutional entrepreneurship in order to gain political relevance. The ultimate success of this process was all the more remarkable because Olsonian collective action theory posits that large social groups are hard to organize and keep together.¹¹⁴ Prospective members need persuading to donate time and resources to uncertain outcomes; interests are always varied, sometimes conflicting, threatening to pull organizations apart, and success distances leaders from membership, rendering it hard to keep free-riders away. In this case, leaders united members around a fictional common identity and common concerns, notably the lack of small and medium-size enterprise (SME) credit, which they then used to obtain political support.

While collective action theory makes general predictions, Lemerrier argued that scholars should also pay attention to local power constellations, varying windows of

¹¹¹ Verdier, “Rise and Fall of State Banking,” 284.

¹¹² Verdier, “Rise and Fall of State Banking,” 285–286. For the United States, a more specific argument about the provision of credit to farmers is made in Prasad, *Land of Too Much*.

¹¹³ Verdier, “Rise and Fall of State Banking,” 286; Monnet, *Controlling Credit*.

¹¹⁴ The seminal work is by Olson, *Logic of Collective Action*. For a good compilation of the follow-up work to Olson, see: Pecorino, “Olson’s Logic of Collective Action at Fifty”; Congleton, “Logic of Collective Action and Beyond.”

opportunity, and available organizational repertoires.¹¹⁵ This is in line with the literature on the *petite bourgeoisie* as a social group, especially pushed forward by Crossick, Haupt, Jaumain, Kurgan-Van Hentenryk, Nord, Zdatny, Bechhofer, Elliot, and Kocka, who each analyzed the associational processes of small entrepreneurs in Belgium, Germany, France, or Austria.¹¹⁶ Crossick and Haupt were interested “in the ways in which the political activity and ideas of European *petits bourgeois* took shape within a framework of constraints” made up by the state and the political forces.¹¹⁷ Peter Heyrman, who researched Belgian small entrepreneurs, chronicled the process of translation from socio-economic grievances into political action.¹¹⁸ However, this literature was inattentive to credit or financial system development. The influence of culture and religion, documented in various contexts but ignored by Verdier, deserve more attention when researching group formation, lobbying, and financial system development.¹¹⁹ Colvin showed the way here, arguing that one cannot detach financial development from social, cultural, and political contexts.¹²⁰

This article connects the Dutch case to the international historiography on social movements and state banking, a dimension lacking in the historiography. The most comprehensive work on Dutch *middenstanders* is an unpublished thesis by Van Driel that examined the socio-economic position of small entrepreneurs between 1880 and 1940, and how they tried to better their position.¹²¹ Work by Pompe, Van den Tillaart, and Van Uxem focuses on describing the group of small entrepreneurs between the nineteenth and twentieth centuries and the context they operated in during the postwar period.¹²² More recently, Dankers and Bouwens touched on these associations in the framework of wider business interest associations.¹²³ One particular aspect of the Dutch case, SME credit institutions, received ample attention from Colvin.¹²⁴ This chapter adds

¹¹⁵ Lemerrier, “Looking for ‘Industrial Confraternity,’” 328–330.

¹¹⁶ Crossick and Haupt, *Petite Bourgeoisie*; Jaumain, *Les Petits Commerçants*; Kurgan-van Hentenryk, “Une Classe Oubliée”; Nord, *Paris Shopkeepers*; Zdatny, *Politics of Survival*; Bechhofer and Elliot, *Petite Bourgeoisie*; Kocka, *Industrial Culture*; Pilbeam, *Middle Classes*.

¹¹⁷ Crossick and Haupt, *Petite Bourgeoisie*, 134.

¹¹⁸ Heyrman, *Middenstandsbeweging En Beleid*, 13.

¹¹⁹ Colvin, “Organizational Determinants”

¹²⁰ Colvin, “Religion, Competition and Liability”; Colvin, “Culture and Religion.”

¹²¹ Van Driel, “De Vorming en de Ontwikkeling.”

¹²² Pompe, van den Tillaart, and van Uxem, “Van Middenstander Naar Ondernemer.”

¹²³ Bouwens and Dankers, “Origins and Shifting Functions.”

¹²⁴ Colvin, “Organizational Determinants”; Colvin, “Banking on a Religious Divide”; Colvin, “Religion, Competition and Liability”

to his work by showing how those banks were part and parcel of a process of group formation.

The period under research starts in 1900, right before the founding of the first national middenstander association, and ends in 1927 with the creation of the NMB (*Nederlandsche Middenstandsbank*, Dutch *Middenstandsbank*), which Verdier identified as the start of Dutch state banking.¹²⁵ The main focus is on the period up to 1920, with a short excursion to discuss the 1921 financial crisis and its aftermath.¹²⁶

The chapter is organized as follows. I first sketch the social and economic backgrounds to European middenstander movements in the second section, then the emergence of the Dutch movement and the formation of a common identity in the third section. The fourth section discusses the Dutch political and social landscape and the consequences of *verzuiling*, or pillarization, on the middenstander movement. This is followed by an analysis of how the movement gained political influence in the fifth section. The sixth section provides a brief overview of the developments during the financial crisis of the 1920s and the founding of the NMB. The final section concludes.

3.2 The Rise of Middle-Class Movements in Europe

The history of the Dutch middenstander movement in many ways runs parallel to the experiences in other European countries. The push for middenstander associations in the late nineteenth century was often sudden, but not accidental.¹²⁷ The Long Depression (1873–1896) decreased agricultural prices, which impoverished farmers and farming villages. This pushed many jobless farmers into self-employment (often into shopkeeping) to make an income.¹²⁸ At the same time, the belief in free markets and competition made countries remove entry barriers for many crafts and trades.¹²⁹ As a result, the retail sector and many low-skilled crafts became overcrowded.¹³⁰ Between

¹²⁵ Verdier, “Rise and Fall of State Banking,” 286.

¹²⁶ Since the national federations maintained a large membership and continued to function, and the crisis has been thoroughly described by Colvin, De Jong, and Fliers, I only discuss the founding of the NMB in this period. See: Colvin, De Jong, and Fliers, “Predicting the Past”; Colvin, “Organizational Determinants.”

¹²⁷ Wijmans, *Beeld En Betekenis*, 111.

¹²⁸ de Nijs, *Op Zoek Naar de Verdwenen Middenstand*, 16–17; Van Lente, “De Plaats van de Ambachten,” 215.

¹²⁹ Belgium, France, and the Netherlands gradually removed the patent levy on small producers. The Netherlands abolished the mandatory entry exam for starting a drugstore in 1865. Commissie voor de Middenstandsenquête, “Verslag van den toestand,” 54.

¹³⁰ Van Driel, “De Vorming En De Ontwikkeling,” 92.

1870 and 1895, there were enough customers for everyone due to the rising purchasing power of urban workers. Then, real wage growth stagnated in France, Germany, Austria, and Belgium, and turned negative in the United Kingdom, prompting shopkeepers' associations to arise.¹³¹ Shopkeepers took the lead, with small industrial entrepreneurs and craftsmen joining later.¹³²

In fact, those associations formed the response to wider social and economic movements and emerging class cleavage. Big business developed, growing in size, influence, and number of employees. Labor started organizing itself all over Europe, demanding better working conditions, and threatening to upset the status quo. Labor movements set up purchasing cooperatives to cut out middlemen and provide cheaper goods to members. Small craftsmen and shopkeepers feared getting squeezed between capital and labor following Marx's prediction that there would be no place for SMEs in a world divided into the haves and have-nots of capital.¹³³ In practical terms small shopkeepers felt their livelihoods were under threat from large, vertically integrated corporations with economies of scale, on the one hand, and from workers' consumer cooperatives, on the other hand.¹³⁴ At the same time, a political void opened. The rise of workers' movements and trade unions made liberal political parties, previously champions of middle classes, shift toward large capitalists. In response, industrial and commercial middling groups all over Western Europe, known variously as *petite bourgeoisie*, *classes moyennes*, *Mittelstand*, or *middenstand*, formed their own associations.¹³⁵

3.3 Forging a Common Identity

The start of the Dutch *middenstander* movement is usually placed in 1902, with the founding of the *Nederlandsche Bond van Vereenigingen van den Handeldrijvende en Industriële Middenstand* (NBVHIM, Dutch Federation of Associations of the Trading

¹³¹ For France, Germany and the United Kingdom, see: Williamson, "Real Wages," Table 4. For Belgium, see: Segers, *Economische groei*. For Austria, see: Cvrcek, "Wages, Prices," 25.

¹³² I use the terms artisans and craftsmen interchangeably.

¹³³ Crossick and Haupt, *Petite Bourgeoisie*, 2; Van Driel, "De Vorming en de Ontwikkeling," 3.

¹³⁴ Crossick and Haupt, *Petite Bourgeoisie*, 50.

¹³⁵ Crossick and Haupt, *Petite Bourgeoisie*.

and Industrial Middling Class). The federation modeled itself on middling class associations abroad and those of farmers and laborers at home.¹³⁶

The pioneers of Dutch *middenstand* associations noticed that in neighboring countries, especially Belgium and Germany, successful national small firm lobby groups had developed that gained support of their local and national governments.¹³⁷ Several Dutch entrepreneurs attended conferences abroad about *middenstand* topics and invited foreign speakers to the Netherlands, resulting in knowledge networks between them. For example, in 1902, Belgian professor and head of a study group for the petite bourgeoisie, Oscar Pyfferoen wrote an extensive report about the situation of the Dutch *middenstand* and compared it to Belgium.¹³⁸ The following year, these international collaborations were formalized in the International Institute for the Middenstand.¹³⁹

At home, labor unions, which were active since the late 1860s, had representatives in Parliament starting in 1897. Under pressure from increased competition and falling profits, farmers had successfully turned to the self-help solution: setting up unions to represent their interests.¹⁴⁰ In 1898 farmers gained official recognition when the government set up a department of agriculture within the Ministry of Internal Affairs.¹⁴¹ The Dutch government was thus integrating interest groups into the formal state structures and decision-making processes. This set a precedent to continue on the same trajectory with the novel *middenstander* movement, if only because a widening of the franchise in 1896 turned lower-middle classes into voters.¹⁴²

According to Crossick and Haupt, a government's decision whether or not to insert the petite bourgeoisie into cohesive structures shaped the associational structure of the movement.¹⁴³ Pressure-group activities by national associations was much more common in countries where efforts were made to incorporate the *middenstanders* into

¹³⁶ Van Driel, "De Vorming en de Ontwikkeling," 34; Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 9–10.

¹³⁷ Schepen, *Compte Rendu Sténographique*; Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 9–10.

¹³⁸ Pyfferoen, *La Petite Bourgeoisie*.

¹³⁹ Peter Heyrman, "Internationaal Instituut van de Middenstand / Institut International des Classes Moyennes / Internationaler Verband zur Studium der Verhaeltnisse des Mittelstandes (1903– [1978])," http://www.odis.be/lnk/OR_7333.

¹⁴⁰ Hendrikx, "Financial Farmer," 20.

¹⁴¹ The *middenstanders* looked especially to the farmers' organization for inspiration in terms of organization and cooperative credit institutions.

¹⁴² Van Lente, "De Plaats van de Ambachten," 222.

¹⁴³ Crossick and Haupt, *Petite Bourgeoisie*, 144.

the political constellation (e.g., Belgium, France, and Germany).¹⁴⁴ The same process can be observed in the Netherlands, where national associations arose to facilitate contact with the government and lobby for integration into the state. One can expect that pre-World War II state banking arose not only in centralized countries, as Verdier predicts, but also where national SME lobby groups took hold, such as in France, Germany, and Belgium. The United Kingdom was very centralized but lacked a shopkeeper or SME movement, and state banking was practically nonexistent.¹⁴⁵

In the Netherlands, national *middenstander* associations became more common after 1900, when parties and politicians tried to attract support from the *middenstanders*.¹⁴⁶ Most interest came from the side of the confessional parties, for whom *middenstanders* formed a natural target audience. Just like politicians on the left captured the growing discontent of laborers, confessional parties did the same with the *middenstanders*. There was an ideological readiness, or “poisedness”, to support the *middenstanders*.¹⁴⁷ The confessional parties believed strongly in the “antithesis theory” propagated by the prominent neo-Calvinist theologian and charismatic politician Abraham Kuyper, and tasked themselves with “moralizing society” and ensuring the protection of Christian values.¹⁴⁸ The goal was to maintain or reinstate the “God-given order” in society by preserving the middle classes and preventing class warfare. Furthermore, confessional thought promoted the idea of “sovereignty in spheres,” meaning that every sphere of life (economy, family, profession, etc.) should rule itself and was not subjugated to other spheres.¹⁴⁹

According to Verdier, class cleavage increased the importance of small firms, which then made themselves relevant by playing the part. The movement presented itself as a positive force, a social core representing admirable values such as independence, diligence, and moderation, which were stabilizing against class war.¹⁵⁰

¹⁴⁴ Crossick and Haupt, *Petite Bourgeoisie*, 155.

¹⁴⁵ Winstanley, *Shopkeeper's World 1830–1914*; Crossick and Haupt, *Petite Bourgeoisie*; Verdier, “Rise and Fall of State Banking,” 290.

¹⁴⁶ Crossick and Haupt, *Petite Bourgeoisie*, 155.

¹⁴⁷ The concept of *Organizational Poisedness*, meaning a sort of readiness or fertility for an initiative or idea, is developed in Johnson and Powell, “Organizational Poisedness.”

¹⁴⁸ Koch, *Abraham Kuyper*, 444–445.

¹⁴⁹ Kuyper, *Ons Program*, 36–37.

¹⁵⁰ Van Driel, “De Vorming en de Ontwikkeling,” 60–61; Pompe, Van den Tillaart, and Van Uxem, “Van Middenstander Naar Ondernemer,” 219.

Middenstand professions were seen as aspirational for members of the laboring classes. If they worked hard and saved well, they might be able to start their own businesses.

The societal importance of the *middenstand* was raised in parliamentary debates during the early 1900s.¹⁵¹ Dutch government officials and members of Parliament attended international *middenstander* conferences in Belgium in 1900 and 1901. In 1901 Kuyper, then Prime Minister, addressed the international conference. Unsurprisingly, he praised the *middenstand* for starting to organize itself. However, he stopped short of promising support, saying no more than that the “government should decide whether something could be done to aid them” once the movement had become strong enough.¹⁵²

Building strength required finding ways of mobilizing an undefined and undefinable group of business people with distinct activities and interests. To achieve collective action, a joint social identity needed to be created.¹⁵³ Dutch *middenstanders*, like *petite bourgeoisie* in other European countries, were essentially a rather amorphous social-economic group wedged between the clearly defined groups of workers, on the one hand, and farmers, the free professions, and capitalist entrepreneurs, on the other hand.¹⁵⁴ They ranged from small mom-and-pop shops via artisans employing a few people and small manufacturers to department store and retail chain owners at the top. The demarcation between them was often paper-thin and fuzzy; even *middenstanders* themselves struggled to define their group.¹⁵⁵ Most attempts simply shut out the smallest businesses by proposing an economic threshold such as a minimum capital of 5,000 guilders, or the status of independent entrepreneur as a demarcation from paid workers.¹⁵⁶ Others gave much looser definitions, such as “those between small and large

¹⁵¹ Nouwens, “Verheffing van Den Handeldrijvenden Middenstand,” 12.

¹⁵² “Intusschen begint de middenstand zelf eerst nu in te zien in welk gevaar hij verkeert. Van lieverlede en langzamerhand begint hij pogingen aan te wenden om aan die gevaren het hoofd te bieden. De middenstand staat, wat initiatief en activiteit betreft, hierin ver bij de arbeidende klasse achter, en eerst naarmate de middenklasse uit eigen initiatief krachtiger en met meer energie zal opkomen, zal het mogelijk worden voor de Regeering om te zien of ook in het belang van die klasse iets kan worden gedaan.” In *Handelingen der Staten-Generaal 1901-1902*, 577, 26^{ste} Vergadering -14 December 1901, https://repository.overheid.nl/frbr/sgd/19011902/0000363497/1/pdf/SGD_19011902_0000130.pdf.

¹⁵³ Thomas et al., “Testing the Social Identity Model.”

¹⁵⁴ Crossick and Haupt, *Petite Bourgeoisie*, 134-138; Zalc, “Small-Business Owners.”

¹⁵⁵ “Het geven van een juiste definitie van het begrip middenstand is welhaast een onmogelijkheid gebleken. Talloozen hebben zich daaraan gewaagd, maar geen enkele is er in geslaagd.” In Van den Dungen, “De Middenstandsbeweging,” 7.

¹⁵⁶ Janzen, *Het Middenstandsbankwezen*, 9.

enterprises,” or anyone who was neither a wage-dependent worker nor a capitalist but rather people uniting capital and labor in their work.¹⁵⁷ In practice, this meant shopkeepers and master artisans but not farmers working their own land. Farmers had different economic interests and had their own associations that in turn excluded artisans and shopkeepers.¹⁵⁸

Dutch *middenstander* movements sidestepped the difficulty of defining their target group by opting for subjective categorizations, such as “those who feel they belong to the *middenstand*.”¹⁵⁹ That made joining a personal choice based on a desire to belong, and opened membership to anyone who self-identified as such. Such wide categorizations had the signal advantages of inclusiveness and power to unite, but the disadvantage of creating memberships with very heterogeneous interests and wants, an aspect often noted in the literature about European *middenstanders* movements.¹⁶⁰

Though the terms *middenstand*, *petite bourgeoisie*, and *Mittelstand* to denote a particular social-economic group already came into use during the late eighteenth century, they gained wider currency only around 1900.¹⁶¹ This is underlined by the fact that the first Dutch *middenstander* organizations of the 1880s called themselves by different names. Some focused on shopkeepers and called themselves trade associations, such as the *Delftsche Handelsvereniging* (Delft Trade Association, founded in 1884). They tended to concentrate on local problems such as unfair competition from peddlers, fire-sales, or a local cooperative store. The first national organization for *middenstanders*, the *Bond voor het Maatschappelijk Belang* (Union for the Societal Interest, 1885), was also a shopkeepers’ association with a single goal: fighting consumer

¹⁵⁷ This was much in line with the older liberal notions of *bürgertum*. Lothar Gall described this well in his study of the Bassermann family whose creed was, “Be thy own lord and servant.” In Gall, *Bürgertum*, 96. (Also see the introduction in this book for a short description of *bürgertum*.)

¹⁵⁸ Dumon, *De Middenstand*.

¹⁵⁹ Van den Dungen, “De Middenstandsbeweging,” 8.

¹⁶⁰ Zalc, “Small-Business Owners”; Cruces, Perez-Truglia, and Tetaz found that people extrapolate their relative position based on a reference group, but do not take into consideration the selection process that led to that group. This bias plays on both sides of the distribution and means that, regardless of whether people were relatively wealthier or poorer, they all identified as a *middenstanders* if they met the criteria of not being a wage laborer or an industrialist. See: Cruces, Perez-Truglia, and Tetaz, “Biased Perceptions,” 110; Kocka, *Industrial Culture*, 259.

¹⁶¹ This information was derived from the relative frequencies of the words *Mittelstand*, *petite bourgeoisie*, and *middenstand* in the corpuses of, respectively, German, French, and Dutch literature in Google Ngram as well as “middenstand” and “middelstand” in Delpher.nl. All results show a similar pattern in which the keywords are absent throughout most of the nineteenth century but become much more frequent between 1880 and 1920.

cooperatives.¹⁶² The NBVHIM, founded in 1902, was the first nationwide association with a broader set of goals and *middenstand* in its name. To better reflect the heterogeneity of its target group, in 1905 the NBVHIM added the term “industrial” to its name to broaden its scope.¹⁶³

The impetus for association came from two distinct directions. A small group of wealthy and/or big city shopkeepers, feeling threatened by new social and economic forces, strove to unite *middenstanders* from the bottom up to help them maintain or even improve their situation.¹⁶⁴ And Catholic priests, inspired by the Pope Leo XIII’s bull *Rerum Novarum* (1891), set out to form Catholic organizations top-down with the goal to limit capitalism’s excesses by creating or reinforcing social bonds.¹⁶⁵

The most vocal priests came from the south of the Netherlands and favored organizing Catholics along lines of class (*stand*) rather than profession (*vak*).¹⁶⁶ One of these priests, the influential and highly respected dr. J. Nouwens came from a *middenstander* family himself.¹⁶⁷ He considered association imperative, not necessarily because small retailers and craftsmen were doing so much worse than before but as a means to prepare for the time when they would be under attack by “the organized forces of capital and socialism.”¹⁶⁸ Nouwens was encouraged to do so by two influential priests, Herman Schaepman and Gerlacus van den Elsen. Schaepman was the leader of the political Catholic Party and member of Parliament, whereas van den Elsen spearheaded the Catholic *Boerenbond* (Farmers’ Union) movement and strongly believed that shopkeepers should also be united under the Church banner.¹⁶⁹ In 1902 Nouwens cofounded a *Middenstand* Federation. Nouwens actively consulted van den Elsen about his experience with the *Boerenbond*, and it was Van den Elsen who suggested the

¹⁶² Oosterhuis, *Niet Om Het Gewin*, 55; Wijmans, *Beeld En Betekenis*.

¹⁶³ Not much is known about the inner workings of the NBVHIM and its successors because the archives were lost during World War II. The only parts left of the archive can be found in the KDC in Nijmegen and are largely from after 1945.

¹⁶⁴ Crossick and Haupt, “Shopkeepers, Master Artisans,” 242; Nord, “Small Shopkeepers’ Movement,” 191.

¹⁶⁵ Sengers, *Roomsche Socioloog*, 116.

¹⁶⁶ Sengers, *Roomsche Socioloog*, 116.

¹⁶⁷ Nouwens’s father was a copper smith, his elder brother Cornelius became a wealthy butcher, and his other brother even became *Rijksmiddenstandsadviseur* (state middenstand advisor) in 1921. Family Nouwens, s.v. “Cornelis Johannes Nouwens,” by Hans Nouwens, <https://nouwens.org/genealogie/cornelis-johannes-nouwens>. Also see the detailed biography and description of Nouwens’s thoughts in Sengers, *Paters van de Sociale Actie*, 100–111.

¹⁶⁸ Nouwens, “Verheffing van Den Handeldrijvenden Middenstand,” 5.

¹⁶⁹ Hollenberg, “Gerlacus van Den Elsen,” 173.

moniker *Hanze* for Catholic *middenstand* associations.¹⁷⁰ That term harkened back to an idealized medieval past and an economy organized in crafts and guilds under firm Catholic Church supervision. Another Catholic politician closely involved with the *middenstanders* movement was P.J.M. Aalberse, the son of a baker of confectionaries.¹⁷¹

3.4 Pillarization

The support for small enterprise by Catholic parties was not particular to the Netherlands. It also happened in Belgium, France, and Germany, where the *petite bourgeoisie* was “discovered” as a force to stabilize a society thought to be dangerously polarizing.¹⁷² Nonetheless, the extremely close involvement of people like Nouwens and Aalberse with the Dutch *middenstanders* movement highlights a peculiarity of Dutch society at the time: *verzuiling* (pillarization).¹⁷³ Different social groups formed parallel organizations of particular social groups along religious or ideological lines: Catholic, Protestant, liberal, and socialist. As a result, people could theoretically live their lives within a single pillar providing all necessary services, such as schools, trade unions, political representation, newspapers, insurance, leisure, and even finance.¹⁷⁴ The Catholic pillar was the largest and most extensive, followed by the Protestant and socialist ones, whereas the liberal pillar remained relatively underdeveloped.

The *middenstanders* had to take into account this specific political set-up of the Netherlands. Pillarization provided an obstacle to forming a strong and united *middenstander* organization. Already in 1892, some Protestant *middenstanders* had set up the Boaz *Patroonsvereniging* (Boaz Employers’ Association), a national organization with local branches. Boaz was a hybrid organization that strove to provide a compromise between capital and labor by uniting employers, *middenstanders*, and laborers through their common Protestant faith. Led by large industrialists and claiming to promote the interests of *middenstanders*, Boaz actually focused on big firms, not on its majority

¹⁷⁰ Hollenberg, “Gerlacus van Den Elsen,” 174.

¹⁷¹ Biografisch Woordenboek van Nederland, s.v. “Aalberse, Petrus Josephus Mattheus (1871–1948),” by J. P. Gribling, <http://resources.huygens.knaw.nl/bwni880-2000/lemmata/bwni/aalberse>.

¹⁷² Crossick and Haupt, *Petite Bourgeoisie*, 145.

¹⁷³ Crossick and Haupt, *Petite Bourgeoisie*, 137.

¹⁷⁴ Colvin, “Banking on a Religious Divide”; Blom, “Pillarisation in Perspective.” The concept of pillarization comes from Lijphart, *Verzuiling, Pacificatie En Kentering*. For a recent overview of the literature, see: Maussen, “Pillarization.” In the literature on pillarization, the religions are usually capitalized but the liberal and socialist sections/groups are not, unless it is referring specifically to the political parties.

membership of small *middenstanders*. As a result, the organization remained small at around three thousand members nationally.¹⁷⁵

The Catholics also started associating during the early 1890s. Leo associations were set up to further the interests of Catholic citizens, and included a large number of *middenstanders*.¹⁷⁶ Leo associations were closer to the *middenstand* and organized hierarchically in the Church's effort to combat socialism. In April 1902, shopkeepers, together with the clergy, set up a proper Catholic Middenstands Union in Den Bosch.¹⁷⁷ Other Catholic *middenstanders* soon followed its example across the southern and central Netherlands, as a rule recognizable from having *Hanze* in their name. As often as not, it was the high clergy who took the initiative to set up associations.¹⁷⁸ Local ones started by *middenstanders* themselves still needed formal recognition from the Church to be accepted as Catholic.

Liberal associations emerged bottom-up and in response to local issues. They proclaimed to be open to anyone, including the politically and religiously neutral, convinced that the ideological separation of society diluted the group's forces. Dual membership of general and confessional organizations did occur occasionally. Socialist *middenstander* associations did not form since socialists believed the *middenstand* to be doomed anyway.¹⁷⁹

Pillarization handicapped the formation of large associations and caused a duplication of functions at the local level. The variously denominated associations had similar agendas and used similar tools but rarely collaborated. The Catholic Church only allowed interdenominational collaboration if Catholic organizations were insufficiently strong on their own.¹⁸⁰ As local organizations grew, cooperation decreased. As a result,

¹⁷⁵ Wijmans, *Beeld En Betekenis*, 91.

¹⁷⁶ "Leo-Vereeniging te Utrecht," Het Utrechts Archief, <https://hetutrechtsarchief.nl/collectie/609C5BB020744642E0534701000A17FD>.

¹⁷⁷ "Katholieke Middenstandsbond, bisdom 's-Hertogenbosch," Katholiek Documentatiecentrum Nijmegen (hereafter KDC), http://www.ru.nl/kdc/over_het_kdc/archief/over_de_archieven/stands-en/archieven_van/archieven_i/middenstandsbond.

¹⁷⁸ "Vakorganisatie in het Bisdom Roermond," 14.A003A/223, Bisschoppelijk Archief Roermond, RHC Limburg; *De Hanze*, December 29, 1911, 437-477 (Officeel orgaan van *De Hanze* Bond van Rooms-Katholieke Vereenigingen van den Handeldrijvenden en Industrieelen Middenstand in het Bisdom Haarlem (hereafter *De Hanze*), in T106, KDC.

¹⁷⁹ The Socialist Party would eventually open up to *middling* groups in the early 1930s. In 1932, the Socialists formed their own "Modern *Middenstandsbond*." See: Heyrman, *Middenstandsbeweging En Beleid*, 257.

¹⁸⁰ "Vakorganisatie in het Bisdom Roermond," 14.A003A/223, Bisschoppelijk Archief Roermond, RHC Limburg.

a single town would have multiple insurance schemes, information offices, debt-recovery offices, and evening classes, one for each pillar and often in direct competition with each other. In a later stage, banks were also set up along ideological lines, with the Catholic *Hanzebanks*, neutral *Middenstandsbanks*, and the Protestant *Boazbanks*.¹⁸¹

However, at the national level *middenstand* leaders did find ways to collaborate across pillars. They drew their inspiration from two international conferences for the *petite bourgeoisie* in Antwerp (1900) and in Namur (1901). J.S. Meuwsen, an Amsterdam hat-and-cap shop owner and president of the local neutral *Algemeene Winkeliers-Vereeniging* (AWV, General Shopkeepers' Association) took the initiative to organize a third conference in Amsterdam (1902) and obtained the support of Aalberse and the Protestant politician J. Th. de Visser to get it off the ground.¹⁸² Prime Minister Kuyper was invited for a second time to address the conference. This time, however, he promised government support if the *middenstanders* took action and organized themselves.¹⁸³ This promise was important for the young movement. At the closing of the conference, Dutch *middenstand* leaders of all denominations did just that, launching the NBVHIM and electing Meuwsen as its first president.¹⁸⁴ Aalberse and De Visser joined the association's advisory board.

The NBVHIM aimed to transcend pillarization and to provide one apolitical national umbrella organization for *middenstander* associations of all stripes. The NBVHIM claimed to be apolitical and have "only an economic, societal goal," but that did not prevent it from welcoming the support of the confessional parties, which gave the NBVHIM legitimacy and access to political and financial resources.¹⁸⁵ Similarly, the Belgian Catholic politician Julien Koch stated during the Amsterdam conference that politicians were keen on making use of the associations for their own gains.¹⁸⁶

¹⁸¹ Colvin, "Organizational Determinants."

¹⁸² For example, De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 70–71. Contemporary works also attribute the start of the Dutch Shopkeeper movement to the International Conferences. Kellenaers, *Het handboek*, 22.

¹⁸³ De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 78.

¹⁸⁴ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 216.

¹⁸⁵ De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 10.

¹⁸⁶ De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 59.

Unity under the NBVHIM did not last very long. In 1911, the Catholic associations broke away over a policy dispute and an alleged lack of respect, to form a Federation for Catholic Associations, the *Nederlandsch Rooms-Katholieke Middenstandsbond* (NRKMB, Dutch Roman Catholic Middling Class Union).¹⁸⁷ Six years later, Boaz left the NBVHIM and the Protestant *middenstand* section split from the Boaz association to form the *Christelijke Middenstandsvereeniging* (CMV, Christian *Middenstand* Association).¹⁸⁸ The NBVHIM continued its neutral and liberal course alone.¹⁸⁹ As I show, this fragmentation at the top along denominational lines did not hamper the *middenstander* movement's ability to obtain government support for its initiatives and requests. The federations kept in close touch, shared initiatives, attended each other's conferences, and referred to each other's viewpoints in their respective trade journals, although not always favorably.¹⁹⁰ Separation of forces on the local level had more to do with control over the membership, as the leaders were aware that cooperation on the national level was necessary to reach their shared goals.

Belgium, Austria, and parts of Germany experienced something similar to pillarization.¹⁹¹ However, the two main competing pillars were Catholic and Social-Democrat, with the liberal pillar being limited to certain cities. Given the lack of support from the Social-Democrats, this means that the Catholic pillar, and to a lesser extent the liberal pillar, absorbed the *middenstander* movements in those countries.¹⁹² This resulted in less competition within the movement and less duplication of functions compared to the Netherlands, which also had a Protestant pillar.

3.5 Mobilizing Members and the Government

Besides forging a social identity, the leaders of the *middenstand* needed to find ways to mobilize potential members and engage the government, all within the existing political constellation. The founding figures had little or no political experience, and public

¹⁸⁷ "Katholieke Middenstandsbond, bisdom 's-Hertogenbosch," KDC, https://www.ru.nl/kdc/bladeren/archieven-thema/subpagina-archieven-thema/stands-vakorganisaties/archieven_van/archieven_i/middenstandsbond/; Wijmans, *Beeld En Betekenis*, 91–92.

¹⁸⁸ Stoop, *Om Het Volvoeren*, 48; Kuiper, *Tussen Observatie En Participatie*, 49.

¹⁸⁹ Heyrman, *Middenstandsbeweging En Beleid*, 147.

¹⁹⁰ *De Hanze*, December 29, 1911, 437–477, in Ta106, KDC.

¹⁹¹ Maussen, "Pillarization," 3.

¹⁹² Heyrman, *Middenstandsbeweging En Beleid*.

action representing their social group was fairly novel for them. Moreover, they encountered problems in attracting members and complained that *middenstanders* were difficult to unite because they failed to understand the commonality of their problems.¹⁹³ Conversely, *middenstanders* needed persuading that membership was worth their while, much like collective action theory predicts.¹⁹⁴ The only way to engage members was by offering benefits that would incentivize them to join and contribute to public goods, such as political lobbying.

Motivations for joining associations differed from those for joining federations. Bennett showed that whereas members of associations want access to services and find collective representation to be of secondary importance, members of federations focus more on obtaining representation and lobbying.¹⁹⁵ There is a similar distinction in the Netherlands. Local associations focused on providing services for their members. Federations of associations (unions) also provided services but focused more on representation and collective action.¹⁹⁶ These federations aimed to organize and coordinate large club goods, such as banking infrastructure or large (interregional) mutual insurance funds, and to lobby the national government for subsidies and support.¹⁹⁷ Unions also thought about how to stimulate local membership since the size of the association determined its membership fee to the union.

Verdier sees state banking as a logical result of the rising political power of small firms, which would demand state banking to increase their access to credit. The historical example of the Netherlands tells a different story. Initially, there were various themes to rally support around and convince potential members to join associations, and for associations to join a federation. Insufficient access to credit, not demand for state banking, was one of them, and not even the most important one at first. Access to credit gradually became a focal point of the movement, eventually leading to state banking, although this was not the original goal.

¹⁹³ Van Delphi, *De Nooden van Den Middenstand*, 15.

¹⁹⁴“Vakorganisatie in het Bisdom Roermond,” 14.A003A/223, Bisschoppelijk Archief Roermond, RHC Limburg; Olson, *Logic of Collective Action*.

¹⁹⁵ Bennett, “Logic of Membership.”

¹⁹⁶ These were called unions (*Bond*), but they were not labor unions (*Vakbond*).

¹⁹⁷ This refers to essentially nonrivalrous but excludable goods (meaning consumption by one person does not prevent consumption by another person, but someone can control access to consumption). Classic examples of the former are public golf courses and swimming pools.

Credit was discussed on fourteen different occasions at the annual national *middenstander* conferences of the NBVHIM between 1899 and 1920, only third behind topics related to unfair competition (46 times) and organization of the movement (29 times). The majority of discussions about unfair competition was concentrated between 1899 and 1907 (36 times), after which it became less current.¹⁹⁸ Furthermore, unfair competition was splintered into various subtopics, which were discussed only a few times each. However, credit was discussed from the start. The 1902 conference, for example, singled out purchasing cooperatives and concentration of capital as the main culprits of the *middenstand* crisis and defined two policy goals to combat them: strong associations and better credit facilities.¹⁹⁹ The first NBVHIM agenda adopted these issues and solutions almost verbatim and without much discussion from previous conference agendas, adding only a desire to improve vocational training.²⁰⁰ From there, credit became more dominant over time.

The increasing relevance of credit is telling. Credit was a concern shared by all *middenstanders*, so it could function as a mobilizing force. Other topics, such as cooperative movements, taxation, unfair competition, and trade education, lacked the unifying potential of credit because they were not shared by all subgroups to the same degree, or were simply impossible to achieve without external help.

Opposition to consumer cooperatives had been a reason for shopkeepers to associate in the Union for the Societal Interest in the late nineteenth century, but it fell apart due to lack of achievements.²⁰¹ By 1900, most competitive pressure on small shops came from upcoming retail chains and department stores, not consumer cooperatives.²⁰² Moreover, some *middenstanders* became pro-cooperative. Nonetheless, Protestant and Catholic groups remained divided on cooperation and cooperatives, and could not

¹⁹⁸ De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*.

¹⁹⁹ "Bijzonder veroorloven wij on uw aandacht te vestigen op hetgeen te doen is tegen de groote oorzaken van uw crisis; reeds straks met een enkel woord zeide ik het: de coöperatie en de concentratie van het kapitaal. Overweeg vooral wat dienen kan tot vermeerdering van de Krediet-middelen tot verbetering en bestendiging van uw Vereenigings-leven. De vruchten van uw samensprekingen moeten doorwerken, doorwerken meer en lang." In De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 45.

²⁰⁰ Series of Stenographic Reports of the Middenstander Conferences, 1900–1923, in Tc5569, KDC.

²⁰¹ Van Driel, "De Vorming En de Ontwikkeling," 43.

²⁰² Oosterhuis, *Niet Om Het Gewin*, 56.

decide whether it was a just means of organization.²⁰³ The situation continued until after World War II, with the exception of cooperative banking, which was embraced early on.²⁰⁴ Even in neutral circles, purchasing co-ops were not a success. Contrary to consumer cooperatives, they were limited to one business line at the time and could only mobilize subgroups, often within a city or region. An overview of active *middenstander* cooperatives in 1912 lists 41 cooperative banks but only 20 purchasing cooperatives.²⁰⁵

Unfair competition was the most discussed topic in this period, which definitely had unifying power, but this topic lost relevance over time because it was splintered into various problems, all with different contexts and possible solutions. Furthermore, combating competition from fire-sales or peddlers often required legislation that was beyond the associations' reach when local governments did not cooperate. Taxation had also spurred several associations, but these were mostly local and concerned specific fees and taxes rather than the general income or corporate taxes (from which noncorporations were exempt) levied on the national level.²⁰⁶ The Dutch associations were quite effective in organizing vocational education through evening classes, training programs, and lectures, and these associations successfully obtained government support, but they found their members less than enthusiastic to participate.²⁰⁷

Poor credit facilities, by contrast, were a common problem for small firms, at least if one believes the *middenstanders*.²⁰⁸ Sales credit forced shopkeepers to tie up capital in customer accounts. This was a societally useful function helping customers to smooth consumption, but slow repayments and demands from suppliers to repay at ever shorter notice made shopkeepers vulnerable to cashflow problems.²⁰⁹ Artisans found themselves facing similar bottlenecks, plus having to find capital for investing in newly developed equipment, such as electrical tools.²¹⁰ The 1902 Amsterdam conference emphasized that

²⁰³ Oosterhuis, *Niet Om Het Gewin*, 69–70.

²⁰⁴ De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 242.

²⁰⁵ Visser, *Middenstandskooperatie in Nederland*.

²⁰⁶ Crossick and Haupt, *Petite Bourgeoisie*, 138–140.

²⁰⁷ Several complaints are made about barely participating members in the trade journal of the Hanze of the diocese of Haarlem. For example, see: *De Hanze*, December 8, 1911, 439, in Ta106, KDC; Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 167–168.

²⁰⁸ Pyfferoen, *La Petite Bourgeoisie*, 267.

²⁰⁹ Kymmell, *Geschiedenis van de Algemene Banken*, 248jj; Jonker and Sluyterman, *Thuis Op de Wereldmarkt*, 186–189.

²¹⁰ Van Lente, "Crafts in Industrial Society," 102 and 104.

small firms had no access to affordable credit on fair terms.²¹¹ Both groups of *middenstanders* struggled with the key problem of being unable to offer collateral in a form acceptable to banks. Small firms rarely possessed the bills, promissory notes, or premises that bigger ones used to obtain bank credit. At the same time, the credit unions that had provided credit to small firms since the 1850s shifted to more lucrative, higher market segments.²¹² The successful cooperative banks set up by farmers' unions excluded *middenstanders* from their credit facilities in 1903.²¹³

Whether there was a real credit problem is less relevant than contemporaries' belief that there was. Heyrman argued that, in the Belgian case, "it was not so much the real economic problems with which *middenstanders* had to deal that seem to have determined the political objectives of the middle-class movement, but the ways in which the organizations perceived the problems and rephrased them in their political programs."²¹⁴ Dutch *middenstanders* similarly translated the problem of credit into a useful narrative to mobilize members and the government.

On the one hand, a lack of reliable information prevented government support, since it was unclear where to start. On the other hand, despite calls for a survey of the *middenstand* in 1902 and the creation of a parliamentary commission to investigate the *middenstand* in 1904, the government refused to organize a survey.²¹⁵ The associations also grappled with the lack of information, but they used it to their advantage. During the first national *middenstand* conference in 1903, they set up a commission to examine the problem of credit and make recommendations.²¹⁶ The commission devoted most

²¹¹ Pre-advice for the conference was published in a separate pamphlet. See: C. A. Wienecke, "Het Crediet. Hoe Verschaft de Handeldrijvende Middenstand Zich Crediet?" 59–60, Bro N 1094/48, International Institute for Social History; De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 235.

²¹² Amaury de Vicq, "Caught Between Outreach and Sustainability: The Rise and Decline of Dutch Credit Unions, 1850-1940." In personal possession of the author. I thank Amaury de Vicq for the unpublished copy.

²¹³ "Boerenleenbanken," *Tilburgsche Courant*, September 27, 1903, 2.

²¹⁴ Heyrman, *Middenstandsbeweging En Beleid*, 14.

²¹⁵ Passtoors was a cofounder of the Catholic Labor Union De R.K. Volksbond. See: Biografisch Woordenboek van het Socialisme en de Arbeidersbeweging in Nederland, s.v. "Passtoors, Willem Caspar Joseph," by J. van Meeuwen, <http://hdl.handle.net/10622/53420BF5-D68C-4F32-8A46-4C3202BC5B27>; Nouwens, "Verheffing van Den Handeldrijvenden Middenstand," 12; Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 166; Commissie voor de middenstandsenquête, *Inleiding Tot Het Verslag*, 5–6, 24. See: Summary of the Commission's Work, Governmental Budget for the Year 1907, 56, <http://resolver.kb.nl/resolve?urn=sgd:mpeg21:19061907:0001710&role=PDF>.

²¹⁶ Van den Eerenbeemt, "Middenstandskrediet," 26–27.

effort to investigating whether specialized credit institutions for small firms should be set up (the answer was yes), and how they should function. There was not much attention as to why credit should be provided and even less to whom.²¹⁷ The lack of precision was in part due to an absence of data.²¹⁸ However, it was also convenient to the associations since different types of firms with different needs all felt their grievances were being addressed. Anyone, from the expansionist businessperson to the struggling entrepreneur, could imagine the plans being geared toward them. In this early period, credit was thus an effective way to convince a diverse membership that the associations were tackling their problems and working toward a solution.

Furthermore, incentives put in place by the government contributed to making credit central to the movement. Kuyper's 1902 promise clearly urged the *middenstanders* to take initiative, and only then would the government come to their aid. In response, the associations paradoxically searched for options that were attainable without government support in order to obtain government support. Credit was one of these, since it was possible to start banks without any government help, yet easily fundable should the government decide to step in. *Middenstanders* originally did not ask for subsidies, and argued they could organize without external help. However, they knew it was possible to receive financial support because they referred to multiple examples from the first wave of state banking. German farmers and *Mittelstanders*, for instance, managed to obtain government support for their cooperative banks, and the Dutch government was already subsidizing the farmers' cooperative banking system before 1902.²¹⁹

The case of the *Hanzebanks* illustrates how credit became a clear-cut and practical issue for the government to support. In 1902, the AWW successfully founded a cooperative SME bank, demonstrating that it was feasible without external help. Following this, and having studied the cooperative farmers' banks, Catholic associations decided in 1904 to start a bank specially geared toward *middenstanders*, recognizably named the *Hanzebank*.²²⁰ Members were to fund the bank by buying shares, with owning

²¹⁷ Korthals Altes, *Het Credietvraagstuk*; Akkerhuijs, *Het Credietvraagstuk*; Bos, "Het Credietwezen."

²¹⁸ "Overbezetting van den Kleinhandel," *Het Vaderland*, May 9, 1928, 6.

²¹⁹ De Algemeene Winkeliers-Vereeniging te Amsterdam, *Stenografisch Verslag van Het Derde Internationaal Congres*, 242.

²²⁰ Van den Eerenbeemt, "Middenstandskrediet," 43.

at least one share being a prerequisite for using the credit facilities. However, the expected swift uptake of the shares failed to materialize. By the end of 1905, only a third of the total had been placed, so the bank's start was postponed and discussions began about lowering its capitalization.²²¹ In 1907, with the project in jeopardy for lack of support, the Ministry of Agriculture, Industry and Trade stepped in and approved a subsidy of 4,000 guilders.²²² That provided the necessary catalyst; a new campaign was set up to place the remaining shares, and in a few months' time the majority was sold.²²³

The subsidy did not signal a change in the position of the Liberal cabinet but was the result of the newly forged personal connection between the *middenstand* leaders and the bureaucracy. In 1906, J. C. A. Everwijn became the head of the department of trade of the newly formed Ministry of Agriculture, Industry, and Trade under J. D. Veegens.²²⁴ Everwijn was closely involved with the founding of the Bossche Hanzebank in 1907 and several other Hanzebanks in 1909–1910. He earned Nouwens's gratitude and developed a close friendship with Nouwens, whom he respected greatly.²²⁵ Everwijn continued in his function until 1921 and became increasingly influential within the Ministry.²²⁶ He remained a contact point between the government and *middenstander* organizations.²²⁷ The latter also remained stable in terms of leadership, offices, and activities. After 25 years, the NBVHIM (including successors) only had three directors and five secretaries.²²⁸ This allowed them to build up knowledge networks and foster personal ties.

These new relationships and the entirely confessional Heemskerk government taking office in 1908 boosted the state's interest and support for the *middenstand*. The same year, the government decided to organize the survey that the State Commission

²²¹ Van den Eerenbeemt, "Middenstandskrediet," 44–51.

²²² Van den Eerenbeemt, "Middenstandskrediet," 43.

²²³ Van den Eerenbeemt, "Middenstandskrediet," 53–54.

²²⁴ van den Aardweg, "Everwijn, Mr. Jan Charles August."

²²⁵ Correspondence between J. C. A. Everwijn and J. Nouwens, 1907–1911, especially the letter from Nouwens to Everwijn, September 27, 1908, 2.06.001/4373, Nationaal Archief (hereafter NA).

²²⁶ Van den Aardweg, "Everwijn, Mr. Jan Charles August."

²²⁷ For example, see the correspondence between Everwijn and V. Augsprung, editor of *De Sigarenwinkelier: Orgaan van de Nederlandse Vereniging van Sigarenwinkeliers*, 1910–1911, 2.06.001/4678, NA.

²²⁸ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 216.

for the *Middenstand* had asked for in 1905.²²⁹ At the same time, subsidies were made more broadly available.

To better capture these funds and increase their influence, *middenstander* associations improved cooperation between them and played the card of credit.²³⁰ Credit was portrayed as having economic and educational benefits in helping small firms overcome problems and teaching them how to “properly run a business.”²³¹ The NBVHIM managed to obtain subsidies from Syb Talma (Protestant), the Minister of Agriculture, Industry, and Trade, thanks to the intermediation of Everwijn. They received 2,000 guilders to organize an exhibition (500 guilders) and provide information about the developing SME banking system (1,500 guilders) that Talma and his predecessor subsidized.²³² In 1909 Talma gave a short speech at the NBVHIM’s annual conference, which that year was dedicated entirely to credit. He stated that the government supported *middenstand* credit and that its support would continue to expand if the *middenstand* kept improving its organization.²³³ This was no lie, and in 1910, a specific advisor for small firms named *Rijksnijverheidsconsulent* (State Industry Consultant) was appointed.²³⁴ Going further, in 1911 Talma appointed a Commission to Inform the Middenstand, which gave lectures on various topics concerning the *middenstand*, among others credit, payments, and credit cooperatives.²³⁵ Simultaneously, the associations promoted the new credit options for their members. The Hanze of Haarlem, for example, published regular updates on the activities of their

²²⁹ Commissie voor de middenstandsenquête, *Inleiding Tot Het Verslag*.

²³⁰ For example, all local associations in The Hague united under the General Union of Leaders of Middenstander associations of The Hague to better streamline cooperation. The first topic on the agenda was credit. Letter from the 's-Gravenhaagsche Winkeliersvereniging, November 1909, 0256-1/24, 's-Gravenhaagsche Boekhandelaarsvereniging, Haags Gemeente Archief (hereafter Haags GA).

²³¹ This argument is present from the start of the movement and continues all the way through the 1930s. See: Bos, “Het Credietwezen.”

²³² Letter from Minister Syb Talma to the board of the Middenstandsbond, April 13, 1909, 80, ING Archive.

²³³ “De regeering steunt dat [crediet] en die steun zal steeds vollediger worden, wanneer de organisatie in den Middenstand zelf tot betere vormen komt.” In NBVHIM, *Stenografisch verslag van de zesde algemeene vergadering en van het zesde nationaal congres van den Nederl. Bond van Vereenigingen van den Handeldrijvenden en van den Industrieëlen Middenstand, gehouden te Amsterdam in het Paleis voor volkslijt*, July 14/15, 1909, 56, in Tc5569, KDC.

²³⁴ Letter from W. Nieuwenhuizen to the head of the Department of Trade, September 4, 1907, 2.06.001/4521, NA.

²³⁵ Circulaire 7/40b of the Commissie voor Middenstandsvoorlichting, 1911, 0256-1/24, Haags GA.

bank, tips on how to obtain credit, and a series of thirty-two-episodes on bookkeeping that was also referred to by their banking institution.²³⁶

The increase in subsidies stimulated the founding of credit institutions. The number of banks increased from 3 in 1905 to 12 in 1910, and there were 59 banks operating a total of 133 offices in 1914.²³⁷ The membership followed; however, it was difficult to maintain cohesion in the diverse group, even within pillars. Small *middenstanders* complained their interests were not properly represented by wealthier, larger *middenstanders* who were out of touch with the struggles of the movement's majority.²³⁸ The leaders also became more paternalistic and criticized incapable fortune-seekers and unviable small firms that contributed to overcrowding in the retail sector.²³⁹ Additionally, the industry consultants largely focused on medium-size firms and pushed for mechanization and increasing scale of operations.²⁴⁰ This faultline persisted, and the Catholic pillar had open debates about the position of small *middenstanders* in the organization and whether the Hanze was useful for them.²⁴¹ Obviously, leaders of the Catholic associations argued it was.

The friction within pillars was partially due to the exclusion of the smallest *middenstanders* from the new banking system. In the early period, the banking system was very locally oriented and provided relatively small loans. Most banks' statutes allowed loans between 50 and 3,000 guilders and appeared to stay in that segment.²⁴² In 1912, the average outstanding loan across *middenstandsbanks* was 755 guilders, almost the average household income at that time (848 guilders). The variance between banks was large, with many banks giving smaller loans (on average, around 200 guilders), and others such as Hoorn and Utrecht giving higher loans (on average, around 2,000 guilders).²⁴³ Nonetheless, the poorer subsets were still often excluded from these banks

²³⁶ *De Hanze*, 1911, in Ta106, KDC.

²³⁷ Based on UU Financial History, Banking Landscape Database, 2020. These figures are underestimates since I only count banks for which I have confirmed starting and ending dates.

²³⁸ "Groote en Kleine Middenstanders!" *De Hanze*, July 21, 1911, 149, in Ta106, KDC.

²³⁹ Korthals Altes, *Het Credietvraagstuk*, 9.

²⁴⁰ Van Lente, "Crafts in Industrial Society," 108.

²⁴¹ "De organisatie der kleine middenstanders," *De Hanze*, March 15, 1912, 661–666, in Ta106, KDC.

²⁴² Visser, *MiddenstandSCOOPERATIE in Nederland*.

²⁴³ Van Riel, "Trials of Convergence," 715.

because they were not credit-worthy or their firms were not viable, but sometimes because banks limited the amount of new loans due to capital constraints.²⁴⁴

World War I was a catalyst for governmental support and the real starting point of the second wave of state banking in the Netherlands. The mass mobilization of soldiers, the scarcity of goods, and the maximum prices imposed by the Liberal cabinet of Cort van der Linden (1913–1918) heavily impacted the *middenstand*. On top of that, the war disrupted traditional trading credit lines as suppliers demanded cash payment for deliveries, causing cashflow problems for many craftsmen and shopkeepers.²⁴⁵ The new banking system was insufficient to deal with the shock. In direct response to the crisis, Minister of Finance M. W. F. Treub helped Bos and Meuwsen to set up a Central Middenstandsbank in 1914 to provide liquidity to the SME banking system.²⁴⁶ The government guaranteed 1 million guilders of national bank lending to the newly formed bank, making it a state bank.²⁴⁷ The second wave of state banking started to save the private *middenstandsbanking* system, not because *middenstanders* planned to extract it.

Nonetheless, the direct effects of the state bank were small, as it took a while before the Central Middenstandsbank was properly operating. While the government took measures, in 1915 Queen Wilhelmina urged Treub to do more, particularly for the smallest *middenstanders*.²⁴⁸ By then, civil servants and the government fully recognized credit as a core problem, and they acted subsequently by increasing the budget for subsidies eightfold. The nominal value stayed roughly the same after 1916, but high inflation eroded the real value quickly (Figure 3.1). Nonetheless, the subsidy was more than enough to cover the operating costs of the Central Middenstandsbank and to subsidize other banks.²⁴⁹

²⁴⁴ Janzen, *Het Middenstandsbankwezen in Nederland*, 44–45.

²⁴⁵ De Algemeene Borgmaatschappij voor den Middenstand, “Credietverschaffing”; Treub, *Oorlogstijd*, 218. The disruption of trade credit lines is also often mentioned in the reports of the Amsterdam Borgstellingsmaatschappij during World War I. See: 471/15, Rapporten uitgebracht door de commissie uit de Algemeene Winkeliersvereniging, betreffende aanvragers voor een voorschot N.B. Voornamelijk kleine winkeliers en handwerkpatroons, Archief van de Commissie ten Dienste van Nijverheid en Bedrijven, Stadsarchief Gemeente Amsterdam.

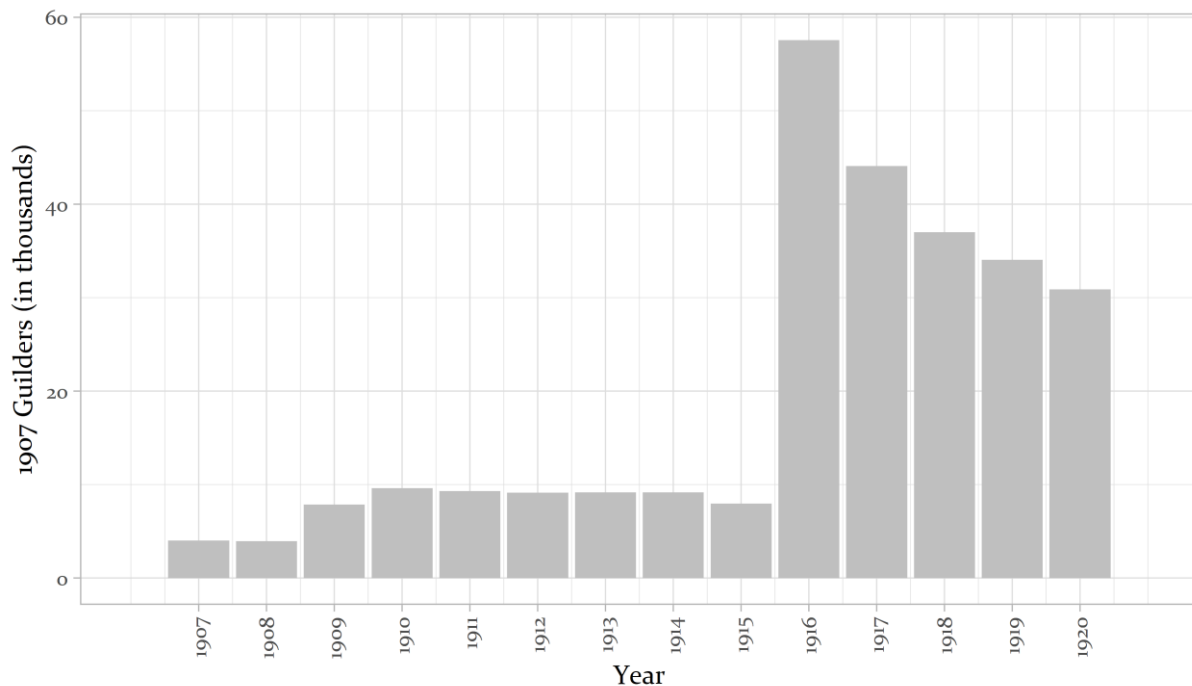
²⁴⁶ Treub was first the Minister of Agriculture, Industry and Trade (August 29 1913–November 19, 1914), and then he became Minister of Finance (October 24, 1914–February 8, 1916). He would retake the position as Minister of Finance between February 22, 1917, and September 9, 1918. Stoffer, *Het Ontstaan van de NMB*.

²⁴⁷ Stoffer, *Het Ontstaan van de NMB*, 35.

²⁴⁸ Treub, *Oorlogstijd*, 225.

²⁴⁹ Janzen, *Het Middenstandsbankwezen in Nederland*, 169.

Figure 3.1 Yearly Budget for Middenstandsbank-subsidy by the Ministry of Agriculture, Industry, and Trade, 1907–1920



Source: Janzen, *Het Middenstandsbankwezen in Nederland*, 148.

To help small firms, the government subsidized a set of regional *Adviesbureaux* (Offices of Advice), which provided inexpensive or free financial advice. Additionally, several experiments in private-public cooperation took place, where local *middenstand* associations set up institutions for small firm credit that were subsidized by national and local governments.²⁵⁰ Following the queen’s intervention, Treub set up a Commission for Middenstands Credit in 1915 to help small firms get advances from participating *middenstandsbanks* by screening them and guaranteeing 55% of the default risk.²⁵¹ The commission helped 1,412 firms in this way and guaranteed 1.2 million guilders.²⁵²

By the end of World War I, the *middenstanders* had put their problems, and credit in particular, firmly on the government’s agenda. As a result, they obtained extensive support for developing a separate small firm credit system. Accordingly, the number of *middenstandsbanks* (including branches and correspondences) grew from 67 in 1915 to 95 in 1918. Including branches, the banks had 305 offices in 1918.²⁵³ (Figure 3.2)

²⁵⁰ Treub, *Oorlogstijd*, 218–232.

²⁵¹ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 171–172.

²⁵² Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 172.

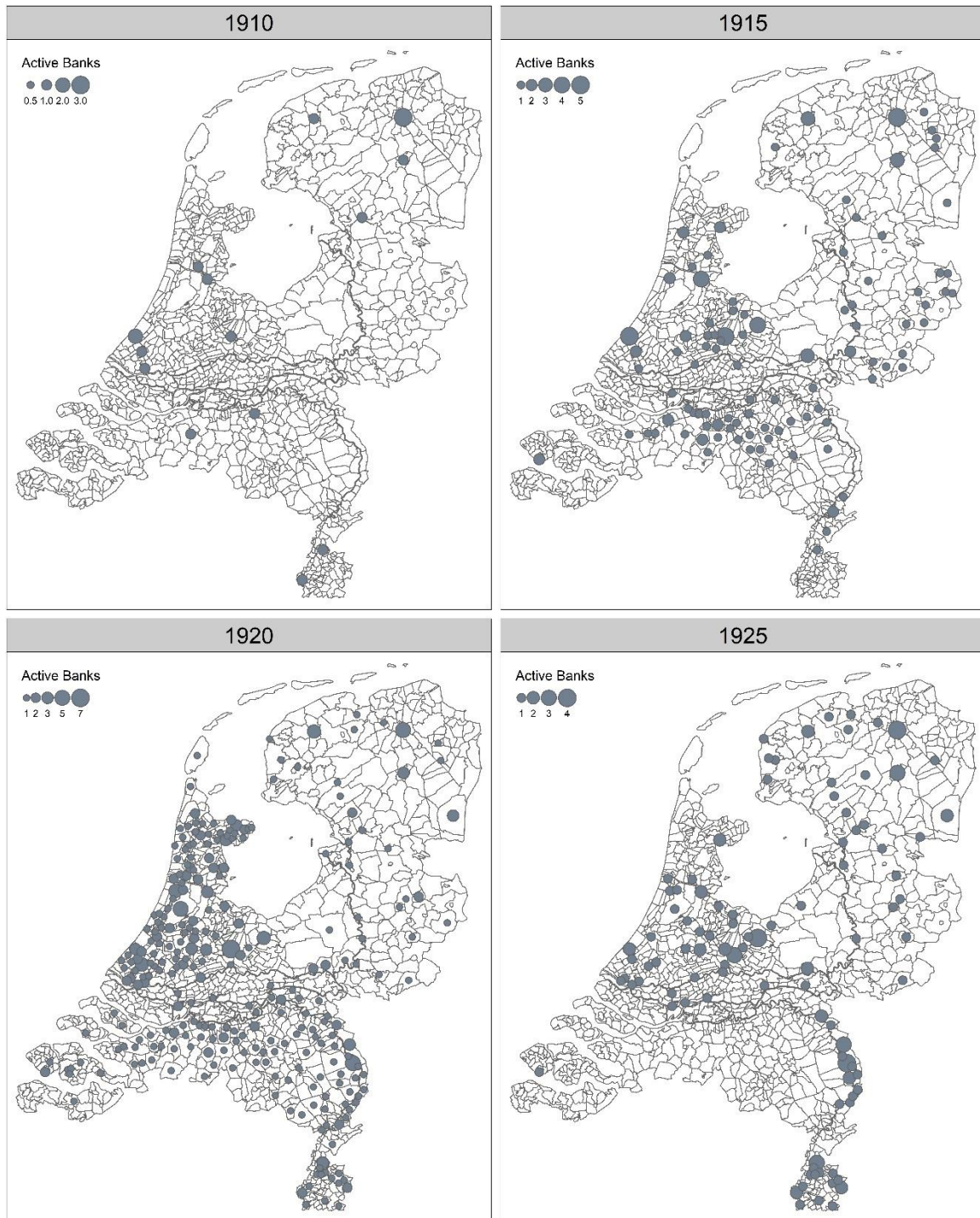
²⁵³ Van den Aardweg, “Everwijn, Mr. Jan Charles August.”

The apparent success of the new financial system raised the prestige of the associations and increased their appeal to (potential) members. The Catholic Hanze of Haarlem stated that the rapid growth in members (from five hundred to nearly three thousand members between 1910 and 1912) was thanks to their quickly expanding Hanzebank.²⁵⁴ Their membership peaked around 1920, with close to 10,000 members, and fell after their bank went bankrupt in 1923.²⁵⁵

²⁵⁴ *De Hanze*, March 29, 1912, 691, and April 5, 1912, 709, in Ta106, KDC.

²⁵⁵ Handels- en nijverheidsverenigingen, 1920, 2.06.001/3924, NA; "Aartsdiocesane Katholieke Middenstandsbond," KDC, "https://www.ru.nl/kdc/bladeren/archieven-thema/subpagina-archieven-thema/stands-vakorganisaties/archieven_van/archieven_i/aartsdiocesane/".

Figure 3.2 Number of Active Middenstandsbanks and Branches, 1910–1925



Source: UU Financial History Group, Banking Landscape Database, mapped on Boonstra, NLGIS Shapefiles. *DANS*, 2007, <https://doi.org/10.17026/dans-xb9-t677>.

The *middenstanders* received ample support during the war, but the government also made decisions against *middenstand* interests, which left them with some resentment.²⁵⁶ In an attempt to strengthen their grasp on politics, the NBVHIM put forward the *Groninger Motion* in 1917. The motion was the *middenstanders*' way to make sure that their interests were represented on the various party lists. The idea was that "politics should be kept outside of the middenstander movement, but that the *middenstand*'s interests should be brought into politics."²⁵⁷ The NBVHIM proposed to formulate a political program that would be sent to the main political parties, and asked the parties to put suggested candidates on their lists and to support their candidacies.²⁵⁸

It was a response not only to the frustrations of World War I but also to the changes in the electoral system. First, earlier that year, the Liberal faction, aided by the Social-Democrats, introduced universal male suffrage (for those older than 23) with proportional representation. The change happened in an era of pacification, when many of the disputes from the nineteenth century were settled and the political consensus was shifting to more social care and state intervention.²⁵⁹ The change had a big impact on the Dutch political landscape, as the number of voters increased from 15 to around 50% of the adult Dutch population.²⁶⁰ Second, proportional representation increased the influence of political parties. Since every vote counted, parties for the first time operated nationwide and not only in areas where they hoped to obtain a majority.²⁶¹ Last, political parties set the list order and candidates were more likely to be chosen when they were higher on the list.²⁶²

²⁵⁶ The Distribution Law of 1916, which further increased the state's control over prices and distribution of goods, was particularly despised since it hurt shopkeepers. The *middenstanders* asked F. E. Posthuma, the Liberal Minister of Agriculture, Industry, and Trade, to take their interests into consideration and proposed a joint commission, but this fell on deaf ears. See: Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 81 and 122.

²⁵⁷ "Noodzakelijk geacht moest worden de politiek buiten de middenstandsorganisatie te houden, doch de middenstandsbelangen in de politiek te brengen." See: Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 81.

²⁵⁸ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 86.

²⁵⁹ The nineteenth century was characterized by a struggle for power between confessionals and Liberals, which manifested itself mostly in the "school struggle" and franchise. These conflicts were resolved in 1917 when confessional schools were equated with state schools in return for universal suffrage. Rooy de, "Politiek van Rivaliteiten," 155.

²⁶⁰ De Beaufort et al., *Tussen Geschiktheid En Grondrecht*, 9.

²⁶¹ Bos, De Jong, and Loots, *Een Sprong in Het Duister*, 73.

²⁶² Bos, De Jong, and Loots, *Een Sprong in Het Duister*, 74.

The motion was initially accepted in 1918 but later that year the AWW asked the NBVHIM to reconsider. The motion proved very divisive and threatened to tear apart the association.²⁶³ The problem was that the NBVHIM would lose its strict political neutrality by directly interfering in elections. This would make confessional members leave the neutral organization as it conflicted with their convictions. The compromise was to leave the initiative to the individual members. They were encouraged to make use of their pillars by contacting their respective political parties and ask them to place *middenstanders* or people friendly to the *middenstand* on their list. If members were not bound to a party (mostly neutral members), they were advised to vote for the newly established Middenstands Party.²⁶⁴ Most *middenstanders* apparently voted for their respective pillars because the Middenstands Party received only 12,674 votes (or around 23% of the combined membership of the three unions).²⁶⁵ A quarter of those votes were concentrated in Amsterdam, indicating that mostly liberal shopkeepers voted for this party.²⁶⁶ The conflict shows how pillarization precluded direct cooperation. Rather than centralizing efforts, members were organized along religious lines at the base, and cooperation was limited to the top of the organizations. The compromise only entrenched this discord.

Besides trying to influence which officials got elected, the associations worked on expanding and formalizing their influence on the government. The NBVHIM did so by proposing a consultative body for the *middenstand*, named the *Middenstandsraad*, in May 1917. Everwijn responded positively.²⁶⁷ Not much later, in September 1918, their long-term advisor Aalberse became Minister of the newly created Ministry of Labor. Aalberse was a longtime advocate of letting organized business play a larger role in the creation of social and economic legislation as a way to reorganize economic life more

²⁶³ "Algemeene Winkeliers Vereeniging," *Algemeen Handelsblad*, November 7, 1918, 6.

²⁶⁴ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 86; "Algemeene Winkeliers Vereeniging," *Algemeen Handelsblad*.

²⁶⁵ Handels- en nijverheidsverenigingen, 1920, 2.06.001/3924, NA.

²⁶⁶ Documentatiecentrum Nederlandse Politieke Partijen, "Middenstandspartij (1918-1933)," <https://dnpp.nl/dnpp/node/1324>.

²⁶⁷ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 150.

harmoniously. Already in 1903, he proposed the formation of something similar to the *Middenstandsraad* and gradually found support for this idea.²⁶⁸

By 1919 the political climate was ready for the progressive ideas that Aalberse promulgated. World War I had increased the number of unionized workers, during the war the government and business had experimented with cooperation, and the failed socialist revolution in November 1918 upped the pressure for social reform.²⁶⁹ The government declared its support for reforms, and a first consultative body for industry, named the *Nijverheidsraad* (Industry Council), was launched in January 1919. However, the Catholic parliamentarian and president of the Catholic NRKMB, J. A. Veraart asked Aalberse to include representatives of small firms, nominated by the three *middenstander* federations. The original plan was to expand the *Nijverheidsraad*, but eventually they decided to create a separate council named *Middenstandsraad*.²⁷⁰

The *Middenstandsraad* was operational by September 1919 and consisted of representatives of the Ministry of Agriculture, Industry and Trade, and the three main *middenstand* federations: Catholic (NRKMB), Protestant (CMV), and neutral (NBVHIM).²⁷¹ Its function was, similarly to the *Nijverheidsraad*, that of an independent advisory body to the Minister of Agriculture, Industry, and Trade. The Catholic parliamentarian and president of the Commission for the *Middenstands* Survey, Baron A. I. M. J. van Wijnbergen, became the council's first president and remained so for 30 years.²⁷²

In February 1920, a third council, the *Hoge Raad van Arbeid* (High Council of Labor) was instituted. This council served to improve the communication and cooperation between employers, employees, and the state. As employers, the *middenstanders* occupied three out of the 40 seats on this council: one for every pillar.²⁷³ In both councils, all three pillars were on equal footing and relations were amical. This

²⁶⁸ Helderman, "De Hoge Raad van Arbeid," 51. Politicians and influential people started promoting similar ideas, for example, the Catholic Bishop of Haarlem. Joannes Aengenent promoted the same line of thought during World War I. See: Sengers, *Roomsche Socioloog*, 122–123.

²⁶⁹ Helderman, "De Hoge Raad van Arbeid," 52.

²⁷⁰ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 181.

²⁷¹ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 182.

²⁷² Biografisch Woordenboek van Nederland, s.v. "Wijnbergen, Antonius Ignatius Maria Josephus baron van (1869-1950)," by A.H.M. van Schaik, <http://resources.huuygens.knaw.nl/bwn1880-2000/lemmata/bwn3/wijnbergen>.

²⁷³ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 185.

helped the groups to overcome the divisions caused by pillarization and to act as a unified front in defense of the *middenstand* on the highest echelons.

More important, the councils gave real power to the three federations. The councils allowed direct access to the executive branch of the state, while the relations with the pillarized political parties and to a much lesser extent through the Middenstands Party (which had only one seat in Parliament) allowed them to put their topics on the agenda.²⁷⁴

3.6 Weathering a Crisis

Shortly after this institutional development with the *Middenstandsraad* as capstone, the Netherlands was hit by a financial crisis (1921–1923).²⁷⁵ This was particularly destructive for the *middenstandsbanks*, causing distress for about a third of the banks.²⁷⁶ Colvin found that banking cooperatives were less vulnerable than incorporated banks as a result of the super-liability of directors.²⁷⁷ On the one hand, the incorporated Hanzebanks failed spectacularly, shaking the faith in the SME banking system. On the other hand, the federations and most of the local associations continued their operations. The Catholic Hanze unions suffered a sharp decrease in membership from around 23,000 to fewer than 10,000 members, showing the link between the associations and the banks (Fig 3). Nonetheless, they continued to provide services, organize conferences, and publish local newspapers. Credit disappeared from the associations' agendas and much of the debate on credit and the situation of the banks moved to the background. The associations reported on the unfolding banking debacle, both with a mix of surprise about the situation and with optimism to minimize reputational damage.²⁷⁸

²⁷⁴ Documentatiecentrum Nederlandse Politieke Partijen, “Middenstandspartij.”

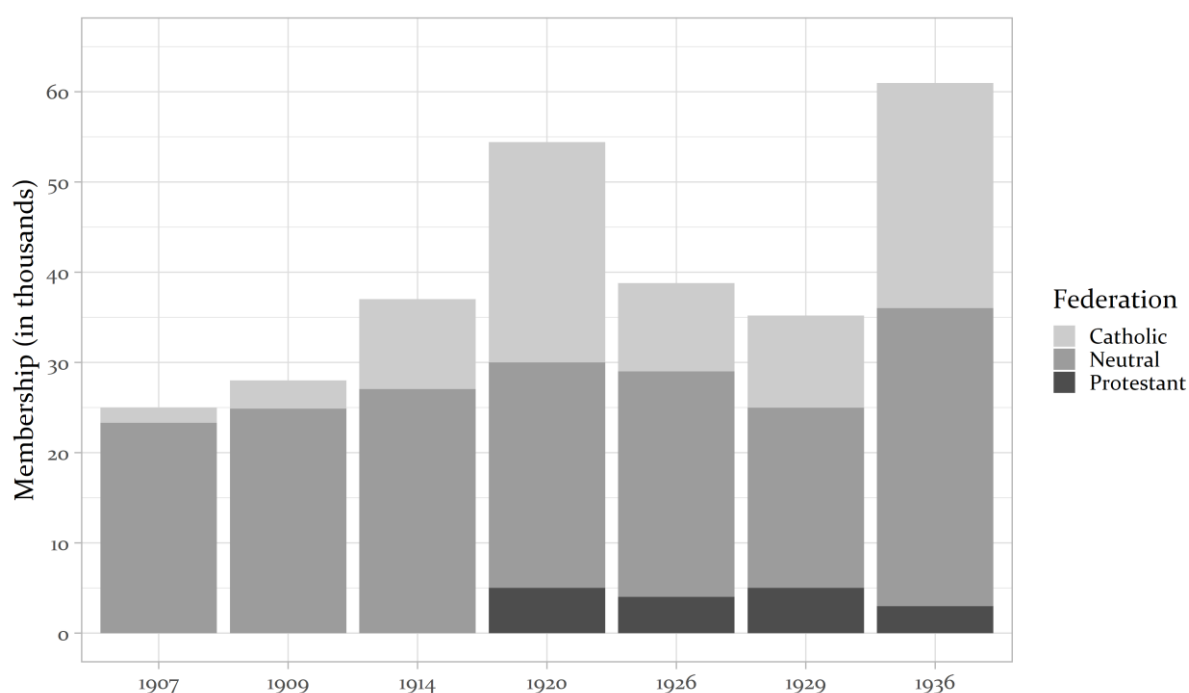
²⁷⁵ Colvin, de Jong, and Fliers, “Predicting the Past”

²⁷⁶ Colvin, “Organizational Determinants,” 679–80; Stoffer, *Het Ontstaan van de NMB*; Van den Eerenbeemt, “Middenstandskrediet”

²⁷⁷ Colvin, “Organizational Determinants,” 689.

²⁷⁸ For example, De Nederlandsche Hanze, July 8, 1922, 896/77, KDC.

Figure 3.3 Membership of the middenstand federations, 1907–1936



Protestant was counted under neutral until 1918. The Catholic Hanze of Breda is missing data for 1907. The Catholic Hanze of Limburg is missing data for 1926 and 1929. In 1920 the Catholic Hanze of Limburg had around 900 members Source: Afdeeling Handel van het Departement van Landbouw, Nijverheid en Handel, *Overzicht van de in Nederland bestaande Patroonsverenigingen*, 1907, 1909, 1914, 1921, 1926, 1929, and 1936, 2.06.001/3893, 3900, 3921, 3924, 3940, 3953, and 3986, NA.

The Central Middenstandsbank absorbed many of the failing *middenstandsbanks*, and by 1925–1926 ran into trouble itself, suffering heavy losses and exceeding the state guarantee.²⁷⁹ The established political connections were eventually what saved the Central Middenstandsbank and the wider SME banking system. Treub, who was still heavily involved, pushed for centralization of the system into the Central Middenstandsbanks.²⁸⁰ And the Protestant H. Colijn, Minister of Finance (1923–1925) and later Prime Minister (1925–1926), had strong connections to the Boaz Banks. He further extended the state guarantees to the Central Middenstandsbank.²⁸¹ A governmental commission comprising bureaucrats, bankers, leaders of the Catholic and

²⁷⁹ Stoffer, *Het Ontstaan van de NMB*, 135.

²⁸⁰ Stoffer, *Het Ontstaan van de NMB*, 115.

²⁸¹ Stoffer, *Het Ontstaan van de NMB*, 137.

neutral *middenstand* federations, and a Protestant politician was tasked with assessing the viability of a centralized *middenstandbank*.²⁸²

Eventually, the Central Middenstandsbank, together with the Middenstandsbank of Limburg and the Boaz Banks, were integrated into the NMB in 1927. The deal made by the commission reflected the political influences and compensated for several grievances. The Central Middenstandsbank was valued at less since it had already received ample subsidies. The Catholics were compensated for the failure of the Hanzebanks, and the Boaz Banks were overvalued to ensure the support of the Protestant pillar.²⁸³ Catholic association membership slightly increased between 1926 and 1929, while neutral associations declined. By the 1930s, when the NMB had regained the *middenstanders'* trust, membership sharply rose again (see Figure 3.3).

The *Middenstandsraad*, as a voice for the three unions, barely interfered in the banking crisis of the 1920s. The direct connections between associations and politicians of their respective pillars not only sufficed but also were more appropriate when lobbying for the survival of their respective parts of the banking system. When in the 1930s the crisis hit *middenstanders* regardless of denomination, the *Middenstandsraad* did interfere and proposed government-funded guarantee institutions (named *borgstellingsfondsen*) to help small firms. These started in 1936 and became a building block of the postwar credit allocation system.²⁸⁴

3.7 Conclusion

In the timespan of seventeen years, the *middenstander* movement evolved from a marginal phenomenon to a well-organized group that exerted real political influence. I described the path it took to reach that outcome and how it shaped that path along the way. Its quick rise to political relevance was not necessary nor evident. *Middenstanders* continuously adapted to local circumstances and effectively maneuvered the political realities to make their movement a success.

²⁸² Stukken betreffende de werkzaamheden van de Commissie Centralisatie, Middenstandscredietwezen, 1926–1927, 2.08.41/920, NA; see G. J. Schras, “Ons Middenstandsbankwezen,” Rotterdam, 1929, 0256-01/24, Haags GA.

²⁸³ Stoffer, *Het Ontstaan van de NMB*, 244–46.

²⁸⁴ Stukken betreffende crisiscredieten, 1933–1941, A.064/128, ING Archive.

In line with Verdier, I argue that class cleavage aided the battle for relevance of small firms. The fear of class warfare made conservative political parties more receptive toward a potentially stabilizing movement. However, small entrepreneurs in the Netherlands, as in other parts of Europe, had to navigate through a difficult Olsonian collective action process before being in a position to exert sufficient influence and obtain subsidies. Associations needed to forge a common identity for a notoriously heterogenous socio-economic group, and offer value to potential members to convince them to join.

The topic of insufficient access to credit was crucial in binding together a heterogenous group for small entrepreneurs and in lobbying the government for support. Insufficient access to credit was one of many possible unifiers. However, because of the commonality of this issue, along with the incentives set by the government and for practical reasons, access to credit became the central reason the associations could gain traction with members and engage the government. This turned it into a virtuous circle with expanding services drawing more members until the financial crisis disrupted many credit institutions. Nonetheless, membership remained high and the associations continued using their political power to lobby for the survival of their banks.

This in-depth case study nuances Verdier's thesis. Dutch small firm associations did not simply gain political relevance or plan to extract state banking. Rather, state banking was the result of a decades-long interaction between the state and small firm associations that started for reasons other than access to credit. It was coincidences, path dependencies, and personal connections that led to state banking. The NMB was not the successful starting point of the second wave of state banking in the Netherlands but the outcome of a failed attempt at creating a system based on subsidies rather than direct government intervention.

Throughout this period, associations had to operate within the political framework of constraints, much like Lemercier described. In line with Colvin, I found that socio-cultural and political contexts, especially pillarization, played decisive roles in shaping both the associational process and financial system development. The government's strategy to integrate interest groups into coherent structures spurred the development of national federations, but pillarization caused them to split along

ideological lines. This led to duplication of functions and intragroup competition, but it also gave the young movement the support of established political parties. Personal connections also appeared to have been crucial for success, notably the relations between Nouwens and Everwijn and among Meuwsen, Bos, and Treub.

The Dutch case highlights several avenues for further research and reflection. First, there is a need for more micro-level qualitative research regarding financial system development and political association. Many things happen for reasons of personal interaction, context, or even chance, and these are not easily captured through more formal quantitative research methods. Still, they deserve attention to fully understand these topics. Second, it is necessary to include SME lobby groups and *petite bourgeoisie* movements in the wider history of financial systems, since their links to state banking and state intervention were historically large, as demonstrated in the case of the Netherlands. Researchers such as Verdier, Carnevali, and Prasad have started along this path, but more explicit comparative research, especially between places where *petite bourgeoisie* associations failed to arise, as was the case in the United Kingdom or the United States, could help explain peculiarities in national financial systems.²⁸⁵

²⁸⁵ Verdier, “Rise and Fall of State Banking”; Carnevali, *Europe’s Advantage*; Prasad, *Land of Too Much*.

Chapter 4: Exploring Modern Bank Penetration: Evidence from the Early Twentieth-Century Netherlands²⁸⁶

Oscar Gelderblom, Joost Jonker, Ruben Peeters and Amaury de Vicq

4.1 Introduction²⁸⁷

The tacit assumption underlying most if not all financial history is that the penetration of financial services is driven by supply-side innovation. The arrival and spread of new institutions, whether they be medieval Italian public pawn banks or that nineteenth-century wave of savings banks, mortgage banks, joint-stock commercial banks and Raiffeisen-type banks, is invariably interpreted as modern, efficiently organised services either filling a gap or replacing obsolete, economically suboptimal arrangements. Joint-stock banks in particular have been considered ever since Gerschenkron as the standard-bearers of economic modernity.²⁸⁸

This old consensus about joint-stock banks has begun to crumble. They developed slower than once thought, and while they did offer some business finance, their exposure remained as modest as their customer base was limited.²⁸⁹ In a recent study on the organisation of credit markets in France between 1740 and 1914, Hoffman et al. show that banks and traditional peer-to-peer lending arranged by notaries complemented each other until the end of the nineteenth century.²⁹⁰ Extending their earlier work on Paris, Hoffman et al. demonstrate how recording real estate transactions and other contractual agreements gave notaries control over information on potential

²⁸⁶ This chapter is written in UK English and has been kept that way to ensure consistency across publications.

²⁸⁷ We thank Chris Colvin, Abe de Jong, Bas Machielsen and seminar participants at Yale University, Queens University, University of Umeå, Lund University, Utrecht University and the Annual EHA Meeting for comments and suggestions. Cuno Balfoort, Jérôme Bekis, Tom ten Berge, Jasper Bongers, Marlon Donck, Elien van Dongen, Stefan Gaillard, Tom Gerritsen, Duco Heijs, Daan Hendrikx, Constant van der Putten, Paul Schilder, Tirreg Verburg and Guus Wieman provided excellent research assistance.

²⁸⁸ Gerschenkron, *Economic Backwardness*. Cf. also Cameron, *Banking*; Sylla and Toniolo, *Patterns of European Industrialisation*; Forsyth and Verdier, *The Origins of National Financial Systems*; Grossman, *Unsettled Account*.

²⁸⁹ See, for instance, for the United States: Lamoreaux, *Insider Lending*, 158–59; Calomiris and Ramirez, ‘The Role of Financial Relationships,’ 57–59; for the United Kingdom: Turner, *Banking in Crisis*, 35–36; on Germany: Edwards and Ogilvie, ‘Universal Banks,’ 437–39, 443; Fohlin, ‘Universal Banking’; a notable exception was Belgium where universal banks, Société Générale in particular, dominated industrial finance from the second quarter of the nineteenth century onwards: Overfelt et al., ‘Do Universal Banks Create Value?’ 254–56.

²⁹⁰ Hoffman, Postel-Vinay and Rosenthal, *Dark Matter Credit*.

borrowers and lenders which they used to good effect in order to make a market for mortgage loans. As a result, commercial banks mainly served wealthy business people in big cities whose financial demands went beyond the occasional contracting of a mortgage loan.²⁹¹

Notarial credit was but one traditional form of finance that persisted throughout the nineteenth century. Business owners habitually used privately contracted loans and trade credit to fund operations, and in the few instances where historians have been able to observe the full range of available credit facilities, they found people combining a broad range of formal and informal loans.²⁹² Even in Germany, where banks played a bigger role in business finance, these were not just universal banks but also savings banks, credit cooperatives and mortgage banks.²⁹³ Taken together, these findings suggest that premodern financial practices--embedded in personal relations, linked to the sales of goods and services or supported by public officials--were quite resilient; that is to say, these practices were not economically inferior to new institutions in the way that historiography tacitly assumes.

The question of commercial bank penetration vis-à-vis non-bank financial services is particularly relevant for the Netherlands. Dropping back from its early modern financial sophistication, the country was a late industrialiser. Joint-stock banking appeared only during the last quarter of the nineteenth century and developed slowly at first, then vigorously from about 1910.²⁹⁴ Wanting to know how deep those banks penetrated into society after some 50 years and a phase of strong growth, we chose to investigate the year 1921, when the economy was just slowing down and with a banking crisis still on the horizon. Following the lead of Hoffman et al., we aim to capture the 'dark matter' credit of non-intermediated peer-to-peer loans and notarised

²⁹¹ Hoffman, Postel-Vinay and Rosenthal, *Dark Matter Credit*, continuing the analysis set out in Hoffman, Postel-Vinay, and Rosenthal, *Priceless Markets*.

²⁹² On the combination of notarial loans and peer-to-peer credit in the eighteenth century: Ogilvie, K pker and Maegraith, *Household Debt*; Dermineur, 'Peer-to-Peer Lending'; Gelderblom, Hup and Jonker, 'Public Functions'; on the use of trade credit and personal loans in the Netherlands, see: Jonker, *Merchants, Bankers, Middlemen*; for France, see: Hautcoeur, 'Les Transformations Du Cr dit'; Lemerrier and Zalc, 'For a New Approach'; Di Matteo in 'The Determinants of Wealth'; Di Matteo and Redish in 'The Evolution of Financial Intermediation'; used inheritance tax returns to measure the use of different types of credit in Ontario, Canada; Lindgren in 'The Modernization of Swedish Credit Markets' did so for the town of Kalmar in Sweden.

²⁹³ Guinnane, 'Delegated Monitors'.

²⁹⁴ Jonker, *Merchants, Bankers, Middlemen*; Jonker, 'The Alternative Road'.

private loans and set these against bank services. In doing so, we adopt the approach pioneered by Di Matteo, Redish, and Lindgren for Canada and Sweden and analyse the inheritance tax returns of top wealth owners in the Netherlands who died in 1921 in order to understand what the forms of credit listed amongst assets and liabilities tell us about their financial behaviour.²⁹⁵ However, unlike Di Matteo, Redish and Lindgren, we draw a national sample stratified by location and by wealth categories so that we can capture potential differences between more or less wealthy people and between the economic core and periphery.

Our paper is organised as follows. We discuss the succession tax source which provides our private wealth data in Section 2. Then we analyse the different forms of borrowing and lending used by the people who died in 1921 (Section 3). In the next section (4), we compare the different forms of credit organised through banks, notaries and personal relations. In Section 5, we look at agglomeration effects in the use of financial services across municipalities of different size. Section 6 offers a formal analysis of the determinants of the use of different types of credit by Dutch individuals in 1921. Section 7 concludes.

4.2 The Dutch Succession Tax and Its Administration

The uniform and national succession tax introduced in the Netherlands in 1818 was levied on the net value of estates of childless decedents, widened to include all estates worth more than 1,000 guilders in 1878.²⁹⁶ By 1921, about 30% of Dutch estates were assessed for the tax, and about half of them ended up above the 1,000-guilder threshold and paid tax accordingly.²⁹⁷ The documents produced by the fiscal administration provide us with a near-ideal, standardised source. Inheritors of estates likely to be assessed had to submit a formal inventory of a deceased's assets and liabilities with their respective value to one of the nine regional tax offices, which listed them alphabetically in annual ledgers known as *Tafel V-bis*. If over the tax threshold, the inventory was turned into a *Memorie van Successie* itemising the estate's composition and the

²⁹⁵ Di Matteo, 'The Determinants of Wealth'; Di Matteo and Redish, 'The Evolution of Financial Intermediation'; Lindgren, 'The Modernization of Swedish Credit Markets'.

²⁹⁶ Bos, 'De Memories van Successie'; Bos, 'Vermogensbezitters'.

²⁹⁷ In 1921, 77,002 people died, of whom 24,295 were considered potentially taxable. Eventually about two-thirds of these decedents (16,316) were taxed. De Vicq and Peeters, 'Introduction to the Tafel V-Bis Dataset'.

estimated value of the individual items, grouped as real estate, financial assets, debts and claims, cash and movables. Having filed the documents, heirs or executors had to take a formal oath swearing to the truth of the data submitted, a written statement of this procedure being added to the papers. Upon completion, the entire file was examined by tax inspectors, who verified the liabilities and assets using a variety of sources, such as wealth and income tax ledgers and the real estate cadastre. They could demand additional information or documents and, if heirs were uncooperative in producing these, inspect and assess the value of assets themselves or order a professional estimate of the inheritance. Penalties for fraud and evasion were about twice the due tax, plus any costs.

Once satisfied that the various data were correct, the inspectors drew up a *Memorie van Successie*, the official statement of assets and liabilities and the corresponding tax assessment. The procedure's effectiveness of course depended on the inspectors' ability to verify the data submitted. The value of real estate, securities and bank accounts could be checked easily, but amounts given for private debts and claims were more difficult to assess. However, the scope for tax evasion or downright fraud appears to have been fairly limited. Unquoted securities, sometimes seen as a potential fraud source, could be valued for instance using a specialist weekly publication, and the tax inspector could ask heirs and executors for proof of private debts.

Aggregated data on inheritance tax returns were published from the mid-1850s by the national bureau of statistics (CBS) and its predecessors.²⁹⁸ They were used by Wilterdink for analysing the evolution of wealth inequality in the Netherlands.²⁹⁹ For our present purpose, we wanted much more detail than available in the published data, so we constructed a sample of original *Memories* taking into account potential regional differences in both wealth levels and financial behaviour. We did this as follows. During 1921, around 77,000 people died in the Netherlands out of a total population of 6.8 million. Subtracting infants and minors from the total leaves us with about 61,000 adults. Using the summary tables (*Tafels V-Bis*) of the fiscal administration, we identified 24,263 deceased persons for whom a *Memorie* was submitted, just over one-third of the adults

²⁹⁸ Bos, 'Vermogensbezitters,' 554.

²⁹⁹ Wilterdink, *Vermogensverhoudingen*.

who died in 1921.³⁰⁰ Following Piketty, Postel-Vinay and Rosenthal in their research on Parisian death duty forms, we designed a stratified sample for each of the eleven Dutch provinces, including everybody in the top 100th percentile of the wealth distribution, half of the deceased with wealth between the 95th and 99th percentile, down to every sixteenth person in the bottom 70% of taxed decedents, plus one out of ten people whose assessment fell below the 1,000-guilder threshold.³⁰¹

Table 4.1 Stratified Sample Drawn from Memories van Successie in the Netherlands in 1921

		Drenthe	Friesland	Gelderland	Groningen	Limburg	Noord-Brabant	Noord-Holland	Overijssel	Utrecht	Zeeland	Zuid-Holland	Sample obtained	
Class	Sample designed	2,784	82	112	424	186	187	409	429	219	158	137	441	
6	99 to 100th percentile	169	4	7	17	11	12	18	23	12	7	7	25	143
5	95 to 99th percentile	330	7	12	41	20	16	36	46	21	18	10	45	272
4	85 to 95th percentile	409	10	16	49	25	24	47	52	31	21	15	55	345
3	70 to 85th percentile	306	10	11	36	19	20	39	42	21	15	12	37	262
2	o to 70th percentile	772	23	30	101	46	47	98	109	54	46	34	114	702
1	Wealth <1,000 gldrs.	801	16	19	77	32	29	87	56	36	18	33	53	456
7	Negative Assets		3	4	26	9	5	24	24	14	11	7	14	141
	Sample obtained		73	99	348	162	153	349	352	189	136	118	343	2,321

Source: De Vicq and Peeters, 'Introduction'.

Our sampling of the data resulted in a total of 2,321 *Memories* listing over 75,000 assets and liabilities, each of which we coded by hand using the codebook presented in Appendix A. As Table 4.1 shows, the sample obtained is smaller than the one we designed because 466 *Memories* referred to in the summary tables could not be found. These missing *Memories* are more or less randomly dispersed over the different wealth classes and provinces, except for the lowest wealth Class 1. We miss 223 decedents there, probably because the estate's value ended up below the 1,000-guilder threshold. Even so, our sample does retain 597 *Memories* with a net value below 1,000 guilders, 141 of

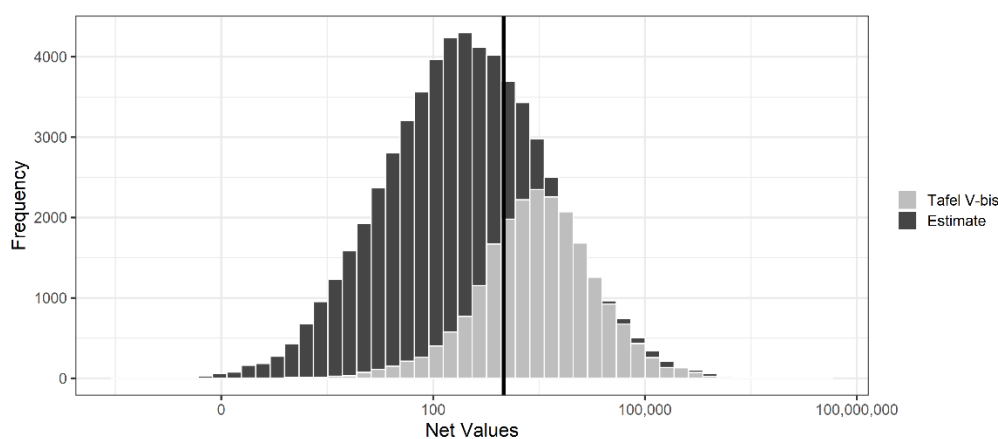
³⁰⁰ For a detailed description of this identification, see: De Vicq and Peeters, 'Introduction'. The data from the Tafel V-bis is published here: doi:10.24416/uu01-qg9q8b.

³⁰¹ Piketty, Postel-Vinay and Rosenthal, 'Inherited vs Self-Made Wealth,' 25; Peeters and De Vicq, 'Inheritance Taxation Records'.

whom actually owed debts exceeding 1,000 guilders, some of them by substantial amounts. We classified this latter group of 141 estates as a separate Class 7.

Given the long-established, strict administrative procedures, we may safely assume that the *Memories* adequately reflect the right tail-end of the wealth distribution. We may then assume a lognormal distribution of wealth in the Netherlands in 1921 as stated by Wilterdink and compare the estimated wealth of all persons deceased in that year as taken from the summary tables used by the fiscal authorities with the wealth of the people in our sample. Thusly we can estimate how representative (in terms of net wealth) our sample is for the entire population. Figure 4.1 shows that the median wealth at death in 1921 of the total population was 300 guilders, while the threshold for assessment was 1,000 guilders (the black line), and the median wealth in our sample stood at 5,000 guilders. Therefore, our sample underrepresents estates worth 1,000-5,000 guilders. These estates may have escaped taxation because the heirs understated their value, or else because on final assessment the net value was below 1,000 guilders.³⁰²

Figure 4.1 The Estimated Wealth Distribution of the Dutch Deceased in 1921 and the Tafel V-bis



Source: De Vicq and Peeters, 'Introduction'.

³⁰² Spousal claims arising out of nuptial agreements and sibling claims issuing from undivided estates could also weigh heavily on an estate and lower its net worth. Medical costs and funeral expenses could indeed exhaust small fortunes. Even in our sample these costs, though mostly around 5-10% of liabilities, they sometimes reached 15, 20 or even 25%, notably in lower wealth categories. This is one reason why the fiscal authorities in 1921 listed in their summary *Tafels V-bis* numerous estates with zero wealth.

Based on these calculations, it is fair to say that our sample offers an accurate picture of the wealth holdings of the richest 25% of the people who died in each of the eleven provinces in 1921, and only an approximation of the assets and liabilities of people with estates worth between 1,000 and 5,000 guilders. For obvious reasons, the elderly dominate our sample. Men and women of 65 years and older made up only 6% of the Dutch population in 1920, but they constituted 45% of those who died in that year. In our sample, this bias is stronger still, as wealthy people lived even longer: two-thirds of the people in our Memories sample died aged 65 and over. Though in the absence of a formal retirement age many of them will still have been economically active at death, their stage in life still differentiated their financial behaviour apart from that of younger people in several respects. They no longer had the daily care for children, were past their prime earning capacity, and had reached the stage in which preserving wealth becomes more important than aggressively seeking to grow it so as to widen consumption options in later life. Our timeframe adds another potential difference. Many of the financial institutions quite common in 1921 did not yet exist when they were young adults, so perhaps they were less used to them, less familiar with their services.

4.3 Liabilities and Assets

The literature on estates composition in the Netherlands and elsewhere reveals a basic logic of investment behaviour unchanged since the early modern period.³⁰³ Whenever people earned enough income to start building up savings, they first created a financial buffer for fluctuations in income and expenditure, then started buying more and better clothes, jewelry, furniture and other household items.³⁰⁴ As a next step, they purchased real estate, their home and yard.³⁰⁵ Once past this threshold, richer individuals either extended their portfolio of real estate or turned to financial assets with a strong

³⁰³ Cf. for instance on the Netherlands in the nineteenth and twentieth centuries: Wilterdink, *Vermogensverhoudingen*, 181-214; on the Dutch Republic Wijsenbeek-Olthuis, *Achter de Gevels*, 114-150; on early modern Germany: Ogilvie, K pker, and Maegraith, *Household Debt*; on Canada in the late nineteenth century: Di Matteo, 'The Determinants of Wealth'; on differences in investment behaviour between elites, the middle class and poor households: Hoffman, Postel-Vinay and Rosenthal, *Surviving Large Losses*, 75-100.

³⁰⁴ Deneweth, Gelderblom and Jonker, 'Microfinance'; for the use of consumer goods as a material store of wealth to be converted in cash when need be, see: McCants, 'Goods at Pawn.'

³⁰⁵ Wijsenbeek-Olthuis, *Achter de Gevels*, 116-20; Faber, 'Inhabitants of Amsterdam'; Wilterdink, *Vermogensverhoudingen*, 181-214; Korevaar, 'Reach for Yield,' fig. 5.

preference for relatively safe public bonds, or long-term loans to relatives and friends.³⁰⁶ Finally, the wealthiest individuals increased both the value and variety of domestic and foreign stocks and bonds in their portfolios.³⁰⁷ The latter transition has been slow and incomplete. Many individuals continue to prefer relatively safe investments despite growing wealth.³⁰⁸

Table 4.2 The Percentage Share of Assets and Liabilities in the Value of 1,608 Dutch Estates Worth 1,000 Guilders or More in 1921³⁰⁹

Wealth (guilders)	Movables	Cash	Real Estate	Securities	Receivables	Liabilities
1,000-5,000	9%	2%	49%	14%	16%	23%
5,000-15,000	9%	3%	41%	15%	31%	21%
15,000-50,000	6%	1%	39%	29%	24%	17%
50,000-250,000	4%	1%	34%	35%	25%	17%
>250,000	3%	1%	21%	49%	27%	14%

Source: Memories 1921 Database

The 1921 *Memories* show Dutch wealth owners conforming to that general pattern.³¹⁰ We distinguished five wealth classes, starting with decedents owning between 1,000 and 5,000 guilders, the group likely somewhat underrepresented in our sample, up

³⁰⁶ On the portfolio composition of urban elites in Holland in the eighteenth century: de Jong, *Met Goed Fatsoen*, 108–18; Kooijmans, *Onder Regenten*, 99–106; Prak, *Gezeten Burgers*, 113–41; McCants, ‘Inequality among the Poor,’ 19–20; on nineteenth-century Amsterdam elites: de Vries, ‘Amsterdamse Vermogens’; on investment portfolios of urban and landed elites in various parts of the Netherlands in the nineteenth and early twentieth century: Moes, *Onder Aristocraten*, 143–75.

³⁰⁷ Zandvliet, *De 250 Rijksten*; Wilterdink, *Vermogensverhoudingen*, 186–187; Cf. for a similar diversification of portfolios among Parisian elites in the nineteenth century: Piketty, Postel-Vinay and Rosenthal, ‘Inherited vs Self-Made Wealth,’ 31–34.

³⁰⁸ For the Netherlands: Van Berckel, ‘De Maatschappelijke,’ 143–50; Van der Valk, ‘Household Finance in France and the Netherlands 1960–2000: An Evolutionary Approach,’ 14–17; for the US and Sweden: Campbell, ‘Household Finance.’

³⁰⁹ Table 4.2 is constructed using the following categories of assets and liabilities: *Movables*: 6.1-6.3; *Cash*: 4.1-4.2; *Real Estate*: 5.1-5.2; *Securities*: 3.1.1-3.2.3; *Receivables*: 2.1.1-2.3.8; *Liabilities*: 1.1.1-1.5.3. Cf. Table 4.9 for further details.

³¹⁰ Wilterdink, *Vermogensongelijkheid*, observed this using the fiscal returns of 1916 and 1960. Van der Valk used a different source to show the same pattern. De Vicq et al. use these succession tax returns to establish the same constancy from 1860 through to the present.

to people worth 250,000 guilders or more.³¹¹ As Table 4.2 shows, cash was present in all estates with a negligible share in total assets, while the relative value of movable goods dropped from 9% in the smallest estates to 3% in the big ones. For people owning up to 50,000 guilders, houses and land were the main store of wealth, making up 38 to 49% of assets. As one would expect the share of real estate in total assets fell as people became wealthier, from almost half to 20%, whereas the share of securities rose. In estates below 15,000 guilders stocks and bonds made up 14-15% of assets, against half for estates worth 250,000 guilders. Some of those securities will have been bought through a bank, most of them through the country's network of securities traders or directly at the Amsterdam stock exchange.³¹²

As Di Matteo et al. and Lindgren have demonstrated before us, people's everyday financial behaviour is reflected in the receivables and liabilities they left behind. In our sample these financial claims made up between 15 and 30 percent of the estate value at every wealth level. Estates below 5,000 guilders held relatively few receivables, but then those lists were generally much shorter than the ones above that threshold, simply because people in that wealth bracket had less money to begin with. Among estates worth 5,000 guilders or more receivables made up a quarter to a third of assets. As for liabilities, these weighed a bit more heavily on the smaller estates (21 to 23%) than on the very big ones (14%). Of course, the nature of the source means that we need to be careful to draw conclusions from these data. At time of death some of them were still economically active with proportionally more receivables and liabilities, whereas others had become passive investors; some estates held more death-related items, such as funeral expenses, doctor's bills, and claims on life insurance policies or other pension forms, than others.

Since we want to know the pattern of financial services used by people in 1921, we grouped receivables and liabilities by the sort of the relationship they represented and their relative occurrence in the dataset (Table 4.3). We distinguished four relationship types: money owed to suppliers of goods and services, peer-to-peer loans (that is items without mention of either a bank or a notary), notarised contracts and bank facilities.

³¹¹ We choose 250,000 guilders as a threshold because a 5% yield on the investment of such an amount is about equal to the emolument of a Dutch cabinet minister in 1921: 12,000 guilders.

³¹² Van der Werf, 'De Bond'; De Vicq, 'Constructing a Database.'

The first column lists the number of estates in our sample, the second lists their share in the sample, and the third lists the extrapolated shares taking into account the bias towards larger estates in our data.

Table 4.3 Financial Relations Recorded in 1,608 Estates of 1,000 Guilders or More in 1921³¹³

Relationship	Number of estates	Share in sample	Extrapolated Share
Suppliers of Goods and Services	979	60.9%	49.9%
Peer-to-peer Loans	927	57.6%	48.8%
Notarial Credit	690	42.9%	38.1%
Bank Deposits and Bank Loans	922	57.3%	51.7%
<i>None of the above</i>	149	9.3%	13.0%

Source: Memories 1921 Database

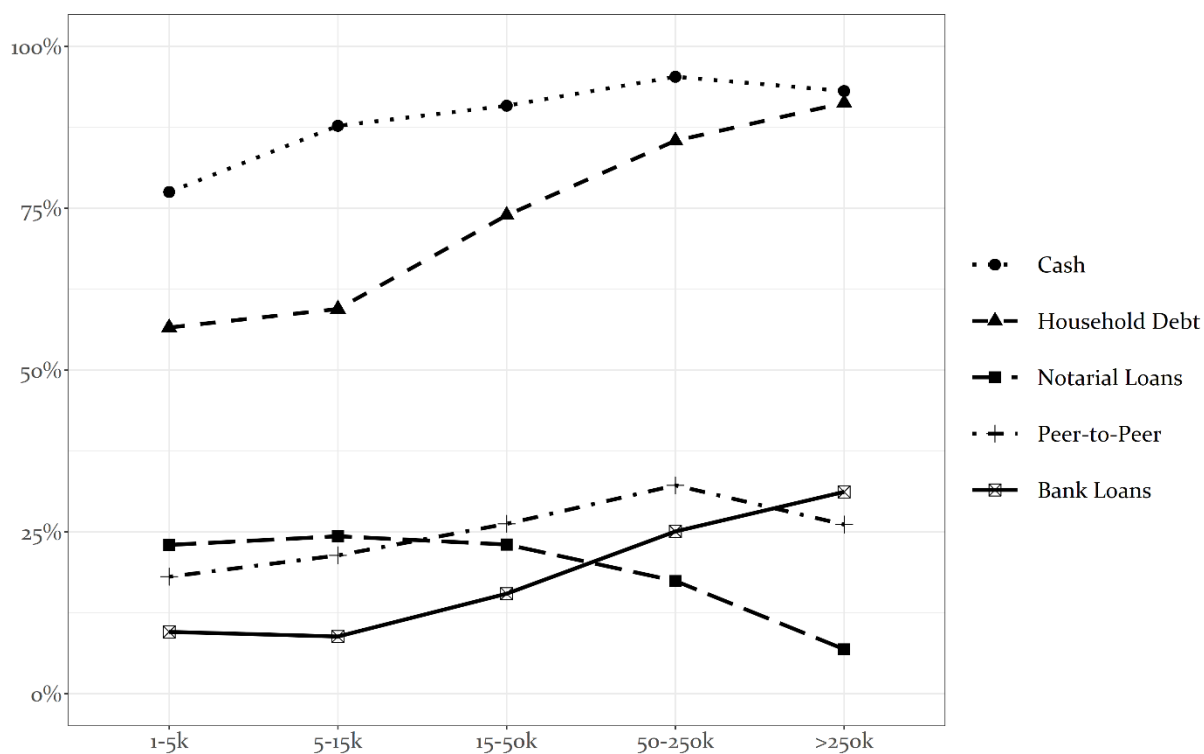
Table 4.3 shows that all four forms were used in about equal measure, with notarised contracts appearing slightly less frequently. Banks were important but not essential, with only 51.7% of Dutch wealth owners having a bank relation, half of which consisted of simple savings booklets with a general savings bank, the Postal Savings Bank or a rural credit cooperative.³¹⁴ By modern standards of account penetration, the Netherlands in 1921 were still a financially exclusive country.³¹⁵

³¹³ Table 4.3 is constructed combining the following categories of assets and liabilities for each of the four types of financial relations: *Suppliers of Goods and Services* (1.3.1 and 1.3.4), *Peer-to-Peer Loans* (1.3.3 and 2.3.3), *Notarial Loans* (1.2.1 and 2.2.1), *Bank Balances and Bank Loans* (1.5.1, 2.1.1 and 2.1.4 through 2.1.11). Cf. Table 4.10 for further details.

³¹⁴ Extrapolation of the data on wealth owners in our sample with bank relations to all wealth owners in 1921 yields the following breakdown: 48.3% without a bank account, 26.7% with only a savings booklet, 4.7% with a savings booklet and a positive bank balance with a commercial bank, and 8.6% with money in a commercial bank only. The remainder of the wealth owners only had a bank loan (6.7%) or a bank loan plus a commercial bank account (5.0%).

³¹⁵ The World Bank's Global Findex measures the share of households with a bank account. In most western countries today, this index is above 95%: Demirgüç-Kunt, Klapper and Singer, 'Financial Inclusion.'

Figure 4.2 The Share of 1,608 Estates Worth 1,000 Guilders or More with Cash, Household Debt or Loans Received from Peers, Notaries and Banks in the Netherlands in 1921³¹⁶



Source: Memories 1921 Database

Let us further unpack the aggregate data by first looking at the smallest and most common items, cash and household bills due (Figure 4.2). Cash was present in 60-90% of the estates, with the median amount rising from 25 guilders in the lowest wealth bracket to almost 850 guilders in estates worth 250,000 guilders or more.³¹⁷ People clearly needed money at hand to pay all kinds of bills. Credit received from shopkeepers, artisans, landlords and other providers of goods and services was also very common. We coded as household debt small unpaid bills with either a clear description (i.e., for food, fuel, clothing and other household items purchased, services, house rents, contributions, subscriptions, insurance premiums), or with a non-round figure, unless a

³¹⁶ Figure 4.2 is constructed using the following categories of liabilities: *Cash* (4.1), *Household Debt* (1.3.1 and 1.3.4), *Notarial Loans* (1.2.1), *Peer-to-Peer Loans* (1.3.3), and *Bank Loans* (1.5.1). Cf. Table 4.10 for further details.

³¹⁷ The median amount of cash held by private individuals increased with the value of their estate. In estates worth between 1,000 and 5,000 guilders, the median amount of cash was 25 guilders, whereas in estates worth 250,000 guilders and more, it was 844 guilders. Source: Memories 1921 database.

loan was mentioned.³¹⁸ The amounts were small, ranging from a few guilders to perhaps 200 or so, with a median of 35 guilders.³¹⁹

Household debts were present in about half of the estates in the two lower categories, rising to over 85% in the two top ones, reflecting their greater credit-worthiness and perhaps the then common retailers' complaint that the rich paid late.³²⁰ Coupled to the frequent occurrence of cash in the estates and to the low share of bank money in the Dutch money supply those household debts underscore that most people did not need a bank account for their payments.³²¹ Indeed, the *Postcheque and Girodienst* created two years earlier to carry out giro transfers through the national network of post offices, had attracted only 27 clients among the 1,608 people in our 1921 sample.³²²

Besides short-term debts resulting from the purchase of goods and services, people also borrowed larger sums of money for longer time periods through notaries, banks and personal relations. Disaggregating these loans by wealth bracket highlights slightly different preferences for loan types. Appearing in one out of four estates, notarial loans were the most common form of credit in the two lowest wealth groups, but as people got wealthier the incidence of peer-to-peer credit rose beyond that level. One out of three individuals worth between 50,000 and 250,000 guilders borrowed from peers.³²³ Bank loans and notarised mortgage debt scissored just above the 50,000-guilder bracket,

³¹⁸ We excluded death-related liabilities such as medical bills and funeral costs (codes 1.1.1 and 1.1.2, see Table A1) for not reflecting what people normally did with their money.

³¹⁹ Among the liabilities in our full sample of 2,321 estates are 13,646 household bills (codes 1.3.1 and 1.3.4) with a median value of 35 guilders and an average value of 153 guilders, the latter pushed up by very wealthy individuals sometimes owing several thousand guilders to suppliers. In addition, the database also contains about 1,000 debts receivable for goods and services sold by the decedents, with a slightly higher median value (44 guilders) and a much larger median value (660 guilders).

³²⁰ On rising debts owed by customers of shops at the beginning of the twentieth century: Pyfferoen, *La Petite Bourgeoisie*, 293; Peeters, 'Getting a Foot'; cf. for the payment habits of French elite customers: Lemerrier and Zalc, 'For a New Approach,' 673–84.

³²¹ Cf. for the predominance of cash payment of household expenses until the 1960s, Boter, 'Male and Female'; Gelderblom and Boter, 'The Dynamics of Inclusive Finance'; on Dutch bank money, see: Kuné and Van Nieuwkerk, 'De Ontwikkeling.'

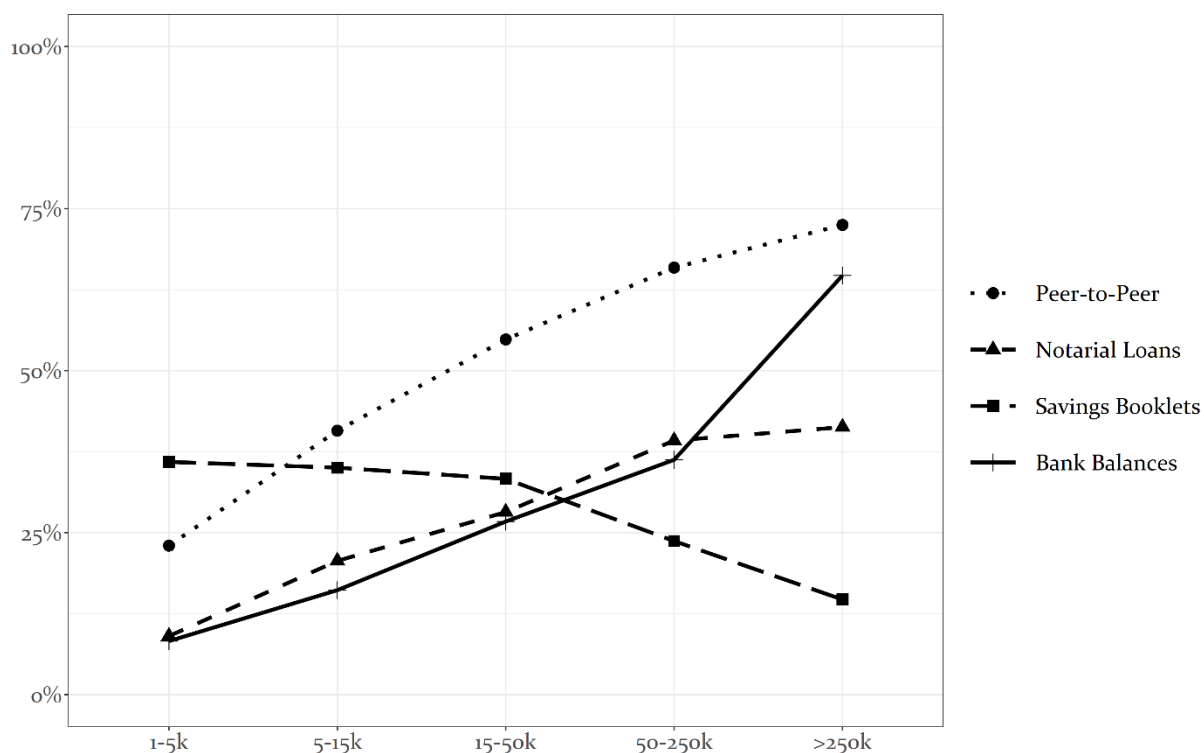
³²² Only two decedents with an account in the *Postcheque and Girodienst* (PCGD) had an estate worth between 5,000 and 15,000 guilders, whereas all the others were in the higher wealth brackets. The median balance in their PCGD accounts was 717 guilders, and the average balance was 1,099 guilders. One person had an account in two different post offices. Cf. on the *Postcheque and Girodienst*: Niesten, 'Het Betalingsverkeer' Two years before the PCGD was created, the city of Amsterdam established its own *Gemeentegiro* for the payment of salaries to some of its senior civil servants. In the Memories of 1921 three people had an account in this local giro bank, bringing the total number of giro accounts in our sample to 31.

³²³ We excluded claims on and debts to siblings or spouses as death-related and not reflecting day-to-day financial behaviour.

the former rising from 10-15% of estates to about 30% in the highest category, the latter dropping from about 25% in the lowest three categories to less than 10% in the highest ones. This suggests that, as people became richer, they were more likely to turn to a bank if they needed to borrow.

The relationship between people's wealth and their use of different forms of credit was even more distinct for the loans they invested in (Figure 3). Again, peer-to-peer loans stand out, occurring in a quarter of the smallest estates, rising to three-quarters of the biggest ones. Bank balances came second, up to the 50,000-guilder bracket mostly in the form of savings banks deposits. Balances kept with commercial banks were as common as notarial loans, rising from less than 10% in the lowest bracket to more than 35% among people whose estate was valued between 50,000 and 250,000 guilders. Only the richest people were more likely to deposit money with a bank (65%) rather than provide a notarised loan (40%).

Figure 4.3 The Share of 1,608 Estates worth 1,000 guilders or More Owning Savings Booklets, Bank Balances, Notarised Contracts or Peer-to-Peer Loans in the Netherlands in 1921³²⁴



Source: Memories 1921 Database

The widespread use of different types of credit by private wealth owners suggests that the financial system was segmented with people using specific forms of credit for specific purposes. Half of the people in our sample used two out of three channels, and one out of five used all three.³²⁵ We cannot tell what drove them to choose one type of

³²⁴ Figure 4.3 is constructed using the following categories of assets: *Cash* (4.1), *Notarial loans* (2.2.1); *Peer-to-peer loans* (2.3.3), *Savings booklets* (2.1.4 through 2.1.6) and *Bank balances* (2.1.1 and 2.1.7 through 2.1.11). Cf. Table 4.10 for further details. We classify all accounts with the rural credit cooperatives as ‘savings booklets’, but the descriptions in the death duty forms show that a handful (3 out of 186) actually were *lopende rekeningen*, i.e., current accounts that could also be used to obtain short-term credit. The annual report of the *Boerenleenbanken* headquartered in Eindhoven from 1921 put the number of current accounts at 5,269 against 113,008 savings booklets: van Haastert and Huysmans, *Veertig Jaren Landbouwcrediet*, 117.

³²⁵ As summarised in Table 4.3, our sample includes 690 people who used a notary to borrow or lend money, 156 of whom (23%) only had that one type of financial relation. Among the 927 people with personal loans, there were 288 (31%) without any other financial relation. The share of such ‘single users’ was smallest among the 588 people with a bank relation: 108 of them (18%) did not contract loans through notaries or personal relations. Beyond these single users of each of the three types of loans, there were 242 people who had personal loans and notarial loans, 188 people with personal loans and bank loans and 81

credit or another, since we only observe their liabilities and receivables at a specific point in time, when many of them were already of old age. This is simply too much of a snapshot to draw any conclusions about their individual motivation. What we can do, however, is use the loan data in the estates to gauge the functions of the various credit channels.

4.4 The Use of Banks, Notaries and Private Lenders

The detailed description of financial transactions in the death duty forms allows us to compare the value and price of different types of loans. Table 4.4 reports these numbers for all debt titles in the 2,321 estates sampled, including those which turned out to be too small to be taxed but nevertheless contain valuable information on the credit instruments used by the decedents. The first two columns report both the number of loans in our stratified sample and the estimated number of loans of all wealth owners deceased in 1921 extrapolated from this sample. The loan volumes, principal sums lent and interest rates charged are based on this extrapolation.

people with notarial loans and bank loans. Finally, against 334 people without any financial relation, there were 211 who used all three channels.

Table 4.4 *The Value and Price of Credit Transactions Reported in 2,321 Inheritance Tax Returns in the Netherlands in 1921*³²⁶

	Number of Loans		Total Value <i>Extrapolated</i>	Loan Principal			Interest rate ^a	
	<i>Sample</i>	<i>Extrap.</i>		<i>Max</i>	<i>Avg.</i>	<i>Med.</i>	<i>Avg.</i>	<i>Med.</i>
Liabilities			74,838,900					
Notaries	666	6,431	30,404,758	150,000	4,728	2,500	5.0%	5.0%
Peer-to-peer	1,092	7,647	20,618,530	135,602	2,696	800	4.7%	5.0%
Banks	453	2,522	23,815,612	224,340	9,443	3,100	5.3%	5.0%
Receivables			135,535,046					
Notaries	2,503	10,279	51,662,064	625,000	5,044	2,000	5.0%	5.0%
Peer-to-peer	4,253	20,043	62,683,287	1,084,094	3,125	1,100	4.9%	5.0%
Commercial banks	1,419	3,654	14,458,804	2,194,338	4,483	1,000	4.7%	4.0%
Savings booklets	709	6,876	6,730,891	19,683	979	500	4.1%	4.0%

Source: Memories 1921 Database; for superscript 'a', average interest rates are weighed by loan size

The volume of different market segments confirms the limited penetration of banks. Credit obtained through notaries or personal networks made up 70% of the sum total. We have to bear in mind that the average age in our sample was high, with some people no longer economically active, but even borrowers under 65 contracted the vast majority of their loans with a notary or a private lender.³²⁷ On the creditors' side, banks played an even smaller role. The money people kept in savings booklets and commercial bank accounts amounted to 40% of the value of loans extended through notaries, and 30% of personal loans outstanding. Yet in 1921, Dutch banking was probably at its peak,

³²⁶ Table 4.4 is constructed using the following categories: *Peer-to-peer loans* (liabilities, 1.3.3; receivables, 2.3.3), *Notarial loans* (liabilities, 1.2.1; receivables, 2.2.1), *Bank balances* (liabilities, 1.5.1; receivables, 2.1.1 and 2.1.7 through 2.1.11) and *Savings booklets* (2.1.4 through 2.1.6). Cf. Table 4.10 for further details.

³²⁷ Dividing the estimated total number of loans received through notaries (6,431), peers (7,647) and banks (2,522) between decedents aged 25-65 and 65 and over, yields the following share for economically active people: peers (44%), notaries (38%) and banks (18%); for retired people, peers (53%), notaries (43%), and banks (14%).

just before a major bank crisis hit confidence and pushed the ratio of bank assets to GDP down to a low from which it recovered only 40 years later during the 1960s.³²⁸

We can offer a few clues as to why people chose notaries or private contracts rather than banks. Notaries possessed a formal monopoly on registering liens on real estate, and such mortgages made up 80% of the notarised loans in our sample. The rest probably reflected people's desire to have formal proof of loans with high values or other specific features, a phenomenon also documented for the early modern Netherlands.³²⁹ Notaries recorded some very large loans of several hundreds of thousands of guilders, but even the median notarial loan of 2,000 to 2,500 guilders equalled the annual wage of a skilled carpenter, while the average notarial loan of 5,000 guilders equalled a school teacher's salary.³³⁰

According to Hoffman et al., the persistent use of notaries in France did not depend on legal requirements alone. Especially in rural areas, notaries also served as scribes for clients who could not read or write. French notaries also knew their clients' financial situation well, and by sharing that information they were able to match borrowers and lenders.³³¹ For the Netherlands, there is not much evidence for such active intermediation, though we did find occasional references to notaries acting as local bankers taking deposits, making loans, or keeping current accounts.³³²

The 20% notarised loans other than mortgages pale in comparison with the thousands of peer-to-peer loans in our sample. Clearly, people willing to lend or wanting to borrow not only had little difficulty in finding counterparties, but people also

³²⁸ Commercial banks built up extensive loan portfolios between 1914 and 1921 but then a deep post-war recession hit and hundreds of credit unions, private banks, joint-stock banks and SME banks failed: Jonker and Van Zanden, 'Method in the Madness?', 79–81; Colvin, de Jong and Fliers, 'Predicting the Past,' 97–121.

³²⁹ Gelderblom, Hup and Jonker, 'Public Functions,' 183. In Dutch bankruptcy law, only mortgages and collateralised debts took precedence in case of bankruptcy, while all other debts were treated equally.

³³⁰ Bureau van de statistiek der gemeente Amsterdam, 'De Uitgaven,' 18–20; Statistisch Bureau der gemeente 's-Gravenhage, *Uitkomsten van Een Onderzoek*, 35–37.

³³¹ Hoffman, Postel-Vinay and Rosenthal, *Dark Matter Credit*, 4–5, 57–60.

³³² Besides the loans contracted before a notary, the death duty forms contain numerous other financial claims involving a notary, but they are typically related to their active role in the execution of an estate or the sales of movable or immovable property. Strictly financial relations were rare: two notaries held cash money for a client (Idno. 25863, 29216), and one notary signed two prolongaties for a decedent (Idno. 63835, 63837). Among the 2,321 people in our sample, we counted 18 who kept a current account with a notary, the purpose of which we do not know (Id numbers 3283, 7307, 10661, 12885, 17232, 3076930973, 40276, 45202, 47220, 56882, 57422, 57788, 65133, 67650, 70825, 70928, 77295). Finally, among the peer-to-peer loans (codes 1.3.3 and 2.3.3) there were 18 loans from notaries, 21 loans to notaries and 6 deposits made with a notary. The quasi-banking activities of notaries is discussed in De Vries, 'Het Notaris papier.'

succeeded in establishing sufficient mutual trust to contract without collateral and with a minimum of formalities: a handwritten contract or simply a ledger entry, and in some rare cases only oral testimony.³³³ Amounts and maturities were clearly tailored to the specific needs of the borrowers, resulting in a wide variety in both. The loans were priced at very similar mean and median interest, almost identical to those of notarial loans. While we cannot exclude the possibility that these rates resulted from private lenders rationing credit, the overall volume of peer-to-peer loans suggests it to have been a popular, smoothly functioning and capacious lending system.³³⁴ Some of the lenders came close to being bankers, holding loan portfolios worth 100,000 guilders or more, but the vast majority had provided only a handful of loans.³³⁵

The huge volume of notarised and peer-to-peer loans explains the low penetration of bank accounts in our sample. Clearly, wealthy people in the Netherlands preferred the former to the latter and chose to use banks only for specific purposes. Table 4.5 splits the bank transactions recorded in the estates sampled by type.³³⁶ First of all, people valued the safe storage of wealth, either in the form of a savings booklet with one of the three networks of savings banks or as a deposit with one of the commercial banks. Banks also served commercial purposes. *Prolongaties*, i.e. loans backed by securities,

³³³ The filing of inheritance tax returns was based on a careful study of the decedent's private administration. Some registrars chose to record claims in very succinct wording, but out of the 1,056 personal loans received in our sample, more than half (585) explicitly refer to the paper proof underlying the transaction. The most common descriptions were '(onderhandse) schuldbekentenissen', 'schuldbewijzen', 'akten', '(ondertekende onderhandse) akten', '(onderhandse) obligaties' and 'rekeningen (courant)'. It is telling that in a small number of cases (12), the registrar explicitly mentioned the lack of evidence ('zonder bewijs'), adding to the impression that the use of some form of paper evidence was very common in the registration of private loans. Remarkably, the paper trail produced by money lent to others is hardly visible in the Memories of 1921. Out of 4,223 receivables, there were only 130 with an explicit description of the contract signed ['schuldbewijs', '(onderhandse) akte', 'rekening courant or 'obligatie']. While this could in theory mean that no paper trail existed, it is far more likely that the claims were directly copied from the decedent's private papers, for no fewer than half of the personal loans mentioned the loan maturity and the exact date on which interest was due – loan characteristics that could only be retrieved from some kind of register.

³³⁴ Hoffman et al. document how French notaries combined the information they had on their clients with a widely accepted cap on the loan-to-collateral in order to ration credit. This effectively created a priceless market in which virtually every loan carried the same interest rate – an outcome very similar to the interest rates recorded in the Dutch death duties of 1921. Cf. Hoffman, Postel-Vinay and Rosenthal, *Dark Matter Credit*, 197; Hoffman, Postel-Vinay and Rosenthal, *Priceless Markets*.

³³⁵ Personal loans were recorded among the receivables of 780 of the 1,608 estates worth 1,000 guilders or more. One such loan appeared in 263 estates (33.7%), two to four in 294 estates (37.7%), five to nine in 123 estates (15.8%), ten to twenty-five in 71 estates (9.1%) and 25 to 50 in 26 estates (1.6%). Three estates had 54, 69 and 108 loans, respectively.

³³⁶ The number of recorded bank transactions is too small, and their distribution across wealth classes and specific loan types too uneven to extrapolate their value to all decedents in 1921.

were the largest type of bank loan, but they were on the way out following the on-call market's collapse in August 1914, and they were replaced by current accounts.³³⁷ The fact that *prolongaties* were on the way out is mirrored by the low number and amount of money put on *prolongatie* via the commercial banks on the receivables side.³³⁸ Moreover, given the volume of assets in peer-to-peer and notarised loans, the Dutch banks' often cited shortage of deposits was rooted in a marked preference for other options rather than the popularity of the *prolongatie* system.³³⁹ Current account balances or overdrafts at one of the joint-stock commercial banks was the most common form, with average amounts clearly above that of the notarial and peer-to-peer loans listed in Table 4.5. However, at 1,600 to 2,000 guilders, the median value of these current accounts was comparably low, which suggests that at least in some cases these accounts were probably used for payments rather than loans. The same was true for the *Postcheque and Girodienst*, and maybe also the SME banks.

³³⁷ Jonker, *Merchants, Bankers, Middlemen*; Jonker, 'Geld En Bankwezen.'

³³⁸ The actual number of *prolongaties* in the 1921 Memories was probably slightly higher as some of the loans received from *De Nederlandsche Bank* may have been *prolongaties* but were not described as such.

³³⁹ Eisfeld, *Das Niederländische Bankwesen*, 270–71.

Table 4.5 The Value and Price of Bank Transactions Reported in 2,321 Inheritance Tax Returns in the Netherlands in 1921³⁴⁰

Type of transaction	Number of Entries	Maximum Value	Average Value	Median Value	Median Interest ^b
Bank Loans					
Current Accounts	134	129,622	10,665	2,065	NA
Mortgages	102	57,500	8,059	5,175	5.0%
<i>Prolongaties</i>	74	112,170	14,266	9,000	6.0%
Other	143	100,000	9,414	2,350	6.0%
Savings Booklets					
General Savings Banks	217	11,825	924	452	4.0%
Postal Savings Bank ^c	306	3,690	362	225	2.6%
Rural Cooperative Banks	186	15,790	1,553	742	4.0%
Specialised Bank Balances					
Postal Cheque and Giro Services	31	3,349	821	550	NA
SME Banks	46	11,545	1,369	562	NA
Commercial Bank Balances^a					
Current Accounts	236	2,194,338	15,788	1,635	NA
Deposit	215	400,000	6,966	1,496	4.0%
<i>Prolongaties</i>	27	46,000	11,148	6,000	NA
Other	313	200,397	5,387	667	4.0%

Source: Memories 1921. Superscript 'a' refers to including credit unions (61 contracts), 'b' refers to interest rates reported for categories with at least twenty given rates, and 'c' refers to the statutory interest rate on savings accounts with the Rijkspostspaarbank, which was 2.64%.

Despite the rise of specialised mortgage banks since the 1860s, by 1921 the sector still trailed private lending by a considerable distance. Just over one-fifth of the bank loans in the sample (102) consisted of mortgages, averaging 8,000 guilders per loan. These loans were bigger than the ones contracted directly through notaries, but their

³⁴⁰ Table 4.5 reports different types of loans in the categories *Bank loans* (1.5.1), *Savings bank balances* (2.1.4 through 2.1.6), *Specialised bank balances* (2.1.7 and 2.1.9) and *Commercial bank balances* plus *Credit union balances* (2.1.1, 2.1.8, 2.1.10 and 2.1.11). Cf. Table 4.11 for further details.

overall volume remained small. Indeed, if we extrapolate these numbers to all deceased wealth owners in 1921, the estimated amount of bank-supplied mortgage debt was 4.2 million guilders, only a quarter of the (extrapolated) value of their notarised loans: 15.9 million guilders. Clearly, people still preferred privately arranged mortgages over bank-supplied ones.³⁴¹

These findings then present us a clear view of the way in which wealthy individuals organised their finances at the turn of the twentieth century. Supplies of goods and services were paid in cash or bought with short-term credit. Savings banks gave people of little or moderate wealth the opportunity to store small amounts of money. These savings balances were but a fraction of the money invested in the two major private credit markets, one for mortgages dominated by notaries and one for personal loans contracted privately. Commercial banks served a small clientele of wealthy, often business-oriented clients with deposits, loans and current accounts--that is, if these banks were available in the place they lived.

4.5 Agglomeration Effects

During the late nineteenth century, the Netherlands became a much more homogeneous country, as large infrastructure projects and the advent of fast mail and other communications services drew the country together.³⁴² From the 1880s, the Dutch banking sector expanded rapidly. All provincial capitals possessed commercial banking firms of one sort or another, one or two stockbrokers, plus a pawn bank, a savings bank and a cooperative bank for small and medium enterprises, while smaller towns and big villages would normally have, in addition to a post office, a savings bank and credit cooperative.³⁴³ Even so, people might have found banks too far away to bother, or

³⁴¹ Van Bochove and Hasken, 'The Modernization of Credit Markets.'

³⁴² Knippenberg and de Pater, *De Eenwording van Nederland*.

³⁴³ On the spread of commercial banks and stock brokers: Jonker, 'Spoilt for Choice?'; Jonker, 'Geld En Bankwezen'; Jonker, 'The Alternative Road'; on credit unions: Jonker, *Merchants, Bankers, Middlemen*; De Vicq, 'Caught between Outreach'; Knippenberg and de Pater, *De Eenwording van Nederland*, 109–11; Jonker, 'Welbegrepen Eigenbelang'; Colvin, Henderson and Turner, 'The Origins of the (Cooperative) Species'; Colvin and McLaughlin, 'Raiffeisenism Abroad'; on SME banks: Colvin, 'Organizational Determinants'; Peeters, 'Getting a Foot'; on the Postal Savings Bank and General Savings Bank: Dankers, Van der Linden and Vos, *Spaarbanken in Nederland*; Deneweth, Gelderblom and Jonker, 'Microfinance'; On mortgage banks: Van Bochove and Hasken, 'The Modernization of Credit Markets'; not included in the table are the so-called *hulpbanken*, local banks that offered small loans to retailers: Deneweth et al., 'Microfinance'; De Vicq and Van Bochove, 'Lending a Hand.'

borrowing and lending between local peers not only cheaper, but also easier or more congenial than visiting a bank.

To answer the question of whether distance mattered, we first grouped known banking firms and facilities by municipality and number of inhabitants and then calculated the percentage of firms or facilities present in them (Table 4.6). Unsurprisingly the rural credit cooperatives (then close to the point of their widest expansion) and the Postal Savings Bank (which piggybacked on post offices) had the densest networks, even present in 65-74% of the smallest group of communities. By contrast, savings banks and SME banks were spread more thinly beyond the big cities Amsterdam, Rotterdam, the Hague, and Utrecht, to half of the towns with 5,000 to 15,000 inhabitants and a fifth of communities with fewer than 5,000 inhabitants. Joint-stock commercial banks showed a similar pattern, available in nearly all cities, most mid-size towns and only sparingly in small communities. The handful of credit unions and mortgage banks were urban phenomena.

Table 4.6 Bank Diffusion by Agglomeration Size, the Netherlands in 1921 (Population x 1,000)

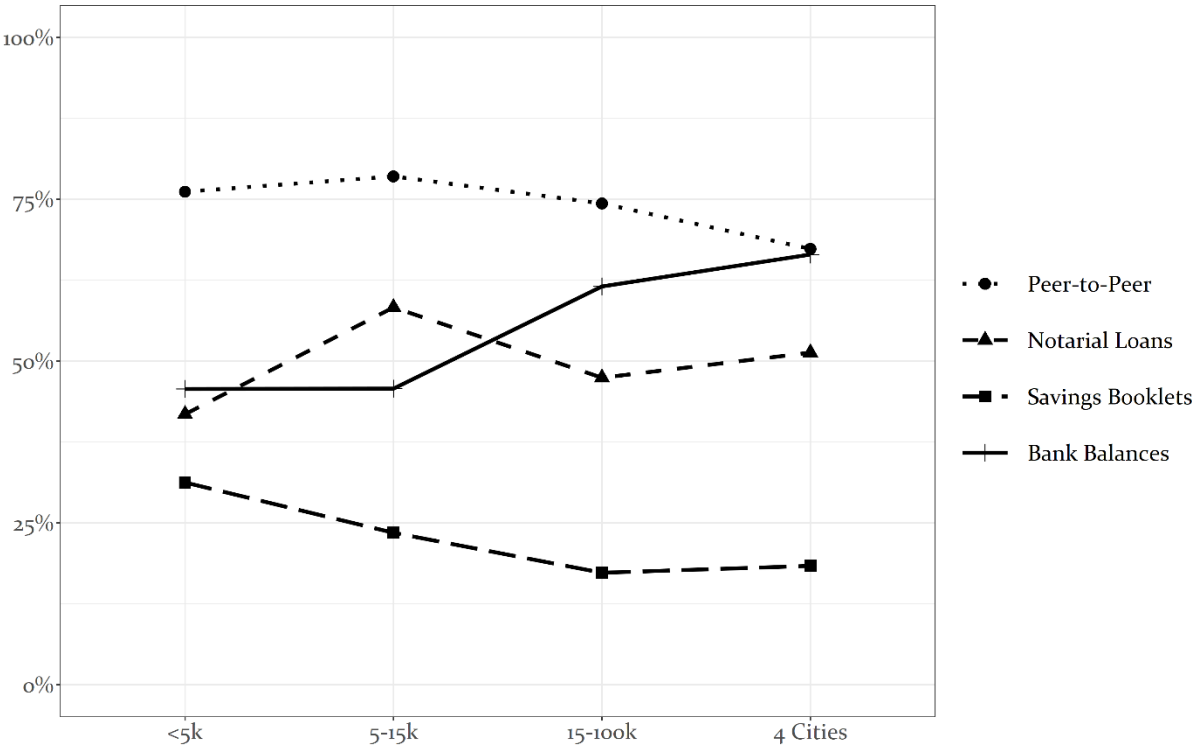
Bank Type	Number	<5k	5-15k	15-100k	4 Cities
General Saving Banks	440	20%	54%	86%	100%
Postal Savings Bank	1,241	74%	95%	98%	100%
Rural Cooperatives ³⁴⁴	1,194	65%	90%	86%	75%
SME Cooperatives	394	17%	47%	88%	100%
Credit Unions	75	1%	12%	46%	100%
Mortgage Banks	118	1%	3%	29%	100%
Commercial Banks	1,323	23%	69%	91%	100%

Source: De Vicq, 'Constructing'.

³⁴⁴ Neither the *Boerenleenbank* nor the *Raiffeisenbank* had an office in Amsterdam in 1921. The *Raiffeisenbank* did have offices in Utrecht, Rotterdam and The Hague.

To explore the effect of agglomeration size on financial service use we compare the composition of estates worth 50,000 guilders across municipalities of different size (Figure 4). Peer-to-peer loans were clearly the most popular in all communities, marginally less so in the four big cities though still present in 70% of estates there. Commercial bank accounts appeared in fewer than half of estates from communities with fewer than 15,000 inhabitants, but in two-thirds of urban estates. Notarised loans did not show a clear trend, but the use of savings facilities was clearly more popular in small communities than in large ones, though only present in 20-25% of estates.

Figure 4.4 The Share of 512 Estates of 50,000 Guilders or Using Financial Services in Agglomerations of Different Size in The Netherlands in 1921³⁴⁵



Source: Memories 1921 Database

To find out more about whether location mattered for the type of financial transaction used, we calculated the percentage of transactions which occurred in the same municipality. For about two-thirds of the almost 10,000 credit transactions recorded in estates worth 1,000 guilders or more, we know the location of the bank, the notary or the private individual with whom the decedent had a loan. With this

³⁴⁵ For the data coding used, see Figure 4.3.

information, we calculated the distance as the crow flies from the decedent's residence to the bank, the notary or the counterparty concerned. Table 4.7 reports the percentage share of contracts for which this distance was zero.³⁴⁶ To throw these percentages into relief and capture the everyday reality of people in small communities always having to travel to purchase goods and services, we added the percentage of doctor's bills in the same community calculated in the same way.

Table 4.7 The Percentage Share of Counterparties Located in the Same Municipality in Credit Transactions Reported in 1,608 Inheritance Tax Returns in 1921³⁴⁷

	Number of transactions	% known location	% known location			
			<5k	5-15k	15-100k	4 Cities
Doctor's Bills^a	2,574	58%	42%	50%	72%	80%
Liabilities						
Peer-to-peer loans	980	58%	47%	39%	49%	57%
Notarised loans	567	89%	13%	35%	47%	69%
Bank loans	411	78%	21%	30%	46%	63%
Receivables						
Peer-to-peer loans	3,964	63%	44%	48%	40%	49%
Notarised loans	2,333	80%	28%	45%	41%	45%
Bank balances						
<i>General Savings Banks</i>	192	76%	28%	43%	75%	84%
<i>Rural Cooperative Banks</i>	169	93%	71%	71%	na ^c	na ^c
<i>General Banks^b</i>	730	65%	7%	18%	58%	84%

Source: Memories 1921 Database. Superscript 'a' signifies including apothecaries' bills, 'b' includes credit unions, and 'c' signifies fewer than five transactions.

³⁴⁶ The incomplete registration of loan characteristics in the source renders calculating median or average distances between borrower and lender located in different places impractical. Indeed, our positive identification of loans contracted locally (i.e., in the decedent's place of residence) may still underestimate the percentage share of such local loans, simply because registrars familiar with the counterparty of any contract they found in the decedent's administration may have refrained from recording their place of residence.

³⁴⁷ Table 4.7 reports the calculated 'zero' distances for *Medical bills* (1.1.2), *Peer-to-peer loans* received (1.3.3), *Notarial loans* received (1.2.1), *Bank loans* received (1.5.1), *Peer-to-peer loans* extended (2.3.3), *Notarial loans* extended (2.2.1), *Commercial bank balances* and *Credit union balances* (2.1.1, 2.1.8, 2.1.10 and 2.1.11) and two kinds of savings bank balances, those from the *General savings banks* (2.1.4) and the *Rural credit cooperatives* (2.1.6). Results for the *Postal Savings Bank* are not reported because the location of the post office is mentioned for only eight savings booklets.

Most of the Table 4.7 outcomes are what one would expect. In the four big cities, 80% of people visited a local doctor, whereas only 40% of people in rural communities did so, presumably because no doctor lived there or they needed specialised services only available only elsewhere. The bank balances pattern closely reflects the institutional spread of Table 4.7: savings banks and general commercial banks were a predominantly urban phenomenon, so people in cities used their local bank whereas most rural savers had to find one in their own community. Conversely, about 70% of people living in communities of up to 15,000 inhabitants entrusted money to their local co-op.

The pattern of peer-to-peer loans is fairly stable across the board: about 40-50% of borrowers and lenders in all communities, big and small, had a local counterparty. That is to say, those borrowers and lenders must have known each other. Notarised loans followed a similar pattern as far as the lenders were concerned: they signed 30-50% of loans with a local notary. For borrowers, things looked different. In the smallest communities with fewer than 5,000 inhabitants, lenders almost always had to travel in order to contract before a notary. In bigger places, it was easier to find one locally, up to the point that in Amsterdam, Rotterdam, The Hague and Utrecht, 70% of the borrowers signed their loan with a local notary. These patterns are similar to the geography of notarial credit in France: borrowers in smaller places who could not find a counterparty locally turned to notaries in bigger places to find one.³⁴⁸ For lenders in these bigger places, local notaries were the logical go-between with people in the wider region they served.

4.6 Logit Regression

So far, we have identified wealth and location as key factors influencing people's financial behaviour. With a simple logit regression, we can model the probability of people having a specific kind of financial relation, conditional on these two factors and a set of control variables. For the liabilities, we distinguish between notarised loans, peer-to-peer loans and bank loans. For the receivables, we add a further breakdown for three types of bank relationships: savings booklets with either a general savings bank or the Postal Savings Bank, accounts with a rural credit cooperative and accounts with a

³⁴⁸ Hoffman, Postel-Vinay and Rosenthal, *Dark Matter Credit*.

commercial bank. Our independent variables include the five wealth classes and four population size classes employed above, as well as controls for gender, age and surviving children. We estimate all specifications for estates worth 1,000 guilders or more. The results are reported in Table 4.8.

The regression results show that an individual's personal wealth was the principal determinant of their use of different types of credit both to borrow or lend money. For instance, the likelihood of a person worth 250,000 guilders or more to borrow money from a bank was 2.6 times higher than that of somebody who owned between 1,000 and 5,000 guilders; his or her likelihood to deposit money with a commercial bank was 5.6 times higher, and the chance of borrowing from a peer was 0.8 times higher. For personal loans and commercial banks, we observe this effect (albeit with different strengths) at virtually every wealth level, for loans received as well as credit extended.

Table 4.8 Regression Results for the Financial Relations of 1,597 Private Wealth Owners in the Netherlands in 1921 (* p^{**} p^{***} $p < 0.01$)

	Notarial loans Received (1)	Notarial loans given (2)	Personal loans received (3)	Personal loans given (4)	Bank loans Received (5)	Savings Account (6)	Credit Cooperative Accounts (7)	Commercial bank accounts (8)
Wealth 5k-15k	-0.052 (0.180)	1.100*** (0.220)	0.220 (0.190)	0.840*** (0.160)	-0.150 (0.270)	-0.340** (0.170)	0.800*** (0.250)	0.850*** (0.250)
Wealth 15k-50k	-0.190 (0.180)	1.500*** (0.210)	0.520*** (0.180)	1.400*** (0.160)	0.430* (0.230)	-0.410** (0.170)	0.500* (0.260)	1.400*** (0.230)
Wealth 50k-250k	-0.540*** (0.200)	2.000*** (0.210)	0.800*** (0.180)	1.900*** (0.170)	1.100*** (0.220)	-0.910*** (0.190)	0.380 (0.280)	1.700*** (0.230)
Wealth >250k	-1.600*** (0.330)	2.000*** (0.240)	0.600*** (0.230)	2.200*** (0.220)	1.400*** (0.250)	-1.500*** (0.280)	0.079 (0.480)	2.700*** (0.260)
Active Age	0.400*** (0.130)	0.084 (0.120)	0.470*** (0.120)	0.082 (0.110)	0.660*** (0.150)	0.110 (0.130)	0.340* (0.180)	0.400*** (0.130)
Gender	-0.004 (0.130)	0.051 (0.120)	-0.250** (0.120)	-0.110 (0.110)	-0.140 (0.140)	0.080 (0.120)	0.092 (0.180)	-0.340*** (0.130)
Population 5k-15k	0.290 (0.180)	0.230 (0.160)	0.210 (0.160)	0.003 (0.140)	-0.100 (0.220)	0.007 (0.170)	-0.620*** (0.190)	0.530*** (0.190)
Population 15k-100k	0.610*** (0.180)	0.150 (0.160)	0.140 (0.160)	-0.270* (0.150)	0.390* (0.200)	0.340** (0.170)	-2.500*** (0.380)	0.680*** (0.180)
Population >100k	0.900***	-0.140	-0.160	-0.230	0.730***	0.660***	-3.100***	0.910***

	(0.200)	(0.180)	(0.190)	(0.170)	(0.210)	(0.190)	(0.600)	(0.200)
Children	0.430***	-0.083	0.170	0.020	0.250*	-0.170	0.160	-0.140
	(0.130)	(0.120)	(0.120)	(0.110)	(0.150)	(0.120)	(0.180)	(0.130)
Constant	-2.000***	-2.400***	-1.800***	-1.100***	-2.800***	-1.000***	-2.100***	-3.000***
	(0.200)	(0.220)	(0.190)	(0.170)	(0.250)	(0.180)	(0.260)	(0.250)
Observations	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597
R ²	0.070	0.120	0.044	0.160	0.120	0.053	0.180	0.200
chi ² (df = 10)	71.000***	138.000***	48.000***	205.000***	116.000***	55.000***	138.000***	233.000***

The results for people's relations with notaries, savings banks and rural credit cooperatives do not always conform to this general pattern, but these differences actually help us to understand the functioning of the financial system. First, we do not observe a statistically significant relationship between wealth and notarial loans received, except for the very rich, where the effect is significant but in the opposite direction. One possible explanation is that most people relied on notaries primarily to contract mortgages for buying real estate. Since the relative share of real estate in most people's wealth holdings declined as they grew richer--whereas their ownership of securities grew--mortgages may simply have become less interesting as a means to secure loans. Importantly, we observe this pattern only for loans obtained through notaries. For loans extended to others, notaries were used more often by richer lenders.

Second, we observe an inverse relation between wealth and the presence of a savings accounts, here measured as having a savings booklet with either the General Savings Banks (*Nutsspaarbanken*) or the Postal Savings Bank. For people owning up to 50,000 guilders, the value of their estate had no discernible effect on the likelihood of owning a savings booklet, while the chance of having one was actually smaller for richer people. Third, if we compare this with the accounts people had with a rural credit cooperative, we see a clear difference. For people owning up to 50,000 guilders, having such an account became more likely as they grew richer—a clear sign that in the countryside, these credit cooperatives offered valuable services to wealthy people, though not to the very rich.

The regression results for our population variable confirm the differential use of financial services between town and countryside. Living in big or small municipalities had no effect on people borrowing or lending through personal networks, but it did influence their relationship with notaries and banks. Lending money through a notary was not influenced by the lender's residence, but in places with over 15,000 inhabitants, people were more likely to turn to a notary to obtain a loan. The effect of population size on banking was even stronger. The bigger the size of their town or city, the more likely it was for people to have a commercial bank account. This effect even existed for savings banks in Amsterdam, Rotterdam, The Hague and Utrecht. The opposite was true for the credit cooperatives: the chance of a person depositing money with one of these banks decreased as the population of the place they lived in grew.

Finally, the regression results show that people's financial behaviour was related to their age and (in very specific circumstances) gender. A person born between 1856 and 1895 was more likely to borrow money through any of the three major channels and also more likely to have an account with a rural cooperative or a commercial bank. One obvious explanation is that they were still economically active in 1921, but in addition to that, the regression results may capture a cohort effect: during their lifetime, the Dutch banking system underwent major changes. One additional pointer in that direction is the negative correlation between being a woman and using banks to deposit money. While this correlation may simply be driven by widowhood (for women were also less likely to receive personal loans), it is telling that, a few years later in 1928, the *Rotterdamsche Bankvereniging* opened a separate branch for women (*vrouwenbank*) in Amsterdam.³⁴⁹

4.7 Conclusion

We analysed the estates of 2,321 top Dutch wealth owners who died in 1921 to discover their financial behaviour. Only half of those people had a bank account at all. Banks were clearly irrelevant for their payments, done by cash or periodic settling of suppliers' bills. Nor did people use banks for trading the large volume of securities owned—they instead traded through stockbrokers. The banking system's main competitive advantages existed in savings accounts for people unwilling or unable to buy securities and in current accounts for businesses. Our sample probably underestimated both—the former because savings accounts will have been more widespread amongst people whose wealth fell below the tax threshold, the latter because many if not most of the people in our sample were no longer in active business.

The most surprising outcome, however, is the sheer volume of financial services provided or received by the people in our sample which entirely bypassed the banks. Peer-to-peer and notarised loans, including mortgages, dwarfed the volume of bank loans and deposits. Cost and distance do not appear to have made much of an impact on whether or not people used banks, though wealth level and location did. Simply put,

³⁴⁹ De Haan, *Sekse Op Kantoer*, 62–63; De Graaf, De Vries, and Vroom, *Worldwide Banking: ABN AMRO Bank, 1824-1999*. The branch was closed in 1971.

top urban wealth owners were more likely to have an account. A lot of the peer-to-peer business was probably too small, that is to say unremunerative for banks, so those top urban wealth owners did not seek to canvass it. However, the point is that in 1921, in a country with a highly developed economy and financial infrastructure, it was not just normal but highly common for people to lend and borrow amounts large and small amongst themselves, with or without collateral, with or without notarised contracts, without banks. By all accounts, that behaviour had become rare by the end of the twentieth century, which raises the question: when and why did it change?

4.8 Appendix Code Book

We follow Di Matteo (1997), Lindgren (2002) and Ogilvie et al. (2012) in inferring financial behaviour from the number, value and description of assets and liabilities in the 1921 estates. To achieve that, we wrote a detailed codebook dedicated to teasing out what the estates could show us about the deceased's financial behaviour, though not limited to that sole purpose.

Our identification of different types of assets in the death duty forms follows administrative practice at the time as far as the major categories are concerned: cash, movables, real estate, securities, receivables and liabilities. For the purpose of our investigation, we refine these categories with more specific subdivisions, for instance for local and foreign currencies, domestic and foreign securities, stocks and bonds and specific types of movables related to business or financial transactions. The resulting coding scheme with the total number of items in each category is reported in Table A1, with the exception of receivables and liabilities that are coded in greater detail still in Table A2. In a limited number of cases, the tax administrators only entered the sum total of all assets and liabilities (the 'passive' and 'active'), which we coded separately in order to sort estates that do and do not allow a detailed analysis of descendants' credit transactions.

Table 4.9 Major Categories Identified in the 1921 Death Duty Forms

Main category	Code	Description	Items
Movables	6.1	Movable goods	2,238
	6.2	Gold and silver	69
	6.3	Business inventories, incl. ships	285
Real Estate	5.1	Houses and land (domestic)	2,623
	5.2	Houses and land (foreign)	9
Cash	4.1	Domestic cash	1,751
	4.2	Foreign currencies	207
Securities	3.1.1	Stock	7,699
	3.1.2	Bonds	12,445
	3.1.3	Other	858
	3.2.1	Stock	1,172
	3.2.2	Bonds	7,387
	3.2.3	Other	657
Receivables	2	[specified in Table A2]	13,102
Liabilities	1	[specified in Table A2]	25,748
Other	7	Balance	514
Unknown	999	Unidentifiable	37
Total			76,801

Half of the 76,801 items listed in our sample of 2,321 death duty forms are credit transactions: 13,102 among the estates' liabilities and 25,748 among the receivables. For each of them, we can distinguish between four main categories, reported in Table A2: short-term credit related to delivery of goods and services, loans registered with notaries, financial sector claims (i.e., banks and insurance companies) and personal loans. Among the liabilities, we identify three additional main categories: medical bills and funeral costs related to a person's passing and fiscal claims issuing from the division of their estate.

Distinguishing between the four major categories is done on the basis of the detailed description of most items and the additional ordering by the tax officials of items under separate headings. Household debts are easily identified through references to specific goods and services, including rent arrears, but also the mentioning of suppliers' names, as well as their systematic grouping together. As for notarial loans, the tax officials and executors of estates simply reported the contents of the official deeds found among the decedent's papers. With our coding, we separate privately contracted

loans from (a) peer-to-peer claims related to the execution of the estates (usufruct, bequests, payments on life annuities, attribution of estate shares to different heirs) and (b) equity claims related to the deceased business operations.

Table 4.10 reports the distinction of financial sector claims in four different categories: besides the bank balances of interest to our analysis of credit institutions, we separately coded bank costs, interests and dividends and insurance and pension claims. We exclude bank costs, interest and dividend payments from our analysis because this would lead to both an overestimation of the number of bank relations (for the related bank account will already be counted) and an overestimation of the mean and median size of bank balances, as costs and interests are typically very small amounts.

Table 4.10 Major Categories of Liabilities and Receivables

Liabilities	Code	Items	Receivables	Code	Items
Household debts	1.3.1	12,260	Household debts	2.3.1	1,008
Rent arrears	1.3.4	1,386	Rent arrears	2.3.4	2,470
Notarial – mortgages	1.2.1	509	Notarial – mortgages	2.2.1	2,299
Notarial – other loans	1.2.2	79	Notarial – other loans	2.2.2	0
Personal loans	1.3.3	1,184	Personal loans	2.3.3	4,482
Division of estate	1.3.5-7	949	Division of estate	2.3.5-7	160
Business claims	1.3.8	76	Business claims	2.3.8	76
Bank balances	1.5.1	453	Bank balances	2.1.*	1,500
Bank costs	1.5.2	132	Interest, dividends	2.1.3	722
Insurance & pensions	1.5.3	304	Insurance & pensions	2.1.2	357
Funeral costs	1.1.1	1,797			
Medical bills	1.1.2	2,911			
Fiscal claims	1.4	3,708			
Total		25,748	Total		13,102

Table 4.11 reports the different codes attributed to bank accounts kept with savings banks, cooperative banks, specialised banks, and general banks. Among the latter category we distinguish between general commercial banks, the ‘Big Five’ branch banks that came to dominate the financial system in subsequent years—*Amsterdamsche Bank(vereniging)*, *Rotterdamse Bank(vereniging)*, *Nationale Bankvereniging*, *Incassobank*, *NHM*, *Twentsche Bank*—and *De Nederlandsche Bank*, whose hybrid status

of private commercial bank and state-backed note issuing bank set it apart from the other commercial banks.

Table 4.11 The Coding of Bank Assets According to Bank Types

Bank Type	Code	Items	Type of Bank	Code	Items
Savings Banks			Specialised Banks		
General Savings Banks	2.1.4	217	Credit Unions	2.1.8	61
	2.1.5	306	<i>Postcheque- Girodienst</i>	<i>en</i> 2.1.9	31
Postal Savings Banks					
Cooperative Banks			Commercial Banks		
Rural Cooperative Banks	2.1.6	186	General banks	2.1.1	453
<i>Middenstandsbanken</i>	2.1.7	46	'Big Five'	2.1.10	192
			<i>De Nederlandsche Bank</i>	2.1.11	8

Finally, to distinguish between different types of bank balances, we added an extra descriptive code to the transactions identified as bank loans (code 1.5.1) and the various types of bank assets (2.1.1 through 2.1.11): Current Account, Mortgage, Deposit, *Prolongatie* and Other. It is worth noting that the mortgages among the bank loans and bank assets were as a legal requirement also registered by notaries.

Chapter 5: Small Firm Lending Channels and Government Intervention in the Netherlands, 1900-1940

5.1 Introduction

Small and medium-size enterprises (SMEs) often have difficulties obtaining credit and regularly complain about this. The problem is difficult to solve and there is no one-size fits all solution for SMEs lending.³⁵⁰ SMEs use various sources of credit, depending on the firm's characteristics such as age, quality of information, available collateral, or funding needs. Taketa and Udell further developed this idea of varied sources of credit and argued that (sudden) disappearances of a lending channel (a specific type of credit offered by an institution through which SMEs obtain financing), can leave SMEs without access to credit. They studied whether other lending channels (in their case, trade credit) acted as a substitute for shrinking lending channels, but found little evidence in the case of the Japanese financial crisis.³⁵¹ Similarly, Psillakis & Eleftheriou and Andrieu & Staglianò, found little evidence of trade credit acting as a substitute for other forms of credit.³⁵²

However, Taketa and Udell only looked at the responses of private players and left out the government as a central coordinating mechanism that is able to quickly expand or sustain lending channels when another channel contracts or disappears. Nonetheless, there is a real role to be played here for governments because of the specificities of SME lending. The costs and risks associated with SME lending are relatively high, providing little incentive for lenders to expand their services downwards.³⁵³ Private market institutions offering credit to SMEs are often highly specialized because of the costs and risks associated with SME lending.³⁵⁴ They can offer those services only to specific groups or under specific circumstances. Quickly expanding their services to customers beyond their existing relations would increase risks and/or costs, undermining the institutions' sustainability. Governments, because of their ability to take risks and make costs for the

³⁵⁰ Berger and Udell, 'A More Complete Conceptual Framework.'

³⁵¹ Taketa and Udell, 'Lending Channels,' 1-44.

³⁵² Psillaki and Eleftheriou, 'Trade Credit, Bank Credit, and Flight to Quality'; Andrieu, Staglianò, and Van der Zwan, 'Bank Debt and Trade Credit.'

³⁵³ Irwin and Scott, 'Barriers Faced by SMEs'; Dong and Men, 'SME Financing'; Udell, 'Issues in SME Access to Finance'; Kersten et al., 'Small Firms, Large Impact.'

³⁵⁴ Cull et al., 'Historical Financing.'

greater good can support lending channels to ensure that SMEs continue to obtain financing, especially during moments when SMEs are excluded from the credit market.³⁵⁵

This paper analyzes how the Dutch government intervened in the credit market to ensure access to credit for small firms.³⁵⁶ During this period, complaints about credit regularly surfaced when lending channels provided less credit.³⁵⁷ In response, the Dutch government intervened to save disappearing lending channels, help expand alternative lending channels by taking away costs and/or risks, or create new lending channels to fill a (perceived) gap. I study this government intervention (which occurred in many Western economies before World War II) in the Netherlands.³⁵⁸ On the one hand, this is due to the Dutch SME interest groups' specific attention to credit and their close relationship to the national government.³⁵⁹ On the other hand, there was the fact that there were several crisis moments during these 40 years and there were no entry-restrictions for banks.³⁶⁰ This allowed private market initiatives to freely enter or exit the lending market, and adapt to changing circumstances, as Taketa and Udell's hypothesis expects. However, despite this freedom of entry and exit, the Dutch government still opted to intervene because of a lack of interest from private players.

The chapter is ordered chronologically because some of the government interventions worked cumulatively, with new institutions building on previously created ones. The second section presents the situation in the Netherlands in the early twentieth century. It shows which lending channels were available at what prices and how they complemented each other. Section 3 describes the initiatives that were taken between 1890 and 1914 to remedy information problems between lenders and borrowers. The fourth section analyzes the founding of a new set of financial institutions, complementing the existing credit provision to small firms, before World War I. Section

³⁵⁵ Noh and Hong argue that only the public sector can provide compensation for inadequate credit provision from market actors. See: Noh and Hong, 'Effectiveness of Public Credit Guarantee System.'

³⁵⁶ This paper looks more so at small firms, defined as firms employing fewer than ten people, and less so at medium-sized firms.

³⁵⁷ Peeters, 'Getting a Foot'; Schras, *50 Jaar Krediet-Verlening*; Ministerie van Economische Zaken, 'Middenstandsnota 1954,' 7-9; Van Zanden, 'Old Rules, New Conditions,' 134.

³⁵⁸ Carnevali, *Europe's Advantage*.

³⁵⁹ Peeters, 'Lending and Coaching.'

³⁶⁰ Mooij, and Prast. 'A Brief History', 16.

5 details how the First World War disturbed trade credit lines and how small firm associations with help from the government attempted to expand alternative lending channels. This expansion led to over optimism and a banking crisis in the 1920s. Section 6 shows how the government reluctantly intervened to consolidate distressed SME banking institutions between 1923 and 1930. The seventh section looks at credit provision during the Great Depression and the government initiatives there to provide credit to SMEs when a flight to quality took place. Section 8 concludes.

5.2 Situation in 1900

The Dutch economy at the turn of the twentieth century consisted of nearly exclusively small firms, employing three-quarters of the Dutch labor force.³⁶¹ In 1899, about a third of the labor force was employed in industry, 30% in agriculture, 17% in trade and transport, and the remaining 20% in other positions.³⁶² Small firms (fewer than ten employees) dominated particularly construction, arts, leather production, woodworking, and food and stimulant production. At the same time, large firms (more than 50 employees) were found in the chemical industry, utilities, textiles, diamond industry, and glass and pottery production. The Netherlands was already fairly industrial by 1900 and experienced a great spurt of industrialization.³⁶³ This went together with a tendency to more large firms and a smaller share of the labor force employed in small firms. By 1909, 56% of the labor force worked in small firms and nearly 30% in large firms.³⁶⁴ In particular, mining, paper, metallurgy, leather, oil cloth, and rubber production saw an increase in the in the number and relative share of employment by large firms.³⁶⁵ Construction, arts, leather production, clothing production, and retail remained largely organized in small firms. In many sectors, there were chances for small firms, as total output and disposable income grew.

For their daily operations, small firms relied on working capital and trade finance. They needed additional capital when they grew or modernized. New technologies such

³⁶¹ Peeters, 'SMEs in an Era of Change'; Scheffer, 'Ontwikkeling van de Ambachts- En Fabrieksnijverheid,' 543.

³⁶² Scheffer, 'Ontwikkeling van de Ambachts- En Fabrieksnijverheid,' 542.

³⁶³ Van Zanden, *The Economic History of The Netherlands*, 10.

³⁶⁴ Scheffer, 'Ontwikkeling van de Ambachts- En Fabrieksnijverheid,' 546.

³⁶⁵ Scheffer, 545.

as electricity and novel modes of competition such as department stores and chains made it necessary to invest. For most small firms, retained earnings sufficed in order to fund investments. Alternatively, entrepreneurs raised money through personal networks.³⁶⁶ Aside from internal financing and personal networks, entrepreneurs could turn to the credit market.³⁶⁷

The credit market comprised multiple intermediaries, each with their own target audience and particular offers tailored to that audience.³⁶⁸ Capital markets were inaccessible to small firms, as the number of publicly traded stocks and bonds remained limited. As a result, the market was highly segmented, and firms used different intermediaries depending on the size of the loan and the type of disposable collateral. (Table 5.1) Pawn shops and help banks could be found in various cities, and offered short-term small loans (up to 500 guilders).³⁶⁹ Provincial banks, credit unions, and cooperative banks (including farmer cooperatives) offered short-term current account credit or medium-size loans (500 to 10,000 guilders). Farmers cooperatives grew quickly between 1899 and 1914 to cover the whole of the Netherlands, but banned *middenstanders*³⁷⁰ from borrowing in 1903.³⁷¹ Credit unions and cooperative banks usually restricted borrowing to members. Large joint-stock commercial banks, mostly found in the largest cities, offered large loans, but dealt almost exclusively with large firms. Trade finance could theoretically take all sizes, depending on the type of goods delivered and the relationship between lender and borrower. This was a crucial source of finance for small firms. Bankruptcy records and balance sheet information of this period show that small firms largely operated on the basis of trade credit, complemented with cash loans from widows or family members.³⁷²

³⁶⁶ Homburg and Schot, 'Financiers van de Nederlandse Industrialisatie'; Sluycerman, *Ondernemen in Sigaren*. Archival examples of this practice include the following: 1615, 1589, and 1655, HC Leeuwarden; 985, RHC Overijssel; 2150 and 2739, Groninger Archieven; and firm reports in 471/14, GAA.

³⁶⁷ Janzen, *Het Middenstandsbankwezen*, 82.

³⁶⁸ Dutch financial intermediaries have been broadly studied, but usually by focusing on one particular institution or market segment. The notable exception has been the financial history of the Netherlands by 'T Hart et al., 2009, but this work also focused largely on high finance. This section aims to bring together this research and give a description of the credit market accessible to small firms.

³⁶⁹ Maassen, *Tussen Commercieel En Sociaal Krediet*; De Vicq and Van Bochove, 'Lending a Hand.'

³⁷⁰ A Dutch antiquated term for small entrepreneurs, similar to the French *Petite Bourgeoisie*.

³⁷¹ Colvin, 'Religion, Competition and Liability', 149; 'Boerenleenbanken,' *Tilburgsche Courant*, September 27, 1903, 2.

³⁷² Arrondissementsrechtbank Amsterdam: Faillissement en surséance 1-33, 1901, 198/2520, NHA; 1615, 1589 and 1655, HC Leeuwarden; 985, RHC Overijssel; 2150 and 2739, Groninger Archieven.

Table 5.1 Credit Market Segmentation around 1900

Amount (guilders)	Pawn Banks	Help Banks	Co-op Banks	Credit Unions	Prov. Banks	Mortg. Banks	JS Banks	Supp- liers
0-100	<50 gld.	O						O
100-200		O						O
200-500		(O)						O
500-1k			O	(O)				O
1k -5k			O	O	O	O		O
5k -10k			O	O	O	O		O
10k -50k				(O)	(O)	O	O	O
50k +						O	O	O

(O) indicates that occasionally institutions provided such loans, but it was not the core business.

Source: ³⁷³

Financial intermediaries used specific lending technologies, depending on the size of the loan. The possible options were asset, equipment, or real estate-based lending where assets, equipment, or real estate served as collateral, factoring is where accounts receivable is sold to third parties at a discount. Relationship lending and financial statement lending which depended on in-depth knowledge of the borrower and his/her business acquired through formal and informal channels. Credit scoring works similarly, as the loan is given based on the 'credit-score' (proxy for credit-worthiness) of the borrower. With leasing, the lender finances an asset, which is then rented by the borrower. Trade credit is a loan given by the supplier to the buyer, with which goods and services are bought on credit.

Most intermediaries only used one or two lending technologies and specialized in those. (Table 5.2) This meant that firms had to change intermediary in case the employed lending technology did not suit them. Only large joint-stock commercial

³⁷³ Maassen, *Tussen Commercieel en Sociaal Krediet*; Amaury de Vicq, 'Mission Drift'; Ton Duffhues, *Voor Een Betere Toekomst*; Colvin, 'Religion, Competition and Liability'; J. Kymmell, *Geschiedenis van de Algemene Banken*.

banks used multiple lending technologies, but they did not offer small loans unless to very transparent, credit-worthy firms.

Table 5.2 Lending Channels Around 1900

Lending Technology	Pawn Banks	Help Banks	Co-op Bank	Credit Unions	Prov. Banks	Mortg. Banks	JS. Banks	Supplier s
Asset-Based Lending	O	O	O	O	O		O	
Equipment-Based Lending							O	O
Real Estate-Based Lending			O	O	O	O	O	
Factoring							O	
Relationship Lending			O		O		O	
Financial Statement Lending							O	
Leasing								(O)
Credit Scoring								
Trade Credit								O

(O) indicates that occasionally institutions provided such loans, but it was not the core business.

Intermediaries offering loans up to 10,000 guilders mostly used transaction-based technologies such as asset-based lending to provide loans to opaque SMEs.³⁷⁴ Pawn shops did this by physically taking control of the asset while help banks substituted guarantors for hard collateral. Mortgage banks (*Hypotheekbanken*) provided medium-to-large long-term loans, demanding real estate as collateral. Credit unions, provincial banks, and cooperative banks combined transaction and relationship-based technologies. They relied on local knowledge networks to select good credit risks, but still demanded collateralization through assets, commercial bills, or real estate.(Table 5.2)

The use of relationship lending is beneficial to small firms lacking collateral, as it allows them to overcome informational hurdles through soft information.³⁷⁵ Local banks mostly used this technology.³⁷⁶ However, local banks and credit unions disappeared or were acquired by large joint-stock banks in the late nineteenth and early twentieth centuries.³⁷⁷ When local banks became branches of larger joint-stock banks, the collateral requirements changed to better quality liquid collateral, and the room for relationship lending decreased. Small entrepreneurs deemed banks' expectations for collateral excessive, claiming they were often excluded from credit for that reason.³⁷⁸ The credit unions that survived changed their business model to resemble larger joint-stock commercial banks and focused on larger, more profitable loans.³⁷⁹

Using balance sheet information, profit and loss-statements and internal sources, I estimated the average interest rates charged by different intermediaries at the turn of the twentieth century (Figure 5.1). There were large differences in price, with institutions serving the lowest segments (average loan size of less than ten guilders) being disproportionately more expensive. The high interest rates charged by pawn shops can be explained by the risk of borrowers not claiming pawns, and the high fixed costs of organizing the sales of impounded pawns combined with the risk of pawns being sold

³⁷⁴ Berger and Udell argued that transaction based technologies are designed to deal with opaque borrowers. Berger and Udell, "A More Complete Conceptual Framework for SME Finance."

³⁷⁵ Berger and Udell, "Relationship Lending"; Kirschenmann, "Credit Rationing."

³⁷⁶ Jager, "Crediet Op Vorderingen," 2.

³⁷⁷ Jager, "Crediet Op Vorderingen"; Colvin, "Religion, Competition and Liability"; De Vicq, "Mission Drift"

³⁷⁸ *Stenografisch Verslag van Het Derde Internationaal Congres.*, 239.

³⁷⁹ Colvin, "Religion, Competition and Liability"; De Vicq, "Mission Drift."

below assessment value.³⁸⁰ Help banks also provided very small loans, but charged interest rates similar to those of large joint-stock banks. They could only do so because they were charitable organizations who relied on voluntary labor to keep costs to a minimum.³⁸¹ Farmers' cooperatives, also relied on voluntary labor and a savings surplus (cheap capital) to keep fixed and variable costs low.³⁸² Local/provincial banks, charged slightly higher interest rates, between 4.5 and 7%.³⁸³ On top, they would add fees and provisions, driving up the real costs of those loans.³⁸⁴

For loans larger than 10,000 guilders, screening costs could be spread out over a larger amount of interest payments. This allowed large joint-stock banks to charge lower interest rates. Furthermore, large firms were often more credit-worthy, could offer better quality collateral (stocks, real estate, inventories or personal wealth of the board) and better information (professional bookkeeping and often turnover on a bank account).

³⁸⁰ Banerjee and Duflo explain the multiplier effect of fixed costs on interest rates. The fixed administrative cost has to be covered by the interest payment, which pushes the interest rate up. See: Banerjee and Duflo, "Giving Credit," 64.

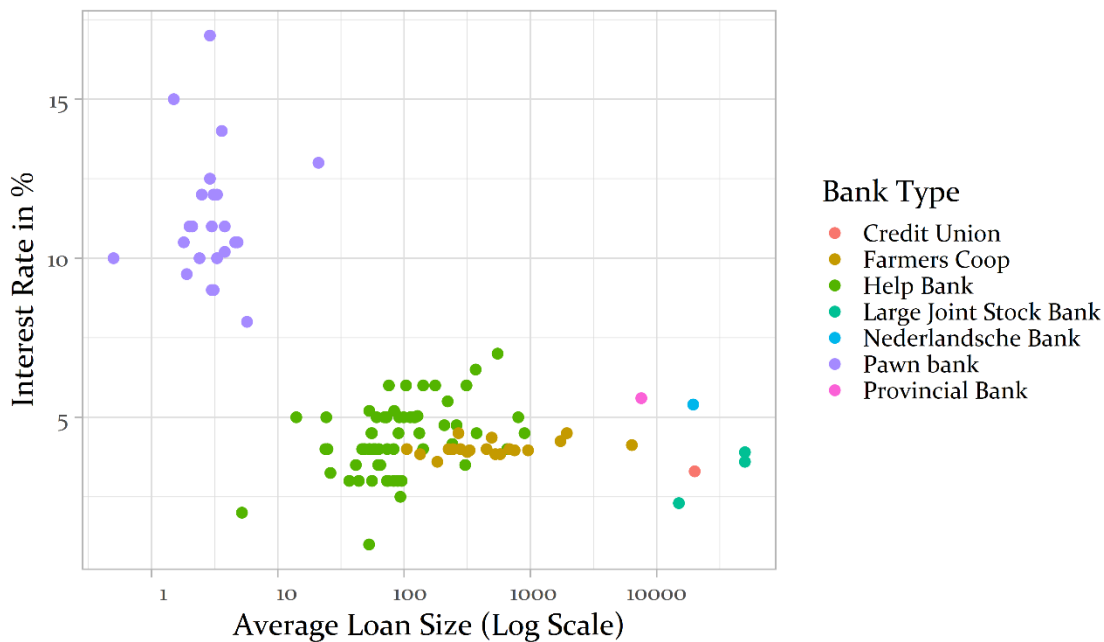
³⁸¹ Deneweth, Gelderblom, and Jonker, "Microfinance."

³⁸² Colvin, "Religion, Competition and Liability," 152–53.

³⁸³ This information comes from the Memories dataset and is based on 18 registered loan contracts with provincial banks across the country.

³⁸⁴ Anecdotal evidence in: Janzen, *Het Middenstandsbankwezen in Nederland*, 47–48; Jager, "Crediet Op Vorderingen"; Knol, *Middenstandsbanken*, 80.

Figure 5.1 Interest Rate Versus Loan Size



Source: CBS, Statistiek der Spaar en Leenbanken, 1900. Van Oss Effectenboek 1910-1912, Memories Dataset.

Help banks, credit unions, and cooperative banks succeeded in providing affordable small and medium loans by specializing in their niche and optimizing accordingly. They adapted the lending technologies to their clientele in order to obtain the preferred risk/return ratio and lowered fixed costs through voluntarism. Credit unions and cooperative banks usually restricted lending to members and demanded collateral. This helped them select good credit risks while unpaid, local boards lowered fixed costs. Help banks mostly lend money to people with established credit histories, good reputations, good earnings prospects and two credible guarantors. Help banks would rather reject more applicants than deviate from this set-up.³⁸⁵ The staff and board members were locals who knew applicants, and because they were unpaid fixed costs were low.

Such specialization was positive for firms who could make use of it, but also made institutions serving SMEs rigid and limited in scale and scope. This rigidity meant that when lending channels offering small firm credit decreased (e.g., through the disappearance of credit unions or local banks), alternative institutions had little room

³⁸⁵ De Vicq and Van Bochove, "Lending a Hand," 14-15.

to increase the amount of credit offered. Expanding their target audience would result in more risks, which undermined their sustainability unless they charged more. Changing the lending technologies would increase costs, which undermined the affordability of the loans. The result could be an increase in the number of excluded small firms. So, what happens when financial intermediaries do not solve these issues?

5.3 Information as Scaffolding, 1890-1914

In the late nineteenth century, *middenstanders* started voicing their dissatisfaction about access to credit.³⁸⁶ They understood that information asymmetries prevented many small firms from accessing credit at affordable costs, particularly from provincial and joint-stock commercial banks. Small firms are informationally opaque for banks, compared to larger firms. Small firms' bookkeeping capabilities are lower, and since they are not active in equity markets, they do not need to share information with the public.³⁸⁷ Furthermore, it is harder to assess the value of assets and firms are generally more vulnerable to external shocks and go bankrupt more often than larger firms. This makes small firms riskier, more difficult to screen and monitor, and thus more costly to provide credit to. When small firms could offer hard collateral to offset the lack of information, they often could obtain credit.³⁸⁸ However, most lending channels still require some information about the firm's assets, turnover and repayment capacities, especially because liquidation costs in case of default are high.

The small-business interest groups realized that small firms needed "institutional scaffolding" to support their transfer from informal bootstrapping methods and trade credit to formal financial institutions.³⁸⁹ Because banks were unwilling to cover those costs, the associations and interest groups set up multiple institutions and initiatives to smoothen the flow and improve quality of information. This institutional scaffolding took two forms, improving the public and the private information supply.

The supply of public information was done by a type of information agencies. Starting in the 1890s, small firm associations founded information offices

³⁸⁶ Peeters, "Getting a Foot."

³⁸⁷ Esho and Verhoef, "The Funding Gap," 8.

³⁸⁸ Berger and Udell, "A More Complete Conceptual Framework," 2962; De Brabander et al., *Het Middenstandscredietwezen*, 6; Knol, *Middenstandsbanken*, 79.

³⁸⁹ Sutter et al., "Transitioning Entrepreneurs."

(*informatiebureaus*) which collected and disseminated information about the credit status of firms and individuals. They also published lists of defaulting customers in trade journals and newspapers.³⁹⁰ The information offices were often combined with debt-recovery offices (*incassobureaus*), which tried to collect an outstanding debt for a fee of 5% of the loan value.³⁹¹ By 1912, there existed at least 43 information- and debt-recovery offices in the Netherlands, mostly situated in the regional urban centers.³⁹² Offices in larger cities such as Rotterdam, Utrecht, Haarlem and Nijmegen provided information between 1,000 to 2,500 times in 1912, whereas the office of the Amsterdam shopkeepers association did so more than 7,000 times in 1912 alone.

Improving the supply of private information meant raising the quality of firm-level information and firm management capabilities. Bookkeeping and accounting were common practice in larger firms, but many small entrepreneurs simply had no knowledge of single-entry bookkeeping or business best practices. Few small businesses kept anything that would resemble a rudimentary book of accounts.³⁹³ Leaders of SME interest groups argued that the introduction of bookkeeping would improve entrepreneurs' insight into their business, and help them assess whether credit was really necessary. This would reduce the number of firms needlessly requesting credit and make it cheaper and safer to lend money to small firms.³⁹⁴

Small firm associations deemed bookkeeping so essential that they almost forced it on their members.³⁹⁵ They organized evening classes, incorporated bookkeeping into their vocational training programs and printed manuals in trade journals. The topic was picked up by politicians related to small firm associations and in 1907 a governmental commission stated that improving education, including bookkeeping, should be the first step in addressing the problems of the *middenstand*.³⁹⁶ As a result the government, at

³⁹⁰ Koenraad, "Incasso- En Informatiebureaux," 14–16.

³⁹¹ Koenraad, 19.

³⁹² Visser, *Middenstandscoöperatie in Nederland*, 35.

³⁹³ While it is hard to provide numbers in terms of percentage of firms, there is the anecdotal evidence and the statistics of the Public Loan Guarantee Funds and the *middenstandscommissies* which show that the vast majority of small firms did not keep financial accounts. The Economic Institute for the Middenstand researched failing firms in 1939 and found that three-quarters of the failed shops had none or insufficient bookkeeping. Stichting Economisch Instituut voor den Middenstand, *Onderzoek Naar de Oorzaken van Faillissementen*, 21. Both statistics nonetheless have a big loser bias.

³⁹⁴ Bianchi, "De Beteekenis van de Boekhouding."

³⁹⁵ For example, Prof. Pyfferoen stated that shopkeepers should be taught mandatory bookkeeping in school: *Stenografisch Verslag van Het Derde Internationaal Congres*, 141.

³⁹⁶ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 167.

the request of small firm interest groups, appointed special advisors for small manufacturers (*Rijksnijverheidsconsulent*).³⁹⁷ These consultants were to help *middenstanders* with their bookkeeping, provide technical assistance, and update the government on the needs of small firms. In practice, the state industry consultants paid most attention to medium-size firms, leading to the appointment of an additional advisor to small firms in 1918.

5.4 Creating New SME-friendly Banking Channels, 1900-1914

Raising information standards eased access to existing banking-based lending channels, but these were still considered insufficient for small firms' needs. Taking inspiration from the cooperative farmers' movement which had started a rapidly spreading system of cooperative Raiffeisen-type banks, the SME associations pressed for *middenstandsbanks* tailored to their needs.³⁹⁸ The associations favored the German Schulze-Delitzsch cooperative model as better suited to providing the current account credit *middenstanders* needed most.³⁹⁹ In practice, banks took different legal forms.⁴⁰⁰ The main goals of *middenstandsbanks* were to provide affordable short-term loans avoid trade credit to *middenstanders* by offering current account services, and promote accounting best practices by making bookkeeping a criteria to borrow.⁴⁰¹ Like credit unions and cooperative banks, *middenstandsbanks* relied on asset-based lending, real estate-based lending, and relationship lending. They occasionally accepted guarantors, but only in addition to collateral and when capital was present in the firm.⁴⁰² By focusing on small and medium-size firms and using local information, they hoped to serve a very diverse group of customers at low costs and without being exposed to too much risk.

The government kickstarted the development of *middenstandsbanks* by subsidizing them from 1907.⁴⁰³ This pushed the number of banks up, from 3 in 1905, to

³⁹⁷ Sue-Yen Tjong Tjin Tai, "Connecting Small Firms," 242.

³⁹⁸ Colvin, "Organizational Determinants," 666.

³⁹⁹ Akkerhuijs, *Het Credietvraagstuk*, 16.

⁴⁰⁰ Colvin, "Organizational Determinants."

⁴⁰¹ Van den Eerenbeemt, "Middenstandskrediet En Het Ontstaan van de Bossche Hanzebank," 34.

⁴⁰² Knol, *Middenstandsbanken*, 29.

⁴⁰³ Peeters, "Getting a Foot in the Door"; Van den Eerenbeemt, "Middenstandskrediet En Het Ontstaan van de Bossche Hanzebank."

17 in 1910, and to 59 in 1915.⁴⁰⁴ In doing so, the small firm associations with the help of the government built a network of new institutions offering various new lending channels in municipalities across the Netherlands. The deposits, share capital and subsidies were used for supplying loans to the lower segment of the credit market. In 1912, the average size of outstanding loans was 755 guilders,⁴⁰⁵ while most *middenstandsbanks* had only a few dozen loans outstanding.⁴⁰⁶ The credit unions felt the rapid rise and expansion of the *middenstandsbanks* which could offer relatively cheaper credit due to the government subsidies. The Credit Union of Amsterdam complained to the Dutch National Bank (DNB) and stated that it was unfair that the government and the DNB helped the SME banks.⁴⁰⁷ In response, the credit unions reoriented themselves toward larger and more profitable loans.

5.5 Substituting Lending Channels, 1915-1920

The sudden outbreak of World War I greatly impacted small firms' financing patterns. Uncertainty froze trade credit lines, and inflationary expectations made suppliers call in outstanding loans and demand cash payments for new deliveries.⁴⁰⁸ Existing lending channels did not manage to compensate. This caused a funding gap and complaints about insufficient access to funding. The *middenstandsbanks*, which were portrayed as the primary financial institutions for small firms, were expected to fill this gap, but these banks experienced severe liquidity problems. The government stepped in to remedy these problems in 1914 and supported the establishment of the General Dutch Central SME Bank (ACB, *Algemeene Nederlandsche Centrale Middenstandsbank*).⁴⁰⁹ New *middenstandsbanks* continued to be established. By 1920, the Netherlands counted 104 *middenstandsbanks* with a total of 365 offices covering the West and South of the

⁴⁰⁴ Dataset on *Middenstandsbanks*, gathered by the author and added to De Vicq, "Constructing a Database on the Dutch Banking Landscape, 1860-1940."

⁴⁰⁵ 755 guilders in 1912 is ca. € 8,267 in 2018. Source: IISH, Waarde van de Gulden/Euro, www.iisg.nl/hpw/convert-nl.php.

⁴⁰⁶ Based on data for 27 cooperative SME banks, source: Visser, *Middenstandskoöperatie in Nederland: Overzicht over de in Nederland Bestaande Middenstanders-Coöperaties- Samengesteld Door Cor. Visser, Accountant Te Leeuwarden*.

⁴⁰⁷ De Vicq, "Mission Drift"

⁴⁰⁸ Knol, *Middenstandsbanken*, 73; Treub, *Oorlogstijd*, 218.

⁴⁰⁹ Peeters, "Getting a Foot."

country.⁴¹⁰ Nonetheless, despite their rapid rise, the *middenstandsbanks* failed to meet all credit needs. This was largely because the banks required collateral which SMEs often could not supply, if only because under Dutch law lenders could lay no claim to collaterals remaining in the borrower's possession.⁴¹¹

Help banks did not manage to fill this gap due to uncertainty and mandatory draft making it harder to find credible guarantors. The total number and value of outstanding loans in 1915 was half in comparison with prewar years, while there were more help banks than ever.⁴¹² At the same time, the Dutch banking sector concentrated, as large joint stocks banks started building out an extensive branch network, mostly by acquiring local banking partnerships.⁴¹³ This process of concentration further excluded small firms from the conventional banking system.⁴¹⁴

The solution came in the form of *borgstellingsfondsen* (loan guarantee funds). *Borgstellingsfondsen* are “mechanisms in which a third party—the guarantor—pledges to repay some or the entire loan amount to the lender in case of borrower default.”⁴¹⁵ Such schemes had existed among professional or religious communities in various parts of Europe since the late nineteenth century.⁴¹⁶ In the Netherlands, most *borgstellingsfondsen* were pioneered by the *Vereeniging tot Bestrijding van den Woeker* (Association to Combat Usury) between 1911 and 1917, but they were not very successful because of the large downside risk and limited repayment capacities of the funds.⁴¹⁷

However, in March 1915, the *Algemeene Winkeliers-Vereeniging van Amsterdam* (AWV, General Shopkeepers' Association of Amsterdam) set up a similar scheme to make short-term credit available to small *middenstanders* experiencing liquidity problems.⁴¹⁸ The association's *middenstandsbank* provided the loans, but the association

⁴¹⁰ These figures are most certainly an undercounting, as we know of the existence of ca. 300 more banks, but do not have information about their years of operation. Source: Dataset on *Middenstandsbanks*, gathered by the author and added to: De Vicq, “Constructing a Database.”

⁴¹¹ Between 1915 and 1917, 93.75% of loans under 500 guilders were collateralized: ACB Notulen bestuursvergadering, 1915-1917, A.001/807, ING Archive.; Reehuis, Wim. “Roerende Zaken”.

⁴¹² De Vicq and Van Bochove, “Lending a Hand.”

⁴¹³ Colvin, De Jong, and Fliers, “Predicting the Past,” 99.

⁴¹⁴ This claim was confirmed by the head of one of the largest joint stock banks in the Netherlands: Westerman, “De Concentratie in Het Bankwezen,” 316.

⁴¹⁵ Gozzi and Schmukler, “Public Credit Guarantees,” 104.

⁴¹⁶ Gozzi and Schmukler, 106.

⁴¹⁷ Maassen, *Tussen Commercieel En Sociaal Krediet*, 256.

⁴¹⁸ Letter from J. Meuwssen to the Municipality of Amsterdam, April 2, 1915, 471/5, GAA.

convinced the city of Amsterdam to cover up to 95% of the defaults.⁴¹⁹ In this set-up, they created the world's first public loan guarantee fund (PLGF).⁴²⁰ The fund mostly guaranteed short-term loans between 500 and 2,000 guilders which were connected to economic transactions.⁴²¹ Despite the fund bearing only 5% of the default risk, fund staff thoroughly screened applicants. The absence of collateral made it difficult and costly to assess applicants, in particular because these were very small, opaque firms, which kept little to no bookkeeping, and in some cases presented incorrect or fraudulent books which cost a lot of time to verify.⁴²² To cover costs, the small firm associations relied on volunteers, application fees, and municipal subsidies.

In essence, the Amsterdam local government, in response to the disappearance of the trade credit lending channel, expanded access to the *middenstandsbanks'* collateralized lending channels, and thus the amount of produced credit, by guaranteeing the risks and helping bear the costs of lending to small firms. The Amsterdam PLGF was a local institution, but the larger national *middenstandsbanks* picked up the idea and rolled out the General Guarantee Society for the Middenstand (*Algemeene Borgmaatschappij voor den Middenstand*) shortly after.⁴²³ This fund was privately financed by selling shares to *middenstandsbanks*, private individuals, and some other joint-stock commercial banks.⁴²⁴ Additionally, the fund received subsidies from the national government to cover operating costs and worked together closely with the subsidized Offices of Advice (cfr. *Infra*) giving the fund a local presence for free.⁴²⁵ The *Hanzebanks* participated in the *Algemeene Borgmaatschappij*, but also had their own guarantee fund, the *N.V. Hanze Borgmaatschappij*, which guaranteed many of their own loans. This fund also received subsidies from the Ministry of Economic Affairs in the

⁴¹⁹ Letter from the Gemeentelijke Commissie ten Dienste van Nijverheid en Bedrijven to the Commissie uit de Algemeene Winkeliers Vereeniging, March 31, 1915, 471/5, GAA.

⁴²⁰ Gozzi and Schmukler, "Public Credit Guarantees and Access to Finance," 106. PLGFs are also sometimes referred to as Public Credit Guarantee Schemes.

⁴²¹ Rapporten uitgebracht door de Amsterdamsche Centrale Middenstands-Credietbank, omtrent de aanvragers en hun ondernemingen om crediet, 471/14, GAA.

⁴²² Letter from the Commissie tot Voorziening in Credietbehoefden van den Kleinen Middenstand to the Gemeentelijke Commissie ten Dienste van Nijverheid en Bedrijven, February 24, 1916, 471/5, GAA.

⁴²³ Between 1915 and 1922 the *Algemeene Borgmaatschappij* received 1,091 applications for about 7,7 million guilders, while extending 325 guarantees averaging 5,5000 guilders for a total of 1,8 million guilders. Source: NA 2.06.001/4565, Letter from the Management of the Algemeene Borgmaatschappij to the Chambers of Commerce, s.d., p.2.

⁴²⁴ Prospectus of the Algemeene Borgmaatschappij, March 1915, 2.06.001/4565, NA.

⁴²⁵ Prospectus of the Algemeene Borgmaatschappij, March 1915, 2.06.001/4565, NA.

period 1919-1923.⁴²⁶ Both funds however, suffered large losses in the financial crisis and never recovered after 1923. The Amsterdam PLGF stopped providing guarantees around 1919 and was disbanded shortly after.

Trade credit resumed by 1918 and the need for an extension mechanism for *middenstandbank* lending channels decreased. At the same time, the informational scaffolding was further expanded, this time with government help. During the war, the Dutch government subsidized seventeen Offices of Advice (*Adviesbureaux*) around the country, where SMEs could get affordable financial advice and bookkeeping and accounting services.⁴²⁷ *Middenstandsbanks* and PLGFs made active use of these offices by sending informationally opaque applicants there first and asking for additional information.⁴²⁸ In 1918, the government introduced a nationwide trade register (*Handelsregister*).⁴²⁹ Firms with an annual turnover of at least 2,000 guilders were obliged to register basic information, such as name, corporate form, date of establishment, location, owner, managers, and shareholders, but not financial information.⁴³⁰ Being listed in the register therefore only signaled a certain size and seriousness of the firm. Though its goal was to reduce transaction costs, especially for SMEs, the register's costs outweighed its benefits.⁴³¹ The register was mostly used by banks, information offices, and lawyers in order to obtain information about small firms.⁴³²

The government intervention was effective in expanding lending via *middenstandsbanks*, but the practice of subsidization with limited oversight created principal-agent problems. Throughout the period of subsidization with the early *middenstandsbanks*, the Offices of Advice, the Amsterdam PLGF, and the *Nationale Borgmaatschappij*, there are recurrent examples of abuse of funds, excessive risk-taking

⁴²⁶ Note of the chef of the Department of Trade and Industry to the Minister of Economic Affairs, s.d., 1924, 2.06.001/4565, NA.

⁴²⁷ The 17 offices that existed in 1918 checked 1,500 books (1.7 per office per week or about 0,6% of all firms) and gave advice 3,700 times (4.2 per office per week or about 0,9% of all firms). In: Kellenaers, *Het Handboek Voor Den Middenstand*, 123.

⁴²⁸ Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 177; Janzen, *Het Middenstandsbankwezen*, 56-57.

⁴²⁹ De Goey and Simons, "Transactiekosten in Theorie En Praktijk."

⁴³⁰ 2,000 guilders in 1921 equals €12,970 in 2018 (IISH). Ingenool, *Vijf En Twintig Jaren Middenstandsbeweging*, 199.

⁴³¹ De Goey and Simons, "Transactiekosten in Theorie En Praktijk," 254.

⁴³² De Goey and Simons, 249.

and eventual bankruptcy. The government was willing to subsidize private initiative but unwilling to subsidize private losses. This unwillingness led the government to abandon projects when they went sour.

The case of the private but subsidized *Nationale Borgmaatschappij* clearly illustrates this tendency. When the fund came into trouble during the banking crisis of 1921-1923, the Minister of Finance stated that the subsidy should be ended and that no government guarantee should be given because it “takes away any incentives to try to minimize any bad credit risks”.⁴³³ In 1923, the Minister wrote that the prime responsibility for survival of the fund lay with the *middenstand* themselves, that the venture was too risky while not charging adequate fees for the covered risks, and that unviable institutions should not be artificially kept alive through government intervention.⁴³⁴

5.6 Consolidating Lending Channels, 1923-1930

The *middenstandsbanks* grew tremendously at the end of the First World War, due to continued government support and subsidies, along with the strong inflation in 1917-1919 caused by the war economy. The inflation sparked a growing demand for credit, which many banks saw as positive, and made them easily extend ever more and larger loans.⁴³⁵ The ACB saw its average loan size (corrected for inflation) nearly double between 1915 and 1922.⁴³⁶ The *Hanzebanks*, which had a few headquarters and operated many branches, saw their average loan size climb to nearly 10,000 guilders by 1918.⁴³⁷ The total amount of yearly newly granted loans by the five main *middenstandsbanks* even corrected for inflation sextupled between 1915 and 1919 (Figure 5.2).

⁴³³ “Door het verleenen van garantie zou bovendien voor de bedoelde Maatschappij de prikkel worden weggenomen, om te trachten, het aantal kwade posten tot een minimum te beperken.” Source: Letter from the Minister of Finance to the Minister of Agriculture, Industry and Trade, December 31, 1921, 2.06.001/4565, NA.

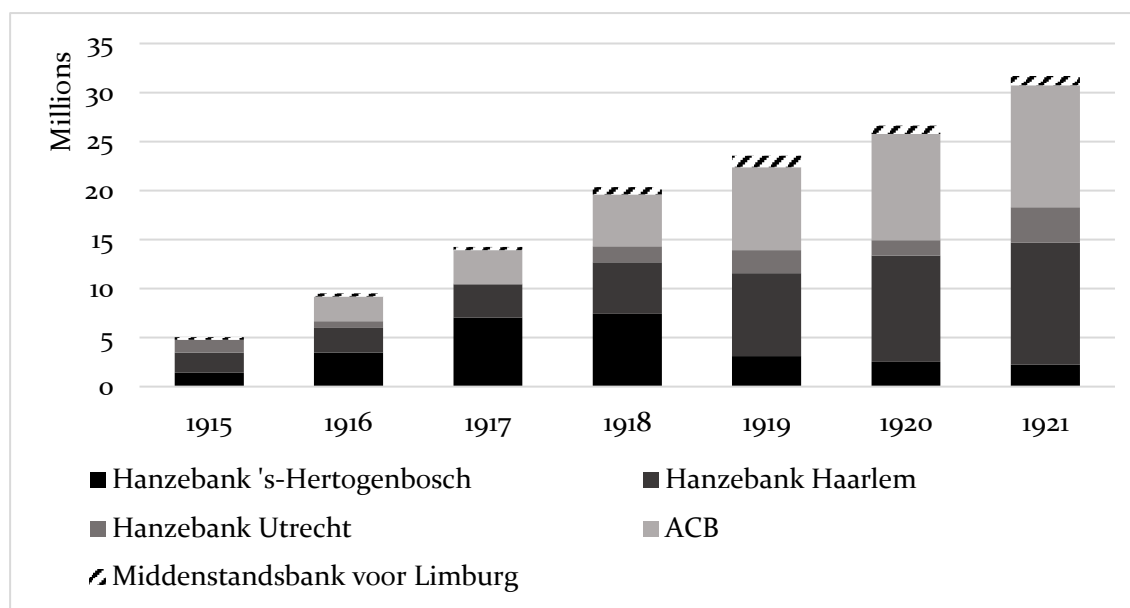
⁴³⁴ Letter from the Minister of Finance to the Minister of Agriculture, Industry and Trade, November 24, 1923, 2.06.001 4565, NA.

⁴³⁵ Joost Jonker and Jan Luiten van Zanden, “Method in the Madness”; the DNB credit operations show a similar pattern with bill discounting and collateralized loans growing from ca. 1 billion guilders in 1916 to over 3 billion in 1919 and peaking in 1920 with ca. 3.7 billion guilders. Source: DNB, Public Yearly Reports, 1916-1920.

⁴³⁶ Knol, *Middenstandsbanken*, 19.

⁴³⁷ The most high-risk loans were covered by the loan guarantee funds; Janzen, *Het Middenstandsbankwezen*, 172.

Figure 5.2 Newly Granted Loans for Five Main Middenstandsbanks, 1915-1921
(in 1915 guilders)



Source: Janzen, Middenstandsbankwezen and Yearly Reports of *Hanzebanks*, IISH

When a period of debt-deflation started in 1921, the banks came under pressure as clients struggled to repay, asset prices fell, and bank capital eroded.⁴³⁸ This resulted in a banking crisis and exposed a divergence in the SME banking system. Smaller banks who banked on cooperative principles largely survived the crisis. The larger banks, which had taken the corporate form and lend out more, got into trouble due to bad credit decisions and poor management.⁴³⁹ The ACB and *Hanzebanks* had insufficient capital bases, overextended credit, and overvalued, illiquid collateral.⁴⁴⁰ The ACB had difficulties maintaining control over affiliated banks and branches and could not prevent some big losses, nearly bankrupting the bank.⁴⁴¹ The *Hanzebanks* had shifted away from pure small firm finance and started catering to larger firms by offering international trade finance and underwriting IPO's. They failed in 1925 when large loans (which were

⁴³⁸ Jonker and Van Zanden, "Method in the Madness," 5.

⁴³⁹ Colvin, "Organizational Determinants."

⁴⁴⁰ Knol, *Middenstandsbanken*, 62-72.

⁴⁴¹ Between 1922 and 1923, the ACB took over many smaller banks who got into trouble. For a while, this went well, but by 1923 they questioned the quality of the loan portfolios. By 1923, the ACB had liquidity problems. J. Stoffer, *Het Ontstaan van de NMB*, 118.

not allowed by their articles of association in the first place) defaulted.⁴⁴² According to Colvin, the fact that they were corporations made them engage more in behavior that made them susceptible to systemic risk.⁴⁴³

As the crisis unfolded, the credit provided through the *middenstandsbanks* dried up. Eventually, about one-third of the SME banking system failed, while the surviving banks were much weaker. The Dutch government was reluctant to interfere. As in the case of the *Algemeene Borgmaatschappij*, footing the bill for private losses was less than enjoyable. The failing Hanzebanks expected government help, but this did not materialize.⁴⁴⁴ The ACB, nonetheless, continued receiving government support and the government increased its capital guarantee from 1.5 million to 10 million guilders in 1925.⁴⁴⁵ Still, after an internal reorganization and increased guarantee, the ACB needed extra capital and the government was the only potential investor.⁴⁴⁶ The Dutch state initially did not get involved further but eventually was forced by the existing connections between small firm associations and politicians.⁴⁴⁷ The *middenstandsbanks* and the ACB in particular were core institutions in the provision of credit to small firms which could not simply be replaced. Furthermore, the banks were related to various political parties, who would lose part of their electorate if the banks failed.

In 1926, the state guarantee was increased to 11.5 million, and this increase opened up the possibility to further reorganize the SME banking sector.⁴⁴⁸ A governmental commission was set up to investigate a merger between all SME banks. In 1927, the viable parts of various *middenstandsbanks* merged into the Dutch *Middenstandsbank* (NMB, *Nederlandsche Middenstandsbank*). The Minister of Finance opined that the separation of banks by religion made the system weak and prone to failure. The merger was an attempt to achieve greater efficiency and better cooperation between the various *middenstand* associations.⁴⁴⁹ The NMB was the result of political horse-trading between the Catholics, Protestants, and Liberal parties. The Catholics were compensated for the

⁴⁴² It is interesting to see that the banks shifted to a higher segment, much like the earlier Credit Unions (which were also Schulze-Delitzsch) had done thirty years before. See: De Vicq, *Credit Unions*, 2019.

⁴⁴³ Colvin, "Organizational Determinants."

⁴⁴⁴ Stoffer, *Het Ontstaan van de NMB*, 169–70.

⁴⁴⁵ Stoffer, 137.

⁴⁴⁶ Stoffer, 155.

⁴⁴⁷ Peeters, "Getting a Foot"; Stoffer, *Het Ontstaan van de NMB*.

⁴⁴⁸ Stoffer, *Het Ontstaan van de NMB*, 237.

⁴⁴⁹ NMB, *Yearly Report 1928*, 28.

lack of support for the Hanzebanks, the Protestants were rewarded for their cooperation, and the Liberals got less because the ACB had received help in the past.⁴⁵⁰

To ensure faith in the new bank, the government no longer provided subsidies but guaranteed the losses of the bank.⁴⁵¹ The economist Verriijn Stuart criticized the government for covering private losses of the *middenstandsbanks*.⁴⁵² The difference with the simple subsidies provided in the past was that the state remained involved and placed commissioners on the board of the newly formed NMB to ensure good behavior.⁴⁵³ This direct state intervention was an important change in government behavior and formed the blueprint for later interventions.

Moreover, the newly emerged bank was not a continuation of its reckless predecessors. The experience of deflation made all Dutch banks excessively concerned with liquidity and they refused to return to the mixed banking embraced just before and during the war.⁴⁵⁴ The *middenstandsbanks* also reassessed their tasks and purpose after the crisis. Social responsibilities moved to the background and sound economic behavior (high liquidity and a sound loan portfolio) became primordial.⁴⁵⁵ Smaller loans of less than 1,000 guilders were considered to be unprofitable, even for *middenstandsbanks*, and therefore should not be offered.⁴⁵⁶

The NMB closely followed this new line of reasoning. In 1927, the director, Posthumus Meyjes, presented three guiding principles: (1) Only grant loans on objective bases, (2) Build up reserves for crisis times, and (3) Maintain high liquidity.⁴⁵⁷ In practice this meant demanding more liquid collateral and ensuring that short-term loans were not rolled over, becoming *de facto* long-term loans.

⁴⁵⁰ Stoffer, *Het Ontstaan van de NMB*, 245–46.

⁴⁵¹ Posthumus Meyjes, “De Nieuwe Richting,” 10; Stoffer, *Het Ontstaan van de NMB*, 241.

⁴⁵² Stoffer, *Het Ontstaan van de NMB*, 247.

⁴⁵³ Schras, *50 Jaar Krediet-Verlening Aan de Middenstand*, 13.

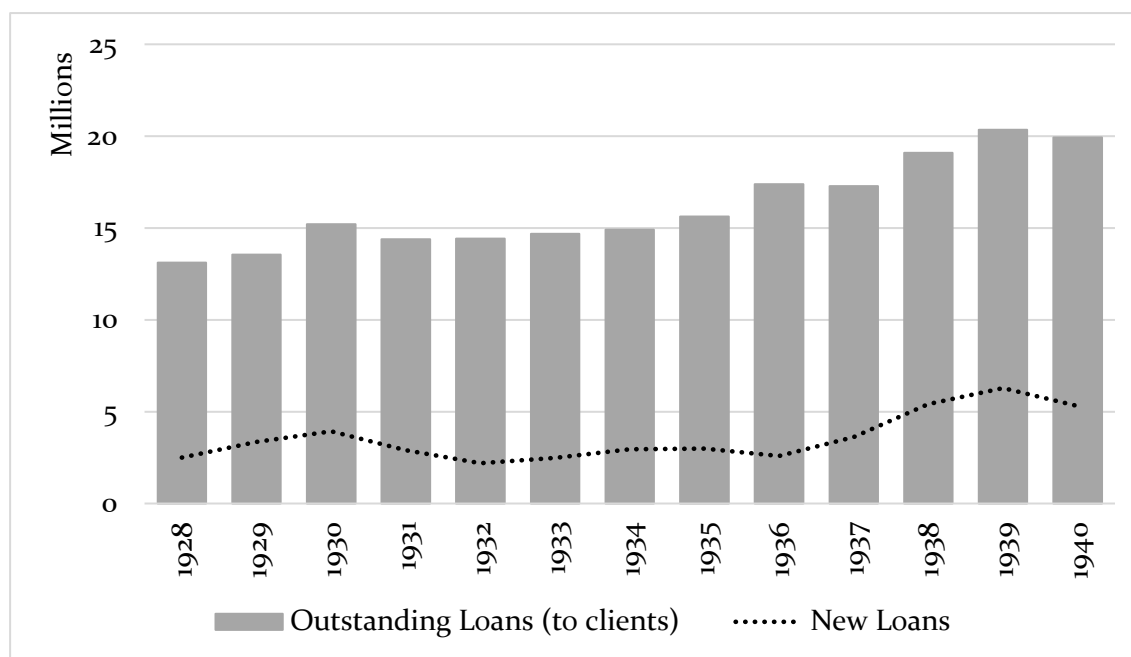
⁴⁵⁴ Jonker and Van Zanden, “Method in the Madness,” 5.

⁴⁵⁵ De Brabander et al., *Het Middenstandscredietwezen*, 5–7.

⁴⁵⁶ De Brabander et al., 13.

⁴⁵⁷ Posthumus Meyjes, “De Nieuwe Richting,” 9.

Figure 5.3 Amount of New and Outstanding Current Account Credit Provided by NMB, 1929-1943



Source: Yearly reports of NMB, 1928-1943

The result was a stark reduction in the amount of available credit. The NMB, as a merger of nearly all *middenstandsbanks*, only granted around 3 million guilders annually in the 1930s, and exclusively in short-term current account credit.⁴⁵⁸ (Figure 5.3) This was a trifle compared to the 47 million provided by the five main *middenstandsbanks* in 1921.⁴⁵⁹ Obviously the NMB was on much sounder footing, and its lending remained stable throughout the 1930s, even when the DNB's credit operations heavily fell after 1929.⁴⁶⁰

5.7 Expanding Existing Lending Channels, 1934-1940

Through the creation of the NMB, the Dutch government managed to save and consolidate the specialized SME banks, but with a greatly reduced amount of credit

⁴⁵⁸ The NMB was a national institution with 83 offices across the country, and the number grew.

⁴⁵⁹ Janzen, *Het Middenstandsbankwezen*, 172. An amount of 47 million 1921 guilders equaled nearly 40 million 1930 guilders. (IISH)

⁴⁶⁰ It is hard to get exact figures for the DNB because bill discounting and collateralized loans fall heavily, while current account credit rises. However, it is unclear exactly how much current account credit is provided. The amount is most certainly well below pre-1929 levels of 1,4 billion guilders. Source: DNB, Public Yearly Reports, 1923-1939.

flowing through them. Initially, there were limited complaints about the small amounts of NMB-provided credit. Firms most likely used more trade credit and internal financing, while the more transparent, profitable ones went to local branches of joint-stock banks. However, in the aftermath of the Great Depression, new complaints about access to credit arose. Due to the depression, firms lost turnover and profitability and suffered from liquidity problems.⁴⁶¹ The NMB's novel emphasis on maintaining high liquidity and low risk made them refrain from small, long-term loans, poorly secured loans, or loans to firms in distress. The crisis, however, increased demand for such loans. This created a situation where the NMB and other banking lending channels were restricted with limited options for expanding the amount of provided credit through other channels.

The national government stepped in to expand the amount of credit produced by the *middenstandsbanks* at affordable rates for opaque borrowers without increasing the exposure of the bank. After consultation between the NMB, the Ministry of Finance, and the Ministry of Economic Affairs, the government accepted to provide guarantees on loans up to 10,000 guilders provided by the NMB under the banner of "crisis loans" (*Crisis Credieten*). This set-up became the blueprint for government intervention in credit allocation in the postwar period.⁴⁶² The ministers chose the NMB for several reasons. First, they wanted to finance these interventions with private capital, and avoid using large amounts of state funds. Second, they reasoned that the decision to accept or decline loan applications would be better handled by a bank which specialized in SME finance and had good relations with small firm associations.⁴⁶³ Third, the government chose the NMB because it sat on the board and could thus easily monitor the credits and the bank's behavior.⁴⁶⁴

The crisis loans had a maximum duration of five years and were given in current account or through acknowledgment of debt (*schuldbekentenis*). The application fees were borne by the applicants.⁴⁶⁵ The average loan size was around 2,800 guilders in

⁴⁶¹ Schras, *50 Jaar Krediet-Verlening*, 29.

⁴⁶² Peeters, "The Dutch Public Credit Guarantee System."

⁴⁶³ Stoffer, *Het Ontstaan van de NMB*; In the 1930s, several members of the supervisory board were heads of national small firm associations. Source: NMB, Yearly Reports, 1930-1939.

⁴⁶⁴ Schras, *50 Jaar Krediet-Verlening*, 13.

⁴⁶⁵ Schras, 29-30.

1936.⁴⁶⁶ The crisis loans targeted a specific group by placing strict criteria for eligibility: non-agricultural firms who existed before January 1, 1930, kept books and experienced liquidity problems due to the economic situation. The strict requirements initially led to high refusal ratings (around 90%), later when the applicants self-selected more, it decreased to 60-70%.⁴⁶⁷

Because applicant firms had to cover the application fees and screening costs up front, small firms refrained from applying. Moreover, the NMB excluded loans below 500 guilders.⁴⁶⁸ Already before the crisis loans started in 1934, the Ministry and the National Crisis Committee shared the belief that small firms were in need of extra support.⁴⁶⁹ By the end of 1934, local SME associations in cooperation with chambers of commerce were setting up institutions to help small firms obtain a crisis-loan, and guarantee loans up to 500 guilders.⁴⁷⁰ The National Crisis Committee asked the Minister of Economic Affairs to support the newly formed institutions. Starting from 1936, the Ministry of Economic Affairs subsidized the newly founded PLGFs and guaranteed a part of the defaults.⁴⁷¹

The Ministry encouraged local associations to set up PLGFs according to circulated rules and articles of association.⁴⁷² Aspirant funds were locally run but needed ministerial approval and continued oversight before a government guarantee of 40% was extended.⁴⁷³ By 1936, the Ministry of Economic Affairs recognized 33 PLGFs, with two more to follow by 1938.⁴⁷⁴ Their scope was aligned with that of the local chambers of commerce. (Image 5.1)

⁴⁶⁶ *Overzicht der Geffiateerde Crisiscredieten sedert de Inwerkingtreding der Crisiscredietwet tot en met 30 juni 1936*, 2.06.071/38, NA.

⁴⁶⁷ Schras, *50 Jaar Krediet-Verlening*, 30.

⁴⁶⁸ Report of the commission on small loans, 1935, p.2, A.065/312, ING Archive.

⁴⁶⁹ Plan om steun te verlenen aan de kleine middenstand (National Crisis Committee), January 10, 1934, 2.06.071/38 NA.

⁴⁷⁰ Letter of the Bemiddelingscommissie ter verkrijging van crisiscrediet voor den Middenstand in Rijnland to the National Crisis Committee, November 23, 1934, 2.06.071/38, NA.

⁴⁷¹ Schras, *50 Jaar Krediet-Verlening Aan de Middenstand Onder Staatsgarantie 1915-1965*, 35.

⁴⁷² Handleiding voor de Borgstellingsfondsen voor Kleine Middenstanders, The Hague, 1917, 1626/2789, HUA.

⁴⁷³ Handleiding voor de Borgstellingsfondsen voor Kleine Middenstanders, The Hague, 1917, Par 1 and Par 8, 1626/2789, HUA.

⁴⁷⁴ Circular letter no. 109, December 7, 1936, A.065/312, ING Archive.

Image 5.1 All 35 PLGFs Approved by the Ministry of Economic Affairs in 1938



Source: Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, 7.

Originally, the NMB was very reluctant to participate in this set-up because they deemed that “every intermediary in this field has an unnecessarily restraining effect and the kind of clients who turn to this committee is not exactly desirable for our institution.”⁴⁷⁵ The smallest firms were excluded from credit at affordable rates and the NMB refused to fill this gap because of high costs and damage to its prestige.⁴⁷⁶ It was the Dutch government’s financial support for a group of separate, independent, semi-philanthropic institution handling all the costs and risks of lending to small firms that unlocked lending in the lowest market segment.

The NMB provided the capital, but the PLGF screened and assessed loan applications and monitored repayment of Guarantee Fund Credit (*Borgstellingsfondskrediet*). The PLGFs tried to obtain as many guarantees as possible from the borrowers and only guarantee the missing loan amount. Inventories, which since a supreme court ruling in 1929 were allowed as collateral without moving it outside of the hands of the borrower, were one of the most common forms of collateral.⁴⁷⁷ This suggests that collateral problems eased especially for retailers after 1929 and that the

⁴⁷⁵ Circular letter from the NMB Head Quarter to its Branch in Tilburg, November 8, 1935, A.065/312, ING Archive.

⁴⁷⁶ The NMB stated that they wanted to avoid being seen as a philanthropic help bank for small shopkeepers, as it would scare away larger clients, and that they did not want to bear the costs of collecting very small loan repayments. Source: Circular letter from the NMB to its Branches, February 8, 1936, A.065/312, ING Archive.

⁴⁷⁷ For example: Yearly Report of the PLGF of Veendam, 1939, 1020/4, Groninger Archief.

trade credit channel further expanded. Apart from providing credit, the PLGFs mentored entrepreneurs, offered bookkeeping services, and assisted in disputes with creditors. This plural approach stems from the observation that many applicants did not keep books and the conviction that credit in itself cannot form a long-term solution.⁴⁷⁸ But the approach was also necessary for those specific borrowers, many of whom had limited business acumen.⁴⁷⁹

The new PLGFs differed from the original ones in 1915. This time, the Dutch government intervened directly and pressured the banks (in this case the NMB) into cooperating. The PLGFs were not merely subsidized, but also controlled by the Ministry of Economic Affairs. This allowed for more focused interventions and left less room for abuse. Furthermore, it gave more control over the segmentation of the credit market and prevented debates about market distortions. During the period of subsidization there were complaints about unfair subsidization and competition distortion by the *middenstandsbanks* vis-à-vis credit unions, or the *Nationale Borgmaatschappij* vis-à-vis a private guarantee fund.⁴⁸⁰ These discussions receded when the government took control, particularly in segments which remained otherwise unserved, as happened with the PLGFs. The result was direct government intervention in the credit market and the construction of a segmented public loan guarantee segment. This construction ensured the availability of lending channels for the smallest, most opaque firms, which could form a stepping stone into the commercial circuit where better quality information, collateral, or a credit history was required.

⁴⁷⁸ “Steeds is noodig, dat de voorwaarden worden geschapen voor het verkrijgen van een helder inzicht in den gang van zaken van het bedrijf. Alleen aldus kan het lek worden opgespoord en de zakenman definitief in veiliger koers worden geloodst.” Translation: “It is always necessary that the conditions are created for obtaining a clear insight into the affairs of the company. Only thusly can the leak be traced and the businessman permanently piloted into a safer course” Source: Borgstellingsfonds Dordrecht, Yearly Report, 1941, 3.17.24/25, NA.

⁴⁷⁹ To further support existing small firms, new legislation limited inflow of new firms by requiring aspiring entrepreneurs to obtain a diploma certifying knowledge of bookkeeping, their trade or craft, plus a minimum of seed capital. This reduced competition and increased margins. The full effect of these measures only took place after World War II. Source: De Nijs, *Op Zoek Naar de Verdwenen Middenstand*, 17.

⁴⁸⁰ Letter of the Algemeene Borgmaatschappij to the Ministry of Economic Affairs, February 24, 1920, 2.06.001/4565, NA.

5.8 Conclusion

This chapter analyzed the recurring credit problems of small firms using Taketa and Udell's lending channel approach. I showed that in moments of shrinking or disappearing lending channels serving small firms, private market players such as banks did not expand their services. In turn, solutions to keep credit flowing came from small firm associations and the Dutch government who intervened to save, expand, or replace lending channels. This case study extends Taketa and Udell's framework by bringing in the government and increases the number of possible responses to changes in the credit provision.

This chapter argued that government intervention is particularly necessary in the lower segments of the credit market because the high costs and high risks associated with SME funding result in small margins and provide little incentive to supply affordable credit. This is especially the case when sufficient collateral is lacking to facilitate transaction-based lending technologies. The financial intermediaries serving small firms were highly specialized, allowing them to successfully operate in a niche. However, this also made them vulnerable to shocks and changes, and prevented them from expanding when other lending channels contracted. During such moments, initially small firm associations attempted to solve the problems through institutional scaffolding and volunteerism. However, they only succeeded when the Dutch government stepped in and expanded existing lending channels by taking risks and costs away from the lenders. The government had other goals, such as maintaining employment or ensuring the smooth functioning of the economy.⁴⁸¹ This allowed the government to make the choice to intervene on a political or social basis, rather than being bound by the economic rational of a lender. This observation expands the work by Udell and Taketa by showing that the number of possible responses can be extended outside of what is economically profitable.

The ways in which the government intervened changed over time, following the dominant ideology and past experiences. The *modus operandi* evolved from an indirect strategy using subsidies to more direct intervention in the credit market. These reflected wider trends as to how far state intervention in the economy should go, but were also

⁴⁸¹ Carnevali, *Europe's Advantage*, 196.

the result of a learning process. Negative experiences with subsidization led to the Dutch government increasingly taking control and coordinating responses. This involvement changed from laissez-faire at the end of the nineteenth century to subsidizing private initiatives in the early twentieth century and forced experiments with direct intervention during the First World War. During the 1920s, the state retreated and only intervened when pressured to do so. During the 1930s, the crisis forced a more interventionist approach, which would later become Keynesian. However, government intervention was not self-evident. It was only after lobbying from small firm associations that the government intervened. It is important to keep this observation in mind when assessing responses to changes in credit markets and financial systems, particularly when it concerns small firms.

Chapter 6: Lending and Coaching: Public Loan Guarantee Funds in the Netherlands, 1934-1978

6.1 Introduction

Micro, small and medium-size enterprises (SMEs) play a major role in most economies, especially in developing countries. SMEs are drivers of job creation and innovation.⁴⁸² However, access to finance is a key constraint to SME growth and the second-most-cited obstacle to growth in current emerging markets and developing economies.⁴⁸³ Financial intermediaries tend to find SMEs informationally opaque because they are often younger, have less quality information, and lack sufficient collateral. This makes it difficult and therefore expensive for the lender to screen and monitor applicant firms and can result in costly or limited access to debt funding for SMEs.⁴⁸⁴

To allow SMEs access to credit, the information problems need to be resolved. There are two common solutions when banks cannot (or do not want to) solve this: microfinance and public credit guarantee schemes. Microfinance institutions provide microcredit guaranteed through a “peer-monitoring system”, substituting social collateral for hard collateral.⁴⁸⁵ In this system, applicants are screened and monitored by their peers, reducing both costs and risks for the lender. Peer-monitoring can effectively prevent moral hazard but also has downsides, as it can create excessive pressure and discourage good clients from borrowing.⁴⁸⁶ The alternative is a public credit guarantee scheme where the government guarantees (a part) of the losses on loans.⁴⁸⁷ This shifts the default risks from banks to the government, making banks more willing to lend to informationally opaque micro-firms. Lenders often remain responsible for screening and monitoring borrowers, lowering the costs for the guarantee funds.⁴⁸⁸

⁴⁸² De Kok, Deijl, and Veldhuis-Van Essen, *Is Small Still Beautiful?*.

⁴⁸³ World Bank, *Small and Medium Enterprises (SMEs) Finance*, accessed November 12, 2020, <https://www.worldbank.org/en/topic/sme/finance>.

⁴⁸⁴ The seminal theoretical work is Stiglitz and Weis, “Credit Rationing in Markets with Imperfect Information.” A more recent summary of the literature can be found in: Cressy, “Funding Gaps,” 255; Banerjee and Duflo, “Giving Credit”; Beck and Demirgüç-Kunt, “Small and Medium-Size Enterprises.”

⁴⁸⁵ Mia et al., “History of Microfinance,” 707.

⁴⁸⁶ Giné and Karlan, “Group versus Individual Liability.”

⁴⁸⁷ Private credit guarantee funds provide the same service, but have difficulties surviving moments of crisis when the simultaneous default of multiple borrowers depletes the fund’s reserves. The public commitment adds to the long-term survival of the guarantee fund.

⁴⁸⁸ Gozzi and Schmukler, “Public Credit Guarantees and Access to Finance,” 107.

However, when lenders bear little to no risk, this can lead to less careful screening and monitoring, increasing the default risk for the guarantee fund.⁴⁸⁹ To remedy this problem, governments can opt to decrease the coverage ratio which increases the risk for the lender or take over the screening and monitoring activities from the lender well.⁴⁹⁰

Using the case of the Dutch Public Loan Guarantee Funds for the Middling Classes (PLGF, *Borgstellingsfondsen voor de Middenstand*) between 1937 and 1978, this chapter shows that the model combining guarantees with screening and monitoring can successfully provide credit to very small and opaque firms at limited costs, while keeping default rates under control. The PLGFs were a part of a broader subsidized system to supply small firms with credit.⁴⁹¹ This system started with the founding of SME banks in the 1900s and evolved into a broader public loan guarantee system during the Great Depression.⁴⁹² The PLGFs formed a small but important cog in this system. They guaranteed small loans based on a close screening and monitoring of loan applicants, combined with mentoring and business consultancy services to small firms. The combination helped solve a fundamental funding problem for small firms, but the funds constantly had to look for the right design and adapt to changing circumstances. The funds operated continuously between 1934 and 1978 and followed a pattern of introduction, growth, small changes, decline, and transformation. During their lifetime, the funds succeeded in serving very small firms, and the government adapted the guarantee system to ensure that rationed SMEs had access to credit. The PLGFs worked well in a specific context of limited formal lending options and low wages for staff. These are situations similar to many modern-day developing economies and can therefore be inspirational for development policy.

The chapter is structured chronologically, following the development of the funds. The second section describes the introduction of the PLGFs during the period 1935-1945, why the funds were introduced, and how they were organized. The third section deals with the expansionary period of 1945-1954. During this period, the Dutch government constructed the broader public credit guarantee system and firmly entrenched the

⁴⁸⁹ Gozzi and Schmukler, 106; Saito and Tsuruta, "Information Asymmetry."

⁴⁹⁰ Gozzi and Schmukler, "Public Credit Guarantees and Access to Finance," 108.

⁴⁹¹ Peeters, "The Dutch Public Credit Guarantee System: 1934-2020."

⁴⁹² Peeters, "Getting a Foot"; Colvin, "Organizational Determinants"; Schras, *50 Jaar Krediet-Verlening*.

PLGFs. The fourth section discusses the phase of tweaking between 1954 and 1965. On the surface, the PLGFs changed little during this period, but in the background, there were some impactful modifications. The fifth section explains the decline of the PLGFs in the period 1966-1973. The funds' limited adaptability made them lose out. The sixth section analyzes the restructuring of the PLGFs between 1969 and 1978. The credit tasks were transferred to the Dutch SME Bank, while the business services continued in the Regional Service Centers for Small Firms. The seventh section concludes.

6.2 Start and the Second World War, 1935-1945

The Dutch public credit guarantee system finds its origins in the Great Depression. Many firms experienced a decrease in turnover due to the recession and were in need of funding to bridge this period. In 1933, after lobbying from the three national SME associations, the Minister of Economic Affairs stated it was willing to support additional credit provision to SMEs with liquidity problems.⁴⁹³ A year later, the Ministries of Finance and of Economic Affairs, together with the Dutch SME Bank (NMB, *Nederlandsche Middenstandsbank*), set up the crisis loans (*Crisis Crediet*) for SMEs with liquidity problems.⁴⁹⁴ The NMB provided the capital for the loans and screened the applicants while the government guaranteed the losses on the loans.

The NMB became the central credit-granting institution in the emerging public credit guarantee system. According to Schras (former director of the NMB), the ministers chose the NMB for several reasons. First of all, they wanted to finance these interventions with private capital rather than use large amounts of state funds. Second, the ministers reasoned that the decision to screen loan applications would be better handled by institutions with relevant expertise regarding SME finance, in this case a bank which specialized in that sector and had good relations with small firm associations.⁴⁹⁵ Third, the government sat on the board of the NMB and could thus easily monitor the bank's behavior and portfolio.⁴⁹⁶

⁴⁹³ Letter of the Minister of Economic Affairs to the Middenstandsraad, September 28, 1933, 2.06.071/38, NA.

⁴⁹⁴ Schras, *50 Jaar Krediet-Verlening Aan de Middenstand Onder Staatsgarantie 1915-1965*, 29.

⁴⁹⁵ J. Stoffer, *Het Ontstaan van de NMB*; In the 1930s, several members of the supervisory board were heads of national small firm associations. Source: NMB, Yearly Report, 1930-1939.

⁴⁹⁶ Schras, *50 Jaar Krediet-Verlening*, 13.

The crisis loans excluded the smallest firms and most opaque firms. Loans below 500 guilders did not take place, and bookkeeping was mandatory in order to be eligible. Moreover, the fact that the screening costs were transferred to the borrower prevented many small firms from applying.⁴⁹⁷ The NMB's assessment was purely economic, whereas very small, opaque firms needed a more social/personal approach.⁴⁹⁸ In response, the National Crisis Committee, supported by the *Middenstandsraad*, asked the Minister of Economic Affairs to support loan guarantee funds that were being set up by local small firm associations and chambers of commerce.⁴⁹⁹ The plan was to expand the smallest firms' access to small loans by reducing monitoring costs and taking away risks from the feeble NMB.⁵⁰⁰ Starting from 1936, the government provided subsidies and guarantees to the newly established PLGFs.⁵⁰¹

From then on, things moved fast. The Ministry of Economic Affairs urged local officials and associations to establish a fund. To ensure uniformity among the new and existing funds, the Ministry circulated pamphlets with standard articles of association, and instructions on how to run the fund.⁵⁰² Furthermore, each fund had to be approved by the Minister and run in accordance with the rules set out by him, before the national government would extend a guarantee to the fund.⁵⁰³ By December 1937, the Ministry of Economic Affairs had recognized 33 PLGFs across the Netherlands. Two more followed by 1938.⁵⁰⁴ Their scope was aligned with local chambers of commerce, which were assigned territories with a relatively homogenous economic structure.⁵⁰⁵ This organization of chambers of commerce explains the larger working areas in the mostly rural East compared to the more heterogenous industrial West. (Image 6.1) About half of the funds were in Noord-Holland, Noord-Brabant, and Zuid-Holland.

⁴⁹⁷ Letter of the Middenstandsraad to the NMB, September 9, 1936, A.064, 128, ING Archive.

⁴⁹⁸ Letter of the ad hoc investigative committee to the Middenstandsraad, s.d. 1935, p.2, A.065/312, ING Archive.

⁴⁹⁹ Letter of the National Crisis Committee to the Minister of Economic Affairs, December 18, 1934, 2.06.071/38, NA.

⁵⁰⁰ Plan om steun te verlenen aan de kleine middenstand (National Crisis Committee), January 10, 1934, 2.06.071/38 NA.

⁵⁰¹ Schras, *50 Jaar Krediet-Verlening*, 35.

⁵⁰² Handleiding voor de Borgstellingsfondsen voor Kleine Middenstanders, The Hague, 1937, 1627/2789, HUA.

⁵⁰³ Handleiding voor de Borgstellingsfondsen voor Kleine Middenstanders, The Hague, 1937, Par 1 and Par 8, 1627/2789, HUA.

⁵⁰⁴ Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, 7.

⁵⁰⁵ Clerx, "De Kamers van Koophandel," 2; Everwijn, *Handelsregister*, 1.

Image 6.1 Distribution of the 35 Public Loan Guarantee Funds



Source: Westerwoudt, *Geschiedenis Der Borgstellingsfondsen Voor de Middenstand in Nederland van 1936 Tot 1981*.

The PLGFs had two goals: one, to help viable firms that had gotten into trouble due to the economic depression by screening small loan applications and pledging guarantees on granted loans;⁵⁰⁶ and two, to educate small entrepreneurs, provide them with bookkeeping services, and assist them in disputes with their creditors. This dualistic approach stemmed from the conviction that credit alone could not form a long-term solution. The PLGF of Dordrecht wrote, “It is always necessary that the conditions are created for obtaining a clear insight into the affairs of the company. Only thusly can the leak be traced and the businessman permanently piloted towards a safer course.”⁵⁰⁷

The PLGFs handled only one type of credit, the Guarantee Fund Credit (*Borgstellingsfondskrediet*). To prevent helping unviable firms that were started because of the crisis, only firms established before January 1, 1932 could apply (meaning five-year-old firms). Loans were provided by the NMB or municipal loan/pawn banks if there was no branch of the NMB present.⁵⁰⁸ The PLGFs guaranteed the entire loan value to the NMB. Theoretically, this leads to higher defaults but the government decided against a

⁵⁰⁶ Lichtenauer, “De Invloed van de Crisismaatregelen: Op Het Bedrijfsleven in Het Algemeen En Het Middenstandsbedrijf in ’t Bijzonder,” 48.

⁵⁰⁷ “Steeds is noodig, dat de voorwaarden worden geschapen voor het verkrijgen van een helder inzicht in den gang van zaken van het bedrijf. Alleen aldus kan het lek worden opgespoord en de zakenman definitief in veiliger koers worden geloofst.” Source: Borgstellingsfonds Dordrecht, Yearly Report, 1941, 3.17.24/25, NA.

⁵⁰⁸ Maassen, *Tussen Commercieel En Sociaal Krediet*, 256.

lower coverage ratio because it made the system overly complex.⁵⁰⁹ To prevent excessive risk-shifting, the PLGFs performed all administrative tasks such as screening applications, monitoring repayments, and producing statistics on lending activities. Modern-day literature argues this makes guarantee funds more expensive, but contemporaries argued that providing these tasks was necessary because the NMB did not want to bear the extra costs of screening firms without any bookkeeping or extend tailored advice and business consultancy services in case the loan application was rejected.⁵¹⁰

The funds on the other hand used the combination to lower their marginal costs. By combining screening and advice, every applicant firm would receive some form of service and the information generated during the screening process could be recuperated in case the loan application was rejected. The combination made it possible to help even the absolute smallest and most opaque firms at reasonable costs. The funds in general were frugal. They only employed a small staff, and the boards were unpaid. To lower costs, meetings were usually held in the city hall or the building of the chamber of commerce. This also helped applicants more easily find their way to the funds, as this was the place of registration for new firms in the trade register.⁵¹¹

The PLGFs were allowed to guarantee individual loans up to 500 guilders. The average guaranteed loan was just over 300 guilders between 1937 and 1939. This amount was between 25 and 40% of the applicants' yearly household income.⁵¹² The PLGFs bridged a gap at the lower end of the credit market. Below them were local, semi-philanthropic credit institutions, such as *Volkscredietbanken* (people's credit banks) or *Hulpbanken* (help banks), offering consumer and productive loans of 100-150 guilders, on average.⁵¹³ Directly above the PLGFs were the government-guaranteed crisis loans (500 – 10,000 guilders), followed by the NMB's commercial lending to transparent SMEs.

⁵⁰⁹ In 1915, the Dutch government guaranteed 90% of the loans provided by banks, but this caused lots of complications and disputes in practice. Therefore, they opted to fully guarantee loans. Source: Letter of the Middenstandsraad to the National Crisis Committee, January 10, 1934, p.5, 2.06.071/38, NA.

⁵¹⁰ Letter from the ad hoc investigative committee to the *Middenstandsraad*, s.d. 1935, p.2, A.065/312, ING Archive; Letter of the NMB to its branches, February 8, 1936, A.065/312, ING Archive.

⁵¹¹ Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, 10.

⁵¹² Verwey-Jonker, "Lage Inkomens," 152. This sources looks at the incomes of PLGF applicants in particular.

⁵¹³ De Vicq and Van Bochove, "Lending a Hand."

The average NMB loan in 1938 was around 3,600 guilders.⁵¹⁴ The PLGFs functioned as a downward extension mechanism in the public credit guarantee system, making credit available to the smallest most opaque firms. The NMB required applicant firms to provide proper accounts, whereas the PLGFs were set up to investigate all applicants in-depth, provide guidance and help firms keep books.

The funds aimed to select viable firms regardless of whether they kept books or had collateral. Quantitative evidence for the PLGF of Amersfoort suggests that they held true to that goal and that bookkeeping was not a deciding factor.⁵¹⁵ The funds managed to do so by investing a lot of time and effort in screening. Most funds employed a permanent staff of a director and an assistant to review applications and assist entrepreneurs. The decisions on loans were made by the boards, comprising the fund's director and members of small firm associations, local business networks, and municipal administrations. The local embeddedness of the board and managers helped the funds to overcome information asymmetry and to select eligible firms.⁵¹⁶ The review process could differ between funds in this early phase. Generally, the director of the fund, together with an assistant, handled the applications and made sure all the forms were filled in correctly (usually this required extra investigative efforts on site). Often, the municipalities or local police were asked to provide information about the moral and economic situation of the applicants.⁵¹⁷ Then, the director made a suggestion to the board about whether to grant the loan. The decisions always rested with the board, but in some funds the board always followed the director's suggestions, whereas in other funds the board only considered the quantitative information and the application forms.⁵¹⁸ Over time, the decision process was unified across funds and relied on both the quantitative and qualitative info.

The loans were affordable, but not cheap. The interest rate on the guaranteed loans was set by the Ministry in consultation with the NMB at 5%. This was comparable to

⁵¹⁴ NMB, Yearly Report, 1939, p.10. For an overview of the segmentation of the credit market, please turn to Chapter Five of this dissertation.

⁵¹⁵ See Appendix.

⁵¹⁶ This argument is similar to that of the Cooperative Banks and is also made in: Gozzi and Schmukler, "Public Credit Guarantees and Access to Finance," 104. In the case of the Dutch funds, I have not been able to confirm this statistically, but I suspect this is because of poor data quality.

⁵¹⁷ For example, in Registers met gegevens over de kredietverstrekking aan ondernemers, 1937-1946, 401/121-122, HUA.

⁵¹⁸ Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, 14.

market rates for small loans, calculated as the *promesse disconto* of the *Nederlandsche Bank* (DNB, Dutch National Bank) of 2.5% in 1937, plus 1 to 2% and a small turnover provision of 1/8% or credit provision of 1%.⁵¹⁹ For the NMB, this was a good deal, since the loans were risk-free and nearly costless. The high interest rate most likely convinced the NMB to participate, as they were initially very reluctant.⁵²⁰ Additional costs for firms were an application fee of maximum 2.5 guilders⁵²¹ and stamp duty. Funds were allowed to charge the applicant for extra screening costs, but not to charge any provisions on the loan.⁵²²

After the guarantee was granted, the bank collected repayments, but the funds remained responsible for monitoring repayments.⁵²³ These funds kept track of monthly repayments, knew exactly who was falling behind, investigated why they were falling behind, and (if necessary) offered assistance. It was in the funds' interest to avoid defaults. By being liable for 60% of defaults,⁵²⁴ the funds had skin in the game. Therefore, they screened thoroughly and extended guarantees conservatively. The rule that only firms older than five years were eligible already led to selection of more viable firms, and the oversight by the Ministry of Economic Affairs ensured no excessive risk-taking or leveraging took place. As a result, the default rates of the Guarantee Credits were low. In 1937, 2.5 % of the guaranteed amount was late in their payments, but only 0.8% of the guaranteed amount was lost in default.⁵²⁵

The PLGFs were made dependent on public governments by limiting the possible income from screening and monitoring activities. Additional funding came from contributions by the participating municipalities, chambers of commerce, and provinces. The size of the contribution was linked to the number of inhabitants. Because only a handful of municipalities participated, the funds' income was limited. This limitation in turn limited the maximum outstanding amounts that funds could

⁵¹⁹ CBS, Geld- en Kapitaalmarkt, 1900-2002, 2020. (CBS Statline, Dataset 37758). The calculation is for credit provided in current account. The reference interest rate for the funds was stated in: Letter from the *Middenstandsraad* to the National Crisis Committee, s.d. 1935, p.2, A.065/312, ING. After the Second World War, the interest rate was the DNB *promesse disconto* plus 1,5 to 2,5%. See: Snoep, *Het Bankwezen: Schetsen over Bank En Cliënt*, 67.

⁵²⁰ Circulaire from the NMB to its Branches, February 8, 1936, A.065/312, ING Archive.

⁵²¹ Ca. 15-25 euro in 2018. Source: IISG, Waarde van de Gulden/ Euro, www.iisg.nl/hpw/calculate-nl.php.

⁵²² Circulaire Borgstellingsfondsen 1937, p.13, 1627/2789, HUA.

⁵²³ Examples of a repayment booklet can be found in: 80/29, NHA.

⁵²⁴ In case of default, the PLGF would pay out the required amount from their reserves.

⁵²⁵ Borgstellingsfondsen voor den kleinen middenstand, Maasbode, July 7, 1938, A.0065/312, ING Archive.

guarantee (defined as 2.5 times the estimated net income of the following year). Nonetheless, most funds did not exceed their maximum guarantees due to the low number and quality of applicants. Additional funding came from application fees and donations from local associations. Initially, the funds were incentivized to have operational surpluses and to build up reserves. The loan defaults were covered by the state guarantee (40%) and the funds' reserves (normally 60%). Occasionally, municipalities made additional guarantees on defaults. The mix of funding sources made sure that there were multiple interests exerting oversight. Municipalities, chambers of commerce, provinces, and the Ministry all kept an eye on the functioning and costs of the PLGFs.

By the end of 1937, national, provincial, and local governments, together with chambers of commerce, had put about 120,000 guilders into the funds, which together guaranteed about 260,000 guilders.⁵²⁶ As a comparison, the NMB, a mid-size bank, had a total lending portfolio of 17.2 million guilders in 1937.⁵²⁷ While the guaranteed amounts pale in comparison to the NMB, the PLGFs in their first two years of operation helped nearly a thousand small entrepreneurs. The NMB provided nearly two thousand loans in the same time span.⁵²⁸ The difference in size is noticeable, yet similar levels of activity indicate that the PLGFs really operated in the lowest possible productive credit market segment. They helped firms that had no chance of obtaining a loan directly from the NMB, even with a government guarantee.

Initially, the funds needed some time to familiarize themselves with their clientele. Despite a decent amount of media attention in local newspapers and trade journals, the number of applications was relatively low and came from mostly unviable applicants.⁵²⁹ During the first year of operation in 1937, each fund on average only received 135 applications (around 2.6 per week), of which only 25% were granted.⁵³⁰ The initial high

⁵²⁶ Jaarcijfers Borgstellingfondsen, 1936-1937, 2.06.073/992, NA.

⁵²⁷ NMB, Yearly Report, 1937, p.8.

⁵²⁸ 1935: 754, 1936: 877, 1937: 1070 loans, source: NMB, Yearly Report, 1936, p.9 and NMB, Yearly Report, 1937, p.8.

⁵²⁹ According to Delpher (the most complete database of Dutch newspapers), at least 1,142 articles mention the PLGFs in 1937. Mostly in discussions and updates about local funds and not in specific articles about the PLGFs.

⁵³⁰ Average based on the PLGFs of Leiden (3.17.14/185, NA), Delft (3.17.14/2, NA), Vlaardingen (3.17.23/8, NA), Dordrecht (3.17.24/25, NA), Gouda (3.17.10/4, NA), Utrecht (369/6, HUA), Amersfoort (401/17, HUA), Venlo (07.111/2, RHC Limburg), Roermond (07.112/1, RHC Limburg), Zwolle (328/14, HC Overijssel),

refusal rate was partially because only firms located in municipalities that participated in the costs of the funds were eligible, and most municipalities only joined after World War II. The other reason was that many applicant firms were recently established or non-viable firms hoping to obtain credit. The number of applications rose as the funds became better known and gained local firms' trust. By 1938, the crisis had waned, and the funds were made more permanent by removing the crisis element from their mission statement. The eligible group was widened to firms at least three years old.⁵³¹ Additionally, there were attempts to make the funds more appealing by lowering the application and loan costs. In 1939, the interest rates on the loans decreased from 5 to 4.5%, and a year later the funds were exempted from stamp duty. The Ministry's aim was to "psychologically" support the borrowers.⁵³² In 1939, the funds provided 1,160 guarantees, while the NMB provided a total of 1,833 loans.⁵³³ The success rate improved slightly as firms self-selected and the number of participating municipalities expanded. By 1941, 35% of the applications were honored.⁵³⁴

World War II interrupted the premature growth of the PLGFs. The war rationings made it difficult for people to spend their money, resulting in a liquidity glut and forced savings. This led to a dearth of applications because firms had too much cash on hand and too few opportunities to invest.⁵³⁵ The lack of work led to idle capacity in the funds and made them relatively more expensive. In 1938, 0.5 guilders of subsidy mobilized one guilder in loans. By 1941, more than three guilders were needed to mobilize one guilder (Figure 6.1). In 1942, Rost van Tonningen, the Nazi-appointed Minister of Finance and president of the Dutch National Bank, proposed to integrate the PLGFs into the NMB.⁵³⁶ The NMB and T.P. van der Kooy, the deputy secretary-general of the department of

Leeuwarden (12-01/3346, Tresoar), Veendam (1020/4, Groninger Archief) and Rotterdam (6-04/5021, SAR); Borgstellingsfondsen voor den kleinen middenstand, Maasbode, July 7, 1938, A.0065/312, ING Archive,

⁵³¹ Schras, *50 Jaar Krediet-Verlening Aan de Middenstand Onder Staatsgarantie 1915-1965*, 41.

⁵³² Stukken betreffende het borgstellingsfonds en borgstellingskrediet, met handleiding, 1935-1961, A.065/312, ING Archive.

⁵³³ Borgstellingsfondsen Jaarverslag 1939 and NMB, Yearly report 1939, 2.06.073/992, NA.

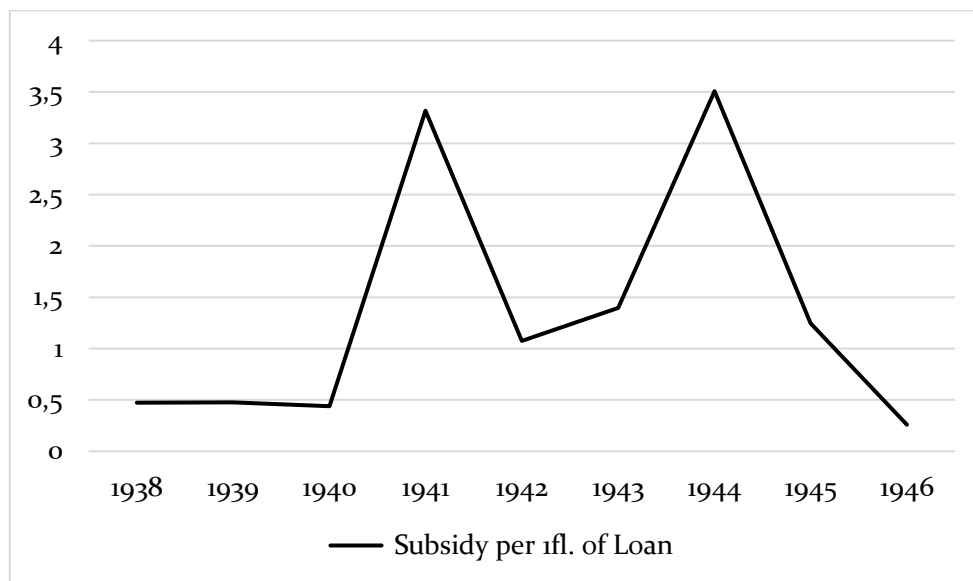
⁵³⁴ Average based on the PLGFs of Leiden (3.17.14/185, NA), Vlaardingen (3.17.23/8, NA), Dordrecht (3.17.24/25, NA), Amersfoort (401/17, HUA), Venlo (07.111/2, RHC Limburg), Maastricht (07.107/7, RHC Limburg), Roermond (07.112/1, RHC Limburg), Heerlen (07.113/11, RHC Limburg), Zwolle (328/14, HC Overijssel), Leeuwarden (12-01/3346, Tresoar), Veendam (1020/4, Groninger Archief) and Rotterdam (6-04/5021, SAR)

⁵³⁵ Yearly Report PLGF of Amersfoort 1943, p.4, 401/17, HUA.

⁵³⁶ Nota betreffende de weerlegging van een voorgestelde opheffing van de borgstellingsfondsen, met bijlagen, 1942, 2.06.001/10809, NA.

trade, industry and shipping, moved against this proposal. They argued that it would be impractical and that the main task of the PLGFs had moved away from guaranteeing credits to providing advice. The PLGFs provided services that worked best when decentralized. This decentralization caused costs that commercial banks would avoid.⁵³⁷ Some municipalities no longer saw sufficient value in the PLGFs and cancelled their cooperation.⁵³⁸ In The Hague, the salary of the director was lowered to cut costs.⁵³⁹

Figure 6.1 Subsidy per Guilder Loaned, 1938-1946



Source: Yearly Reports of PLGFs, 2.06.072-73, NA.

Van der Kooy and the NMB won. The PLGFs continued as semi-independent institutions, but only because the PLGFs sought extra tasks to make use of idle capacity and therefore remain relevant.⁵⁴⁰ The German occupier stimulated the closure of small firms, and the PLGFs volunteered to help small firms close and reorganize the SME

⁵³⁷ “Het zwaartepunt der werkzaamheden is juist in deze richting verlegd. [buiten de feitelijke credietgeving] Hiermede hebben de Fondsen een taak op zich genomen welke, naar het wil voorkomen, nimmer door een bankinstelling kan worden overgenomen. Het apparaat van een dergelijke instelling leent zich niet voor een sterk gedecentraliseerd werk buitenshuis en het is bovendien zeer de vraag of een commercieel geleide bank de hieraan verbonden kosten voor haar rekening zal kunnen nemen.” Source: Noa voor den Heer Dr. Van der Kooy, May 20, 1942, 2.06.001/10809, NA.

⁵³⁸ Notulen van de vergadering van de ondervakgroep Regionale Borgstellingsfondsen, September 1, 1943, 2.06.001/10858, NA.

⁵³⁹ Notulen van de vergadering van de ondervakgroep Regionale Borgstellingsfondsen, November 1, 1943, 2.06.001/10858, NA.

⁵⁴⁰ Notulen van de vergadering van het Dagelijksch Bestuur der ondervakgroep Regionale Borgstellingsfondsen, May 30, 1944, 10858/2.06.001, NA.

sector.⁵⁴¹ In 1944, the directors of the PLGFs previewed the funds' position in a postwar situation. The funds wanted to be prepared for a new situation in which their help would be needed, and they expected there to be a place for small entrepreneurs as demand picked up after the war.⁵⁴² Similarly, the NMB expected the country needing reconstruction and studied potential guarantee schemes to kickstart the economy during peacetime.⁵⁴³

6.3 Expansion, 1945-1954

The PLGFs' expectations became reality after 1945. The end of World War II caused a spike in the demand for credit. Firms needed funds to replace lost capital goods and replenish stocks, while rising prices and increased taxes limited free cashflows.⁵⁴⁴ Moreover, the Dutch National Bank restricted credit expansion to prevent inflation.⁵⁴⁵ Because the NMB had already prepared plans during the war, the government could proceed quickly.⁵⁴⁶ To ensure that firms had access to credit, while also maintaining control over the amount of credit given, the government channeled SME loans for reconstruction and modernization through the PLGFs and the NMB. Additionally, to ease pressure on government expenditure, the government used the NMB and the PLGFs between 1946 and 1950 to provide state-guaranteed advances on promised state payouts for war damages.⁵⁴⁷ Until 1956, loans provided through the guaranteed credit system were not subject to the Dutch National Bank's credit controls, but provided at the government's discretion.⁵⁴⁸

⁵⁴¹ Notulen van de algemeene ledenvergadering van de ondervakgroep Regionale Borgstellingsfondsen, January 26, 1944, 2.06.001/10858, NA.

⁵⁴² Notulen van de algemeene ledenvergadering van de ondervakgroep Regionale Borgstellingsfondsen, January 26, 1944, 2.06.001/10858, NA.

⁵⁴³ Schras, *50 Jaar Krediet-Verlening*, 59.

⁵⁴⁴ NMB, Yearly Report, 1948, p.11-12; NMB, Yearly Report, 1950, p.11; NMB, Yearly Report, 1952, p.25;

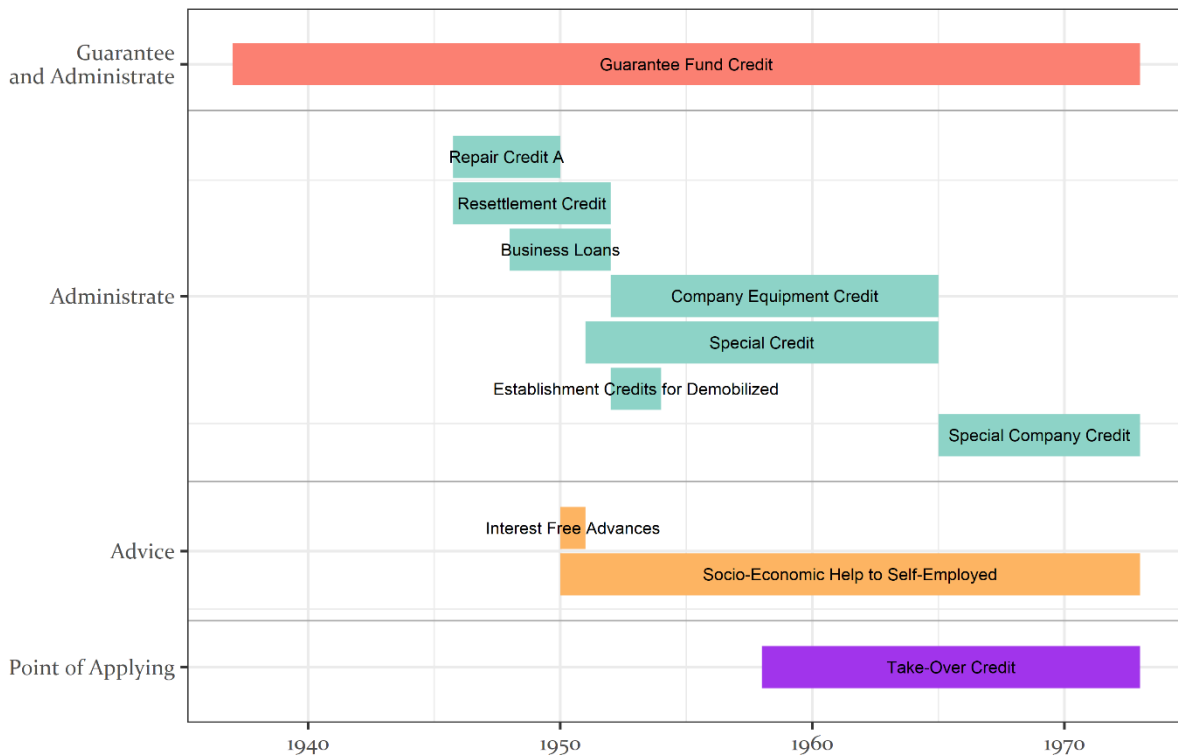
⁵⁴⁵ Hodgman, "Credit Controls in Western Europe," 137-61; Monnet, *Controlling Credit*, 263; Blom, "Credit Controls in the Netherlands," 141; Barendregt and Visser, "Towards a New Maturity," 171 and 187.

⁵⁴⁶ Schras, *50 Jaar Krediet-Verlening*, 59.

⁵⁴⁷ Between 1946 and 1950 under the banner of Repair Credits (*Herstelcredieten*). Starting from 1948, the PLGFs also handled the applications (up to an allowed maximum value) for the Resettlement Credits for Returnees (*Wedervestigingskrediet voor gerepatrieerden*) and Business Loans for Demobilized Persons (*Zakelijke Bedrijfskredieten voor Gedemobiliseerden*). See: Schras, 40 and 63.

⁵⁴⁸ Schras, 16.

Figure 6.2 Tasks of the PLGFS by type, 1937-1973



Source: Yearly Reports of the PLGF of Amersfoort, 1937-1978, 401/17-19, HUA.

Between 1946 and 1958, the PLGFs were allocated an increasing number of tasks in accordance with the NMB's plan (Figure 6.2). During this period, as a part of its supportive policies for small firms, the Dutch government actively expanded the existing public credit guarantee system with multiple new types of guarantees and institutions.⁵⁴⁹ In 1949, the NMB again took the initiative to expand the guarantee system to all viable firms, beyond those affected by the war.⁵⁵⁰ In 1952, the credit types were revised and made more durable.⁵⁵¹ The credit types after 1952 marked a change from before. These were indefinite commitments of the government to help small firms, not short-term aid in the form of credit.

The PLGFs continued to function as an extension of the NMB dealing with micro-firm applicants while the NMB handled larger loans. But the additional tasks made the PLGFs more relevant, busier and more impactful in their core area: helping small firms

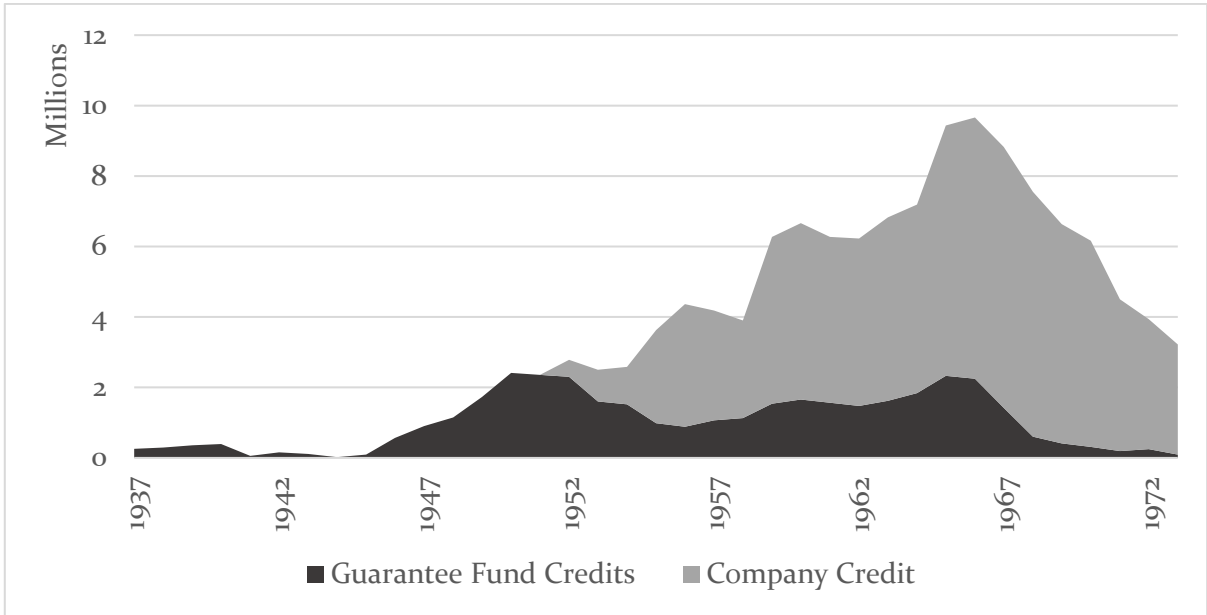
⁵⁴⁹ Ministerie van Economische Zaken, "Middenstandsnota 1954," 9.

⁵⁵⁰ NMB, Yearly Report, 1949, p.11.

⁵⁵¹ The Interest Free Advances, Resettlement Credits and Business Loans ended and were replaced by the Special Credit (*Bijzonder Krediet*) and Company Equipment Credit (*Bedrijfsuitrustingskrediet*). The PLGFs only had a minor advisory task regarding Socio-Economic Help to Self-Employed.

obtain affordable credit. A nearly yearly increase in the maximum individual loan size that the PLGFs were allowed to guarantee further strengthened their relevance (Figure 6.6). The new types of loans proved instantly in demand. Figure 6.3 shows a shift away from the Guarantee Fund Credits. Perhaps there was some substitution by the funds, since the Special Credits and Company Equipment Credits were fully guaranteed by the government, whereas the Guarantee Fund Credits were not. An alternative explanation is that the goals of the new loan types were more in line with firms' needs.

Figure 6.3 Value of Newly Granted Guarantee Fund Credits and Company Credits in Nominal Guilders, 1937-1973



Source: Yearly Reports of PLGFs, 2.06.072-73, NA and Statistical Yearbooks of the Netherlands, 1947-1976

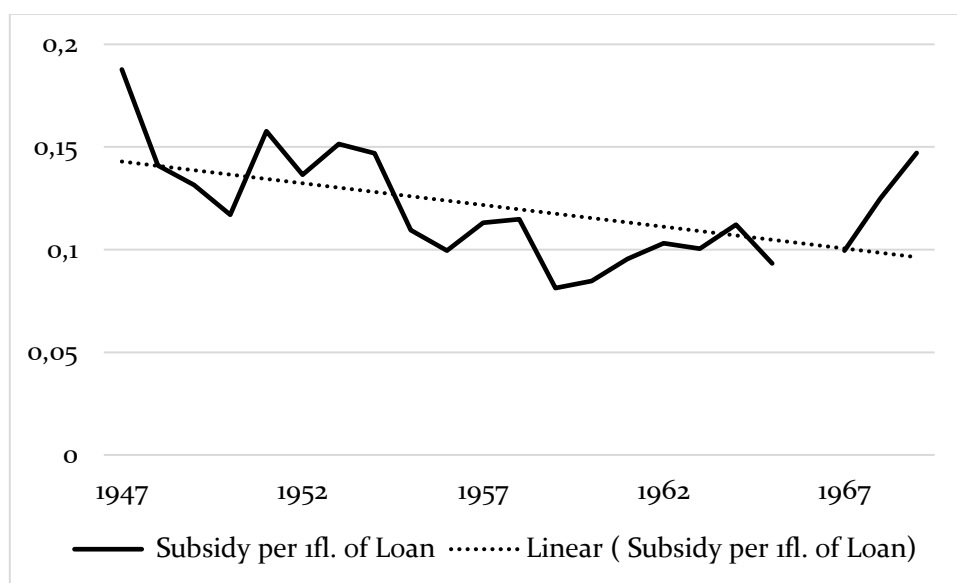
The number of granted guarantees increased from 50 in 1944 to 989 in 1947 and 2,224 in 1950.⁵⁵² The total guaranteed amount followed from around 72,500 guilders in 1945 to 2.8 million guilders by 1950.⁵⁵³ This increase in applicants allowed the funds to make better use of their capacity, lowering their marginal costs. In 1946, it cost 26 cents of subsidies to lend out one guilder. By 1950, this was only 12 cents (Figure 6.1 and Figure 6.4). The funds became a leverage tool again and proved a cheap way to unlock credit for small firms.

⁵⁵² CBS, Jaarcijfers voor Nederland, 1947-1950; The funds did not register how many Repair Loans, Resettlement Loan, or Business Loans they provided. Therefore, these applications are an underestimation of the real amount of work the PLGFs did.

⁵⁵³ CBS, Jaarcijfers voor Nederland 1947-1950.

Even though this was a period of growth and rapidly increasing demand for guaranteed credit, the PLGFs had no difficulties in meeting demand.⁵⁵⁴ Most funds did not come close to exhausting their capacity. In 1953, when there was a peak in the number of applications, PLGFs on average used only 54% of their maximum amount outstanding. Still, there were large differences between funds. In general, the funds in the economic core region of the Netherlands made more use of their capacity, while those in more sparsely populated areas made less use of it.⁵⁵⁵ Perhaps because rural firms were excluded from applying, the number of potential clients in rural areas was lower. Still, the differences are hard to explain, as places like Zaandam (close to Amsterdam) and Dordrecht (close to Rotterdam) barely made use of their capacity, whereas 's-Hertogenbosch and Delft did.⁵⁵⁶ Depending on the location, PLGFs played larger or smaller roles in local financing.

Figure 6.4 Subsidy per Guilder Loaned, 1947-1969



Source: Yearly Reports of PLGFs, 2.06.072-73, NA.

⁵⁵⁴ The NMB's loan portfolio more than tripled between 1937 and 1947, and it increased from 42 to 67 million between 1947 and 1952. Source: NMB, Yearly Report, 1952, p.16.

⁵⁵⁵ The funds of Gouda, Leiden, Alkmaar, The Hague, and Nijmegen exceeded their legally allowed capacity, of Groningen, Terneuzen, and Meppel barely made use of it. Uitzetcapaciteit Borgstellingsfondsen voor 1950, s.d., 2.06.073/992, NA.

⁵⁵⁶ Uitzetcapaciteit Borgstellingsfondsen voor 1950, s.d., 2.06.073/992, NA.

Aside from layering tasks, the PLGFs also experienced changes to their financing structure. In fact, it was those changes that allowed the funds to grow and guarantee more loans. Until 1947, the funds' income was unrelated to their operations, causing some funds to build up superfluous capital reserves. The remedy this, the funds asked for an overhaul of the financing structure.⁵⁵⁷ From 1947 onwards, the funds shifted from building capital through surpluses to consistent operational losses. The operating costs were covered through subsidies by the national government, chambers of commerce, and guarantees by the municipalities, together with fees and interests on reserve capital. The reserve capital served to cover parts of eventual defaults. If the PLGFs made losses, and the new set-up nearly guaranteed they would, these were covered up to a set maximum by the contributing governments.⁵⁵⁸

The changes meant that funds were discouraged from cutting costs or making profits. The share of own income, largely derived from application fees and interests on (reserve) capital, slightly decreased over time.⁵⁵⁹ Despite using more subsidies, the funds became more efficient. The average cost per guilder loaned and the default rate decreased throughout this period (Figure 6.4 and Figure 6.5). This is probably thanks to the increased workload which made more use of the funds' capacity, strict monitoring of the funds by the Ministry and local governments, and the increased knowledge sharing between funds. From 1947 onwards, the funds' directors started sharing best practices on a monthly basis, on top of the regular meetings with the state secretary.⁵⁶⁰

6.4 Tweaking, 1954-1965

After 1954, the PLGFs institutionally stabilized. They were operating smoothly, the administrative procedures were optimized, and there were few changes to their tasks. Between 1950 and 1970, the Dutch economy experienced an economic boom with rapidly

⁵⁵⁷ Overzicht Borgstellingsfondsen, 1956, 2.06.073/993, NA.

⁵⁵⁸ To cover any losses, the government designed a uniform system where funds could run deficits up to 3.25 cents per inhabitant of the fund's area, paid for by the municipality, province and chamber of commerce (respectively 60/30/10 %). The municipalities contributed 1.95 c/inh, the Province 0.975 c/inh, and Chambers of Commerce 0.325 c/inh. These operational deficits included 50% of losses on guarantees (down from 60%). The other half was covered by the national government. The maximum amount of outstanding guarantees was disconnected from the estimated net income of the fund and connected to the number of inhabitants in the fund's area. Source: 401/18-19, HUA.

⁵⁵⁹ Yearly Reports of Borgstellingsfondsen, 2.06.072/456 and 2.06.073./992-994, NA.

⁵⁶⁰ Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, 14.

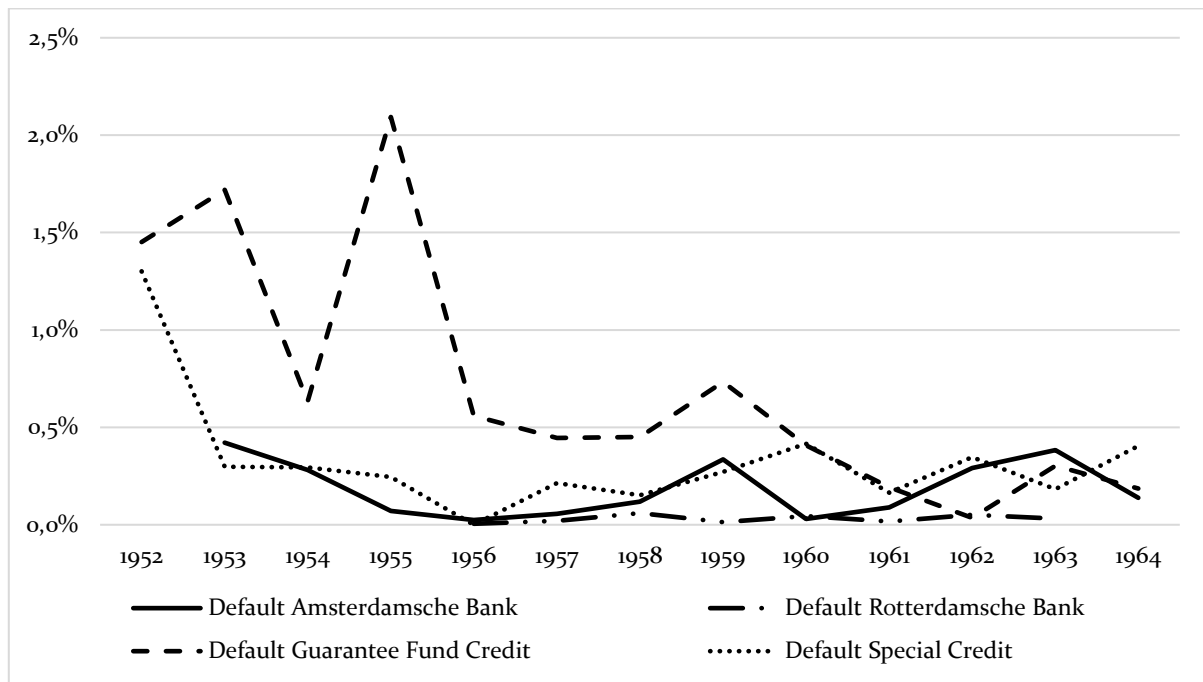
rising labor productivity. The broader guarantee credit system, which guaranteed 600 million guilders or 0.5% of Dutch GDP by 1970, contributed to this development, by supporting viable SMEs and stimulating unviable ones to close shop.⁵⁶¹ The PLGFs played only a marginal part in this system, in terms of size. They handled about 5,000 applications and guaranteed around 1,500 loans per year during the 1950s. However, regardless of size, the PLGFs helped fill a gap for the smallest firms in a cost-efficient manner. They managed to select good credit risks, help firms graduate into the regular credit market, and provide assistance to non-viable firms.

The strict screening helped the funds keep default rates low (Figure 6.5). Between 1952 and 1965, the average default rate of Guarantee Fund Credits and Special Credits was only 0.5%. The defaults on Guarantee Fund Credits were slightly higher than the default rates on loans of two large commercial banks in the same period. The Special Credits granted through the PLGFs had nonetheless similar default rates as the Amsterdamsche Bank, despite operating in a much riskier credit market segment.⁵⁶² (Figure 6.5) After 1956, the difference in default rates was small and the defaults were very low for all institutions. This indicates that the PLGFs were successful in selecting good credit risks at low costs.

⁵⁶¹ CBS, Jaarcijfers voor Nederland 1953-1976. Since 1966, the government is giving owners of small unviable firms a 24-month payout of 75% of their previous wage, in return for stopping their business. Source: Yearly report of the Borgstellingsfonds Amersfoort 1970, 401/19, HUA.

⁵⁶² Figure 6.5: Special Credits and Company Equipment Credits are shown together. This is to keep continuity with the post 1965 period, when both types of credit were merged into Special Company Credit.

Figure 6.5 Default Rates of Different Loan Types, 1952-1965



Source: CBS, Statistical Yearbook of the Netherlands, 1952-1967 and internal documents of the Amsterdamsche Bank (2.18.32/1382, NA) and Rotterdamsche Bank (2.18.33/1070 and 2626, NA)⁵⁶³

In 1958, the PLGFs re-examined the 1947 financing reform.⁵⁶⁴ All in all, the funds were happy with the system and considered it an improvement from the previous one. However, the system caused unwanted effects. These had mostly to do with the alignment of incentives. First, funds were encouraged to take losses, which took away incentives to run the funds more effectively and efficiently, since funds could not reap the benefits of such efforts. Second, the concerns about costs moved from the funds to the funding governments, which increased governmental influence and undermined funds' independence. Last, the PLGFs claimed that, because the maximum guarantee amount per fund depended on the number of inhabitants, which was relatively constant, insufficient possibilities remained for funds to develop or expand their services on a sound financial footing.

The PLGFs proposed an alternative funding system that was not influenced by the operational results but was correlated with the real costs and operations. The idea was

⁵⁶³ Default rates are calculated as the number of defaults divided by the amount of outstanding loans per year.

⁵⁶⁴ The info for the following two paragraphs comes from: Bestuursvoorstel betreffende een gewijzigde subsidieregeling voor de Borgstellingsfondsen voor de Middenstand, 1958, 2.06.073/993, NA.

to have “goal subsidy” (*doelsubsidiëring*) on the basis of an “objective norm”. The number of Guarantee Fund Credit applications became the object norm because it correlated with real costs the strongest. More applications meant higher costs for the funds.⁵⁶⁵ In 1961, the Ministry modified the PLGFs funding structure following the PLGFs’ suggestions. From then on, the funds received a fixed amount from the national government, supplemented with an amount per granted credit (not per application). Municipalities and provinces continued to pay a contribution (3.25 cents) per inhabitant. Around this time, the NMB also started giving regular donations to the funds. Funds were expected to break even within this framework, including covering 50% of the Guarantee Fund Credit defaults. Defaults that could not be covered from profits should be paid from reserve capital. To ease the change, a transition fund was set up where PLGFs with operational surpluses had to deposit half of the surplus, and PLGFs with deficits could draw money from. This functioned from 1961 until 1965 with yearly decreasing drawing rights.

6.5 Decline and Path-Dependency, 1965-1973

After 1965, the funds entered into decline. The number of applications gradually decreased, from around 5,000 in the 1950s to 3,000 by the late 1960s (Figure 6.7). The funds provided fewer guarantees. Firms needed increasingly larger (nominal) loans, as the price and wealth level increased. Until 1965, the funds grew in tandem with their clients. The maximum loan size for all credit types increased almost yearly, ensuring at least purchasing power parity. This trend ended in 1965 when the maximum loan size of all credit types was capped at 10,000 guilders.⁵⁶⁶ Inflation in the late 1960s and early 1970s quickly decreased the real value of the loans (Figure 6.6). The funds’ competitive advantage eroded because the loan size they could offer became increasingly irrelevant for firms. This meant that more firms went to the NMB, which provided guaranteed loans above 10,000 guilders. Furthermore, tax requirements forced (micro) firms to keep better administration, decreasing information asymmetries and allowing more small

⁵⁶⁵ They tested this with mathematical correlation calculations, arguing even more strongly that it is an objective criterium!

⁵⁶⁶ Around 25,700 euro in 2018.

firms to go directly to banks for loans.⁵⁶⁷ In addition, banks were much more interested in small firms. By that time, many entrepreneurs had private or professional bank accounts, further decreasing information costs for banks. Banks provided an increasing amount of services to small firms, which made cross-selling with credit facilities more interesting and lucrative.⁵⁶⁸ Also, new types of personal loans allowed to substitute for small unsecured business loans.⁵⁶⁹ The PLGFs, in return, were left with lower-quality applicants.⁵⁷⁰

The central government chose not to respond to the changing environment. The inability or reluctance to respond to changing contexts made the PLGFs increasingly irrelevant and therefore prone to replacement or abolition.⁵⁷¹ This decline was specific to the PLGFs. The public credit guarantee system continued to grow in tandem with the economy, while PLGF guaranteed credit declined.⁵⁷² The reason why the maximum loan size stopped increasing is unclear. An investigative commission (consisting of directors of PLGFs, a member of the Ministry of Economic Affairs, and of the NMB) in 1965 was positive about the functioning of the funds and suggested continuing to increase the maximum loan size.⁵⁷³ Apparently, when the Ministry decided about increases in the maximum loan size, PLGFs were simply left out.

⁵⁶⁷ The PLGF of Amersfoort noticed the gradual improvement in bookkeeping capabilities. (1963, p.7). The change is also noticeable in the quality of applicants. In 1940, among the 110 applicants for a loan at the PLGF of Amersfoort, 97 had poor or no administration. In 1963 this was only 24 out of 113. Source Yearly report of the PLGF of Amersfoort, 1940, p.9 and 1963, p.8, 401/18-19, HUA.

⁵⁶⁸ For example, the NMB greatly expanded its services to SMEs between 1950 and 1980. See: NMB Yearly Reports.

⁵⁶⁹ Vaste Commissie voor het Midden- en Kleinbedrijf 1ste vergadering, January 21, 1976, p.498.

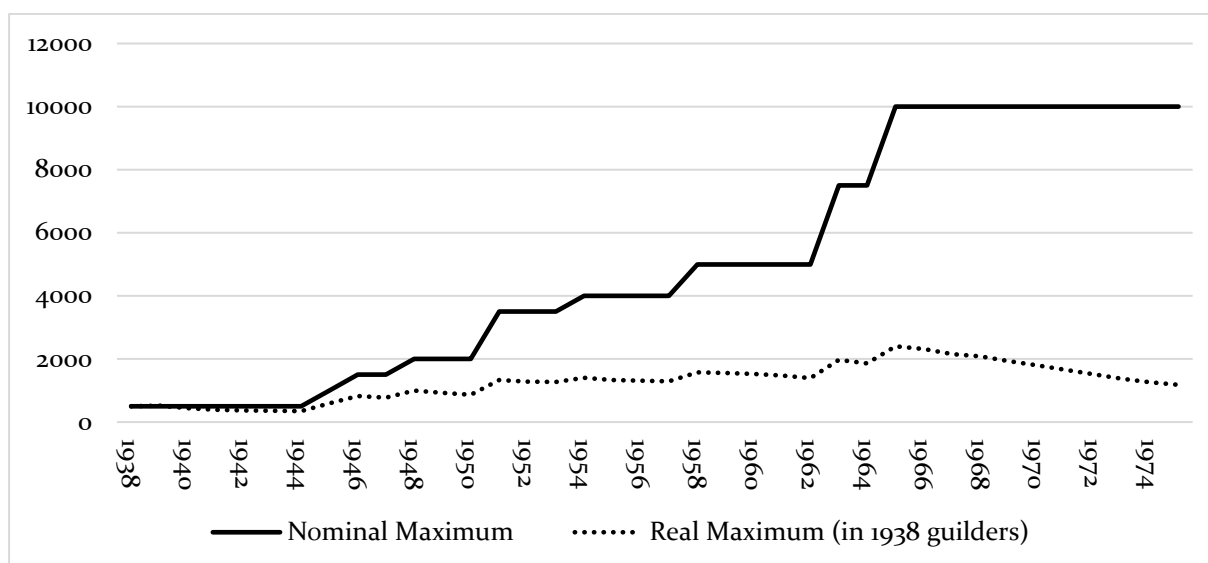
⁵⁷⁰ Whereas we would expect the success rate to decrease with worse applicants, this was not the case. The number of granted loan guarantees fell and most applications ended in advice or reports.

⁵⁷¹ In the sociological literature, this process is called Drift: Mahoney and Thelen, "A Theory of Gradual Institutional Change."

⁵⁷² Peeters, "The Dutch Public Credit Guarantee System."

⁵⁷³ Commissie taak en structuur borgstellingsfondsen, 1965, p.39.

Figure 6.6 Maximum Loan Size Guaranteed by the PLGFs, 1938-1975



Source: Yearly Reports of the PLGF for Amersfoort, 401/17-19, HUA.

As a result of the locked maximum loan size that funds were allowed to guarantee, the PLGFs changed from a primarily guarantee-granting institution into one where providing advice and reports became the core business. In 1954, 18% of all applications ended in an advice, report, or remediation (937 out of 5,027 applications). By 1969, this was 37% (1,210 out of 3,187 applications), as indicated in Figure 6.7.⁵⁷⁴ The funds noticed this shift already in 1965 and linked it to the increasingly rapid economic development and the need for small firms to keep up with the competition.⁵⁷⁵ This process was strengthened by the fact that the PLGFs were engaged in the implementation of the Company Closure Scheme (*Bedrijfsbeëindigingsregeling*) and the National Group Scheme for Self-Employed (*Rijksgroepregeling Zelfstandigen*), both part of the social assistance law.⁵⁷⁶ Because these types of assistance were not limited in size and became better known over time, they became increasingly used.⁵⁷⁷ The PLGFs' tasks in these schemes were not granting or guaranteeing loans, but focused on providing advice and reports to entrepreneurs and local governments.

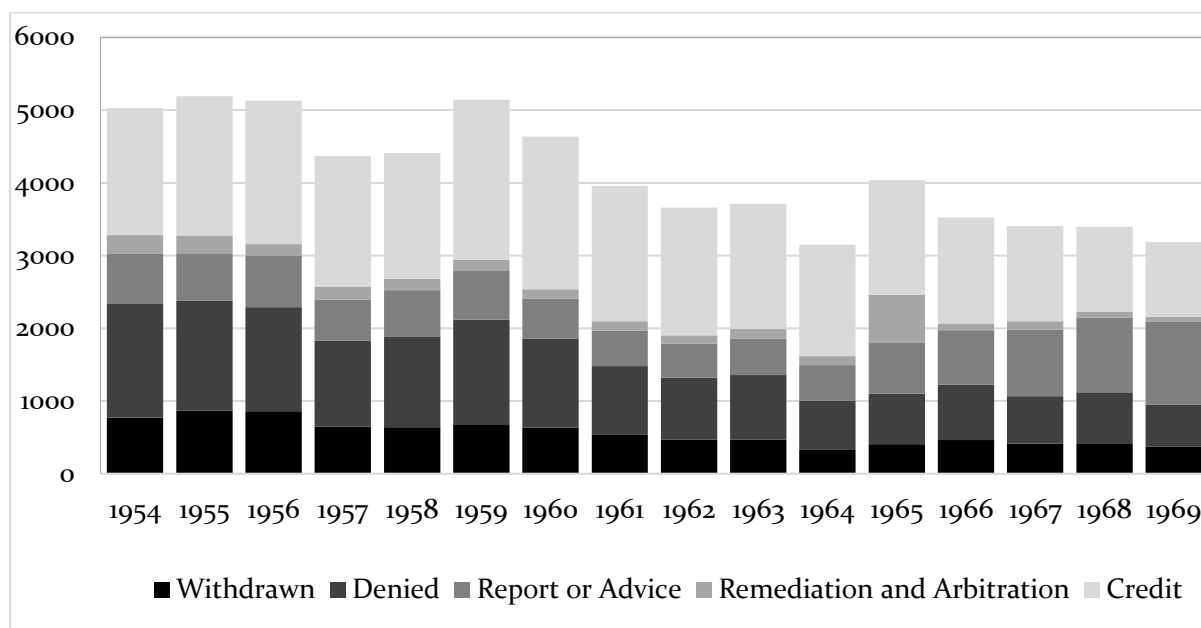
⁵⁷⁴ This is an underestimation as the PLGF of Amersfoort noted that often applications were withdrawn because applicants had received sufficient information during the application process. Source: Yearly report of the PLGF of Amersfoort 1966, p.13, 401/18, HUA.

⁵⁷⁵ Yearly report of the PLGF of Amersfoort 1965, p.8, 401/18, HUA.

⁵⁷⁶ Westerwoudt, *Geschiedenis Der Borgstellingsfondsen Voor de Middenstand in Nederland van 1936 Tot 1981*, Annex I, 1.

⁵⁷⁷ Yearly report of the PLGF of Leeuwarden, 1975, p.5, 12-19/2879, Tresoar.

Figure 6.7 Evolution of Applications to PLGFs and Their Outcomes, 1954-1969



Source: Yearly Reports of PLGFs, 2.06.072-73, NA.

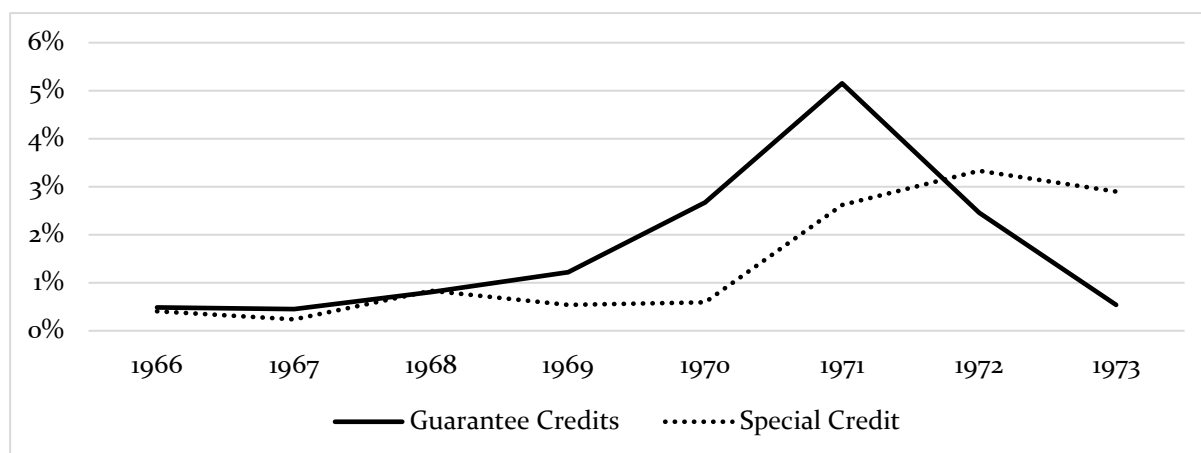
The 1961 funding reform had unforeseen consequences in this period of changing functions. The reform had tied income to the number of Guarantee Fund Credit applications. This funding mechanism worked well as long as the number of applications increased, but once that number dropped, the funds moved to more advisory tasks and personnel costs rose due to inflation, it became unsustainable. To counter income losses due to the declining guarantee function, the fees per granted guarantee increased on a nearly yearly basis from 44.5 guilders in 1961 to 124 guilders in 1973. This increase was to no avail. Funds started taking losses which ate away capital reserved to cover loan defaults.⁵⁷⁸ On top of these losses, loan default rates increased after 1965 and peaked in 1971. This increase followed the interest rate increase on the loans.⁵⁷⁹ These had been low during the 1950s and rose during the 1960s, peaking in 1973.⁵⁸⁰ The PLGFs stopped guaranteeing new loans by 1973.

⁵⁷⁸ Yearly report of the PLGF of Amersfoort 1974, p.6, 401/19, HUA.

⁵⁷⁹ Since 1954, the interest rates were set in relation to the national bank's discount rates. The interest rates for Guarantee Fund Credit were calculated as the national bank's *promesse-disconto* plus a maximum of 0.5%, with a minimum interest rate of 4%. Special credits and Company equipment credits had a maximum of the discount to plus 1.5% and a minimum of 4%. Source: Schras, *50 Jaar Krediet-Verlening Aan de Middenstand Onder Staatsgarantie 1915-1965*, 70.

⁵⁸⁰ The *promesse disconto* was relatively low between 1950 and 1965, hovering between 3 and 5%. After 1965, it rose to 5.5% and then 7% in 1969 and 1970, with a peak of 9% in 1973. Source: CBS, *Geld- en Kapitaalmarkt, 1900-2002*, 2020. (CBS Statline, Dataset 37758)

Figure 6.8 Default Rates of Guarantee and Special Credit, 1966-1973



Source: Statistical Yearbook of the Netherlands, 1967-1976⁵⁸¹

The funds faced the combination of five problems. First, there were less competitive services (ever smaller loans) which could not be changed to increase their competitiveness. A second problem was stagnating income because this was linked to the number of loan applicants.⁵⁸² Third, personnel costs rose because of rapid inflation. Fourth, an economic downturn caused more defaults, particularly for Guarantee Fund Credits, of which the PLGFs guaranteed 50% of the losses (Figure 6.8). Finally, there was more work to follow up on defaulting firms. Within the existing framework, the funds had no other option but to take the hit, further deteriorating their financial position.⁵⁸³ This deterioration is clearly illustrated by the case of the PLGF of Amersfoort, which experienced rising costs and deficits.⁵⁸⁴ (Figure 6.9) The smaller deficit in 1974 was thanks to the selling of a property.

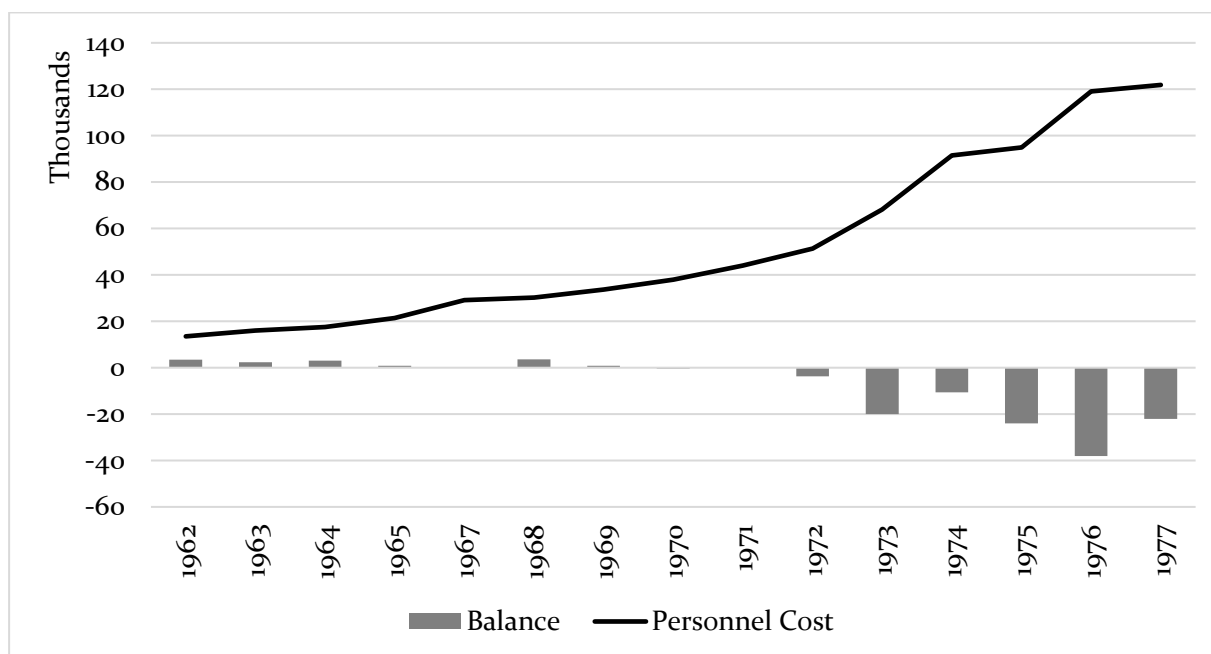
⁵⁸¹ Default rates are calculated as the number of defaults divided by the amount of outstanding loans per year.

⁵⁸² The PLGF of Amersfoort noted in its 1974 yearly report that the subsidy provided by municipalities and provinces is calculated on the basis of the number of inhabitants. Since 1971, this amount has not been indexed, so that the revenue of the fund did not keep pace with the higher costs. As a result of this failure to keep pace with costs, a not unsubstantial loss had to be taken from the reserves. Source: Yearly report of the PLGF of Amersfoort 1974, p.6, 401/19, HUA.

⁵⁸³ The PLGF of Amersfoort wrote that the repayment of the oldest credits became harder, and they expected sizeable losses on these accounts. Source: Yearly report of the PLGF of Amersfoort 1974, p.6, 401/19, HUA.

⁵⁸⁴ The PLGF of Amersfoort was a very average fund. The trends match up with references in yearly reports of other PLGFs.

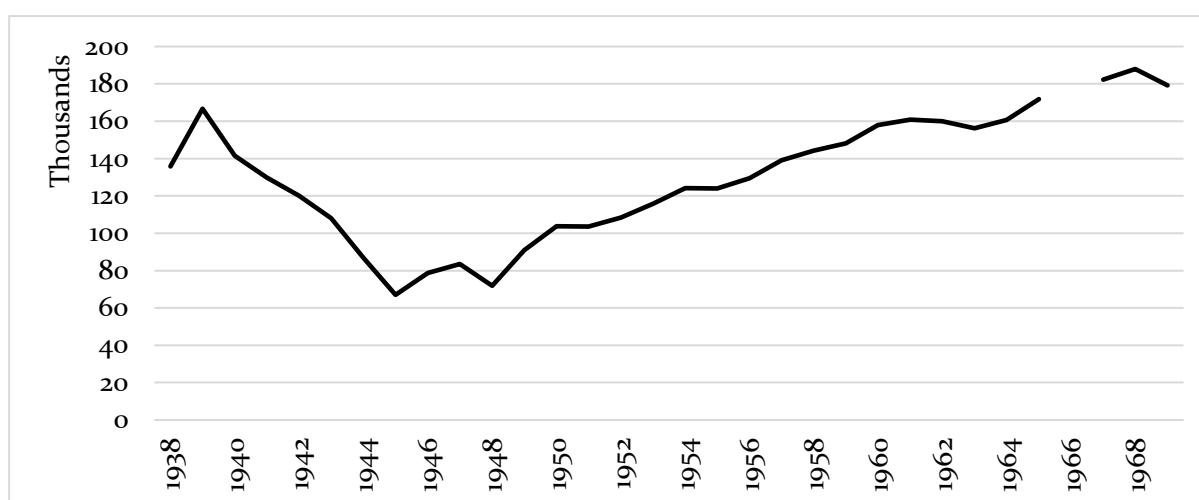
Figure 6.9 Yearly Personnel Costs and Balance for PLGF of Amersfoort, 1962-1977



Source: Yearly Report of the PLGF of Amersfoort, 401/18-19, HUA.

During this period, the real costs for the Dutch governments (national, provincial, municipal) rose rapidly. Nominally, the yearly costs skyrocketed from ca. 143,000 guilders in 1946 to 926,000 guilders in 1969, outpacing inflation. In real terms, the costs doubled during that period (Figure 6.10).

Figure 6.10 All Government Expenditures on PLGFs (in 1938 guilders)



Source: Yearly Reports PLGFs, 2.06.072-73, NA.

6.6 Transformation, 1969-1978

When the number of applications again declined in 1969, the PLGF of Overijssel questioned its own existence.⁵⁸⁵ They were not the only ones. Between 1969 and 1973 an internal discussion broke loose about the future of the PLGFS. The state secretary of economic affairs considered the existing system of public credit guarantees too complex and aimed to reduce the number of loan types and credit-granting institutions.⁵⁸⁶

A commission investigated how this could be achieved and reported in 1972. The PLGFs, fearing to be exclusively judged by their screening and credit-guaranteeing performance, emphasized the immense number of advisory and supporting tasks they performed.⁵⁸⁷ The report assessed the function of the PLGFs and noticed that, by serving the smallest, most vulnerable firms, they operated between commercial credit and social assistance. The commission saw less use in maintaining the guarantee credit tasks of the PLGFs, because they were convinced there was no need for a specific procedure for small loans anymore as other schemes could handle small applicants as well.⁵⁸⁸ However, the commission did propose to keep the specific Guarantee Fund Credits, as a special form of social assistance for small entrepreneurs dubbed “PLGFs, New Style”.⁵⁸⁹ Another report from 1973 confirmed this and proposed to focus more on the supporting roles of the PLGFs.⁵⁹⁰ This in turn led to further developing the idea of “PLGFs, New Style” which aimed to support small entrepreneurs through personalized advice, rather than credit guarantees. Firms could then either be steered into safer waters, or liquidated with help from the state, in case no improvement was possible.⁵⁹¹ Growing attention for regional development also shaped the discussion. In 1969, the state secretary of economic affairs pushed for a more regional focus in the governments developmental policies.⁵⁹² The plans for the “PLGFs, New Style” already had a strong regional component and

⁵⁸⁵ Yearly Report of the PLGF of Overijssel 1969, p.5-6, 328/21, HCO.

⁵⁸⁶ Commissie Financieringsaangelegenheden, Garantiekredietverlening aan het Midden- en Kleinbedrijf, 1972, p.1, 2.06.116/805, NA.

⁵⁸⁷ Yearly report of the PLGF of Amersfoort 1970, p.1, 410/19, HUA; Yearly Report of the PLGF of Overijssel 1969, p.5-6, 328/21, HCO.

⁵⁸⁸ Commissie Financieringsaangelegenheden, Garantiekredietverlening aan het Midden- en Kleinbedrijf, 1972, Appendix p.1, 2.06.116/805, NA.

⁵⁸⁹ Commissie Financieringsaangelegenheden, Garantiekredietverlening aan het Midden- en Kleinbedrijf, 1972, Appendix p.1, 2.06.116/805, NA.

⁵⁹⁰ Samenwerkende Borgstellingsfondsen Utrecht en Amersfoort, Borgstellingsfondsen. Een oude taak: een nieuw jasje, 1973, p.12.

⁵⁹¹ Tweede Kamer der Staten-Generaal, Nota inzake de Selectieve Groei, p.304

⁵⁹² Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, Annex I, 2.

previewed multiple, regionally operating institutions under the umbrella of a national coordinating body.⁵⁹³ This resulted in the Regional Service Centers for Small Business (RDK, *Regionale Dienstverleningscentra Kleinbedrijf*) in 1972. The aim was to establish regional points of information for small entrepreneurs concerning governmental aid schemes.⁵⁹⁴

The state secretary of economic affairs had difficulties convincing the municipalities to finance the PLGFs or their successors.⁵⁹⁵ The early 1970s were a period of crisis and recurring budget cuts. This made many municipalities reluctant to pay for social programs or institutions with no direct visible impact.⁵⁹⁶ Eventually, the state secretary convinced them by increasing the state's share, and decreasing the municipal one. This increased the power and responsibilities of the central government, but also decreased the influence and need for cooperation from the local level. In 1974, after lengthy discussions with all parties involved, the Ministry founded the first experimental RDKs. A year later, the general structure of the new system was decided upon, and by 1976 the central coordinating body was set up.⁵⁹⁷ The employees of PLGFs transferred to the RDKs, where they used their in-depth understanding of government aid programs and the peculiarities of small firms to help small entrepreneurs find their way to help. The RDKs were not supposed to give direct business advice to firms, but rather refer entrepreneurs to the chambers of commerce.⁵⁹⁸

The PLGFs were effectively lifted out of the guarantee credit system, and integrated into the social assistance system. This shows the changing position of the Dutch government with regards to helping the smallest, struggling entrepreneurs. The funds had started on the border between commercially viable credit and social assistance. By 1978, those tasks were separated and the smallest, most difficult to serve firms were channeled into social assistance, whereas viable firms in need of credit were served by the reformed credit guarantee system and expanded banking system.

⁵⁹³ Samenwerkende Borgstellingsfondsen Utrecht en Amersfoort, *Borgstellingsfondsen. Een oude taak: een nieuw jasje*, 1973, p.15.

⁵⁹⁴ Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, Annex I, 2.

⁵⁹⁵ Multiple letters and discussions in: 2.06.112/64, NA.

⁵⁹⁶ Westerwoudt, *Geschiedenis Der Borgstellingsfondsen*, Annex I, 6.

⁵⁹⁷ Westerwoudt, Annex I, 5.

⁵⁹⁸ Answer by State Secretary Hazekamp during a debate in the Lower House on November 20, 1975, p.1355: <http://resolver.kb.nl/resolve?urn=sgd:mpeg21:19751976:0000605:0031:image>

6.7 Conclusion

The case of the Dutch PLGFs shows that it is possible to provide very small loans to the lowest segments of the credit market at affordable interest rates and with low rates of default. The PLGFs managed by combining credit guarantees and business assistance. Because the group of small and micro-firms is very diverse in terms of viability and growth potential, screening them is costly. By combining business assistance and the decision on loan applications in one institution, the PLGFs could separate firms that were credit-worthy from those that were not. The screening process generated useful information about both groups, limiting the number of costly screenings resulting in nothing. The knowledge generated in those funds also helped lower the screening and information costs of other financial intermediaries (such as the NMB), and social assistance institutions. This combination of tasks made the funds a relatively cheap tool to mobilize credit to micro- and small firms. The combination in itself is not a panacea. This paper argues that credit provision can be done relatively cheaply when combined with business assistance and coaching services. However, income generated from these services was not sufficient to break even, and government support was crucial to ensure the PLGFs' continuous service provision.

As for now, this case provides a hopeful example for modern-day PLGFs combining guaranteeing and screening tasks. The Dutch PLGFs operated well within the specific context of banks providing few services to small firms and relatively low wages. The PLGFs were compensatory institutions, performing tasks in the financial system for which there were little alternatives available to small firms. Conversely, when commercial banks increasingly engaged with SMEs and the PLGFs "product offer" became less attractive, the funds lost out. Rising labor costs and reduced income caused budget deficits. During that time, the Dutch government decided not to reform the PLGFs and ensure a steady level of activity for the funds. They argued that there were sufficient options for small firms and aimed to support rationed firms through the continuing public credit guarantee system. Interestingly, ten years ago the Dutch government started experimenting again with the combined model of small, guaranteed credit provision and coaching for starting entrepreneurs, under the banner of the

microfinance organization *Qredits*.⁵⁹⁹ The results are satisfactory up to now—let us hope they learned from the PLGFs.

⁵⁹⁹ Qredits, <https://qredits.nl/>

6.8 Appendix

Logit Regression on Whether a Loan Application was Granted or Not

VARIABLES	Coefficient (standard error)
Amount Asked	-0.00305** (0.00148)
Fees Paid	1.672*** (0.630)
Member of an Association	0.570 (0.834)
Bookkeeping or Taxation	0.974* (0.591)
Information Provided	0.106 (0.530)
Constant	0.667 (0.695)
Observations	96

*** p<0.01, ** p<0.05, * p<0.1

A logit regression on the outcomes of applications to the Amersfoort PLGF in 1937-1939 shows that whether an applicant could pay a small fee (proxy for viability/income) is significantly correlated (1% level) with a successful application. The existence of bookkeeping (or extensive tax information) is positive but only significant at the 10% level. This might indicate a link between having bookkeeping and increased viability. Bookkeeping and paying fees are positively correlated.¹ Smaller amounts were also more easily granted. Being member of an association and providing additional information (for example statements from suppliers or local police) do not explain the outcomes of the application (positive or negative).

Chapter 7: Conclusion

This dissertation set out to analyze the political economy of Dutch small firm financing between 1900 and 1980. The motivation came from two sides. On the one side was the urge to better understand the evolution of the Dutch financial system and in particular its accessibility to small firms. Colvin already started this process of understanding by looking at religious banking institutions for SMEs, and during my dissertation research it quickly became clear that there was much to be explored beyond the realm of banks. On the other side, the motivation came from the long (and relatively unknown) history of Dutch small firm interest groups lobbying for political influence, and subsequently using it, particularly to obtain access to credit. We could already build on the works by Van Driel, Clerx, and Pompe, but the topic merited further investigation, in particular the interactions between small firms, the government, and the financial system.

The dissertation shed light on the political origins and makings of many institutions and interventions aiming to improve SME access to credit. It did so in a contextual chapter and four chapters that are intended to be individual articles. Every chapter tackled a specific issue. **Chapter 2** looked at how the group of small firms fared throughout the twentieth century. This provided the background for the other chapters. Combining multiple government sources and using a method developed by Scheffer, it provided an updated overview of the number of firms by size and their relative share in employment. Micro-firms lost out in importance between 1900 and 1978, while small and medium-size firms took over their share in employment. The absolute number of employees, nonetheless, increased as the labor population grew. Since the 1980s, the number of single-employee firms greatly increased due to deregulation of the labor market.

Chapter 3 analyzed how small firm interest groups formed, mobilized members and obtained political influence and support, and those interest groups' role in the emergence of state banking in the Netherlands. Since 1900, small firm associations used the topic of insufficient access to credit to rally support, mobilize members, and obtain subsidies from the government. During this associational process, they had to navigate local contexts and power structures that, in turn, also shaped the financial system. With government support, SME interest groups managed to build out a new segment of

specialized SME banks between 1905 and 1918. These banks suffered heavily during the 1921-1923 financial crisis, and many of them failed. In 1927, the government, led by politicians with strong links to the SME interest groups, merged most SME banks into the state bank NMB. This chapter showed that state banking was initially not demanded by small firms but arose as the result of failed experiments with subsidized banking infrastructure and a changing position of the government on how to intervene in the economy.

Chapter 4 asked how accessible the Dutch financial sector was in the early twentieth century. This chapter examined the estates of the richest individuals (top 20%) in the Netherlands who passed away in 1921. We found that despite the Dutch financial system being fairly developed and nearly omnipresent, people made little use of it. Short-term credit for goods and services, often provided by SMEs, were ubiquitous across time and wealth and appeared to substitute cash in economic transactions. Personal and notarized loans were the most common type of credit interaction, showing the persistent relevance of non-intermediated credit provision. Only the wealthiest individuals and those living in larger cities regularly used banks, hinting at a widespread inaccessibility to banking services for small firms.

Chapter 5 investigated the recurring credit problems of small firms using Taketa and Udell's lending channel approach. It showed that in moments of contracting or disappearing lending channels serving small firms, private market players were reluctant to react. In turn the Dutch government intervened to save, expand or replace lending channels and ensure that small firms had continued access to credit. The government subsidized vocational education and business services for entrepreneurs to reduce information asymmetries. The government supported the emerging SME banking system since 1907 and later prevented its collapse. Additionally, in moments when the subsidized SME banking system could not expand its service provision, the Dutch government took on extra risks and costs in order to ensure a minimal level of access for SMEs. By bringing in the government as an actor providing credit or stimulating credit provision, I presented options beyond the market responses to changes in credit provision.

Chapter 6 asked whether it is possible to serve micro-firms at low costs and limited risks. I argued that Dutch history provides an example of such a combination in

the form of Public Loan Guarantee Funds for the Middling Classes (PLGFs). These were pioneered by SME interest groups and the Amsterdam municipal government during World War I and rolled out nationally by the Ministry of Economic Affairs during the Great Depression. The PLGFs were an important part of the Dutch public credit guarantee system in the postwar period. By combining guaranteeing, screening, and monitoring with tailored business services, they managed to focus on micro-firms and provide them with credit or business consultancy services. The PLGFs operated between 1936 and 1978. They were effective for a while, but they constantly needed to adapt to changing circumstances. The funds lost out when the Ministry no longer allowed reforms, commercial banks increasingly engaged with SMEs, and the PLGFs product offer became less attractive to SMEs.

The thread running through all chapters is the reluctance of commercial financial intermediaries to serve SMEs and the interaction between the government and small firm interest groups necessary to overcome or bypass this reluctance. The relationship enabled and shaped the process of financial sector development. Chapters 3, 5, and 6 discuss a multitude of initiatives and solutions to improve small firms' access to the financial sector and credit, but barely any of them came from the financial sector itself. Rather, it was civil society organizing itself to solve economic problems, at best with government support, at worst without. The government responded by supporting private initiatives and integrating SME interest groups into the existing political constellation.

So, what can this dissertation teach us and those striving for a more inclusive financial system where SMEs have access to credit on equal terms to larger firms? Three things, I hope. First, understand the problem. Chapter 3 shows how difficult it was for small firm interest groups to convince the government to support their causes. Initially, the government was reluctant to lend its support to a poorly organized group complaining about insufficiently defined problems. Small firm interest groups only managed to obtain support when they presented a clear problem (access to credit) and a clear plan of intervention (subsidizing the novel SME banking system). Another example is the foundation of Public Loan Guarantee Funds (Chapter 6), where the clearly defined problematic access of very small firms to state-guaranteed loans allowed for a swift and targeted response by the Ministry of Economic Affairs.

Second, government intervention can make a difference. Chapters 5 and 6 show how government intervention was necessary to have continuous access to funding for small firms. Without the Dutch government, the specialized SME banking system would not have grown that large that rapidly or survived the financial crisis of the 1920s. The Dutch government was also the organizational force behind the nationwide network of PLGFs and the specialized SME credit guarantee system, ensuring rationed SMEs access to credit. These interventions seem marginal on the macro level, but over time they helped thousands of small firms in moments when the credit market was closed to them. Lending to small firms, either directly or through guarantees, might not cost much on the aggregate level, but they have positive effects for the recipient firms. The government is one of the only actors that can take (financial) risks with uncertain payoffs, with the public interest at heart.⁶⁰⁰

Third, lobbying works. Olson already noticed over 50 years ago, that there is a “surprising tendency for the ‘exploitation’ of the great by the small.”⁶⁰¹ This dissertation finds recurring examples of this pattern, with small firm interest groups obtaining subsidies or special support and/or protection from the government. However, this did not materialize out of nowhere, as illustrated in Chapter 1. Interest groups needed a coherent story, backed by a convincing enough understanding of the problem. Politicians, then just as much as now, are influenced by good stories and a sense of urgency. Good personal connections also help when furthering a cause. However, the basis for persuasion must be a pressing problem combined with a factual understanding of the problem. In this case, the *middenstanders* convinced the government that information asymmetries caused costly credit and rationed many small firms. As a solution, they proposed subsidized, specialized financial intermediaries offering affordable loans to SMEs.

Moving beyond lessons of the past to ideas for the future, this dissertation opens multiple avenues for further research. Clearly, including governments and SME interest groups in the analysis of financial sectors is fundamental. Following the political economy approach of Carnevali and Calomiris & Haber, this dissertation showed how the cooperation between SMEs and government often created novel financial

⁶⁰⁰ Mazzucato, *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*.

⁶⁰¹ Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups*, 3, 144.

institutions and government interventions. In many countries, these institutions have not been properly studied or even documented. Nonetheless, to understand the contexts SMEs operated in and the options they had, the functioning and effects of these institutions and interventions merit further scrutiny. In the case of the Netherlands, the work is not done either. For example, the large differences in levels of activity between various PLGFs remains poorly understood but offer a possible way to investigate differences in local credit provision or economic activity. Additionally, we would like to have information about the firms making use of government-guaranteed loans or the business consultancy services provided by the PLGFs. For some PLGFs, registers of clients survive, possibly allowing us to follow firms over time. Furthermore, the history of the Dutch public credit guarantee system is relatively undocumented, despite the size, breadth, and longevity of the system.

Using those new in-depth case studies of non-commercial bank financial institutions, financial and business historians should aim to analyze financial systems and firms' use of financial services jointly and comprehensively. This means studying firms' funding needs and their interactions with the entire financial system, beyond a single institution. Imajoh showed the way with his study on SME financing in interwar Japan, and this dissertation researched the Netherlands using a similar approach.⁶⁰² More of such regional and national studies would improve our understanding of financial system development and move research away from histories that are limited to large firms, banks, and stock markets. However important those big firms, banks and markets might currently be, until recently they were simply not as important as researchers have often assumed.

Comparison between various cases across time and space can then help us isolate relevant variables (quantitative and qualitative) and perhaps establish causality in the story of financial sector development. Verdier already (promisingly) ventured down this path, but his conclusions are based on sometimes incomplete local cases (e.g., the case of the Netherlands). Carnevali compared Germany, Italy, France, and the UK and persuasively argued for the importance of SME lobby groups.

⁶⁰² Imajoh, "The Evolution of Financial Institutions Serving Small Businesses in Japan in the Interwar Period."

Now that this dissertation has laid the groundwork on the formation of financial institutions for SMEs in the Netherlands, the Netherlands can be included in future comparisons. A logical first comparison is with Belgium, which proved an inspiration for Dutch small firm associations in 1900, but looked to the Netherlands for inspiration concerning ensuring SME access to credit by the 1920s.⁶⁰³ Another interesting comparison would be the U.S. This dissertation showed the importance of SME interest groups in financial system development. Similarly, for the U.S. we know that farmers had a strong influence on the American financial system, yet SME interest groups are missing from the story.⁶⁰⁴ Was this the case, and if so, why? Also, public credit guarantee schemes are still used in many places, but in some countries, they are more important. Despite the apparent lack of SME interest groups, the U.S. has a large and long-running public credit guarantee system in the form of the Small Business Administration.⁶⁰⁵ Japan has the largest public credit guarantee system in the world and would provide an interesting comparison. Moreover, Japanese business and financial historians have done extensive research on their financial system and the interactions with small firms and local industries.⁶⁰⁶ Such comparisons can help shed light on how economic and political contexts shape financial sector developments. Who benefits from these developments and what economic outcomes does this produce?

⁶⁰³ Peeters, "Getting a Foot in the Door: Small Firm Credit and Interest Group Politics in the Netherlands, 1900-1927"; Heyrman, *Middenstandsbeweging En Beleid in België: Tussen Vrijheid En Regulering: 1918-1940*, 223.

⁶⁰⁴ Prasad, *The Land of Too Much: American Abundance and the Paradox of Poverty*; Calomiris and Haber, *Fragile by Design: The Political Origins of Banking Crises and Scarce Credit*; Blackford, "Small Business in America: A Historiographic Survey."

⁶⁰⁵ Bean, *Big Government and Affirmative Action: The Scandalous History of the Small Business Administration*.

⁶⁰⁶ Imajoh, "The Evolution of Financial Institutions Serving Small Businesses in Japan in the Interwar Period"; Miwa and Ramseyer, "Japanese Industrial Finance at the Close of the 19th Century: Trade Credit and Financial Intermediation"; Hoffmann, Okazaki, and Okubo, "Branch Banking and Regional Financial Markets: Evidence from Prewar Japan."

Bibliography

Books, Chapters, and Articles

- Aardweg, H. P. van den. ed. "Everwijn, Mr. Jan Charles August." In *Persoonlijkheden in Het Koninkrijk Der Nederlanden in Woord En Beeld*, 457. Amsterdam: Van Holkema & Warendorf, 1938.
- Abdulsaleh, Abdulaziz M., and Andrew C. Worthington. "Small and Medium-Sized Enterprises Financing: A Review of Literature." *International Journal of Business and Management* 8, no. 14 (2013): 36–54.
- Akkerhuijs, A. L. *Het Credietvraagstuk Voor Den Handeldrijvenden, En Industrieelen Middenstand*. Haarlem: A.E. Van der Heide, 1906.
- Andrieu, Guillaume, Raffaele Staglianò, and Peter van der Zwan. "Bank Debt and Trade Credit for SMEs in Europe: Firm-, Industry-, and Country-Level Determinants." *Small Business Economics* 51, no. 1 (June 19, 2018): 245–64.
- Banerjee, Abhijit V., and Esther Duflo. "Giving Credit Where It Is Due." *Journal of Economic Perspectives* 24, no. 3 (August 1, 2010): 61–80.
- Barendregt, Jaap, and Hans Visser. "Towards a New Maturity, 1940-1990." In *Financial History of the Netherlands*, edited by Marjolein 't Hart, Joost Jonker, and Jan-Luiten van Zanden, 152–93. Cambridge University Press, 1997.
- Bátiz-Lazo, Bernardo, and Mark Billings. "New Perspectives on Not-for-Profit Financial Institutions: Organisational Form, Performance and Governance." *Business History* 54, no. 3 (2012): 309–24.
- Bean, Jonathan. *Big Government and Affirmative Action: The Scandalous History of the Small Business Administration*. Lexington: University Press of Kentucky, 2001.
- Bechhofer, Frank, and Brian Elliot. *The Petite Bourgeoisie: Comparative Studies of the Uneasy Stratum*. Edited by Frank Bechhofer and Brian Elliott. Macmillan. London, 1981.
- Beck, Thorsten, and Asli Demirgüç-Kunt. "Small and Medium-Size Enterprises: Access to Finance as a Growth Constraint." *Journal of Banking and Finance* 30, no. 11 (2006): 2931–43.
- Beck, Thorsten, Asli Demirgüç-Kunt, and Vojislav Maksimovic. "Financing Patterns around the World: Are Small Firms Different?" *Journal of Financial Economics* 89, no. 3 (2008): 467–87.

- Bennett, Robert J. "The Logic of Membership of Sectoral Business Associations." *Review of Social Economy* 58, no. 1 (2000): 17–42.
- Berckel, J.J.L. van. "De Maatschappelijke En Economische Betekenis van de Spreiding van Effectenbezit." Universiteit van Amsterdam, 1969.
- Berg, Hetty, Thera F Wijsenbeek-Olthuis, and Eric Fischer, eds. *Venter, Fabriquer, Fabrikant: Joodse Ondernemers En Ondernemingen in Nederland 1796-1940*. Amsterdam: NEHA, 1994.
- Berger, Allen N., and Gregory F. Udell. "A More Complete Conceptual Framework for SME Finance." *Journal of Banking & Finance*. Vol. 30, 2006.
- . "Relationship Lending and Lines of Credit in Small Firm Finance." *The Journal of Business* 68, no. 3 (1995): 351–81.
- Bester, Helmut. "Screening vs. Rationing in Credit Markets with Imperfect Information." *American Economic Review* 75, no. 4 (1985): 850–55.
- Bianchi, J. Fred. "De Beteekenis van de Boekhouding Voor Den Winkelier." In *Verhandelingen Gehouden Op Het 3e Internationale Congres van Den Handeldrijvenden Middenstand*, 36–40, 1902.
- Blackford, Mansel G. "Small Business in America: A Historiographic Survey." *Business History Review* 65, no. 1 (1991): 1–26.
- Blom, F.W.C. "Credit Controls in the Netherlands." *PSL Quarterly Review* 4, no. 18 (1951): 139–46.
- Blom, J.C.H. "Pillarisation in Perspective." *West European Politics* 23, no. 3 (2000): 153–164.
- Bochove, Christiaan van, and Ewout Hasken. "The Modernization of Credit Markets: How Private Lenders Disappeared from the Dutch Mortgage Market, 1860-2000," 2020.
- Bos, Anne, Ron de Jong, and Jasper Loots. *Een Sprong in Het Duister: De Overgang van Het Absolute Meerderheidsstelsel Naar Het Stelsel van Evenredige Vertegenwoordiging in 1918*. Nijmegen: Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2005.
- Bos, D. "Het Credietwezen van Den Middenstand: Redevoering Gehouden Door Den Heer Dr. D. Bos, Lid Der Tweede Kamer in de Vergadering Der Algemeene

- Winkeliers-Vereeniging Op Dinsdag 15 Nov. 1904, Te Amsterdam." Amsterdam: N.V. Stooming "De Fakkel," 1904.
- Bos, N. "De Memories van Successie. Een Veelbelovende Bron Voor Veelsoortig Onderzoek." *Spiegel Historiae* 24 (1989): 120–26.
- . "Vermogensbezitters En Bevoorrechte Belastingbetalers in de Negentiende Eeuw." *Bijdragen En Mededelingen Betreffende de Geschiedenis Der Nederlanden* 105 (1990): 553–77.
- Boter, Corinne A. "Male and Female Payment Patterns ca. 1950 - Some Examples from the Cashbook of the Netherlands Project." *Jaarboek Voor Munt- En Penningkunde* 106 (2019): 185–204.
- Bouwens, Bram, and Joost Dankers. "Origins and Shifting Functions of Business Interest Associations: The Dutch Case in the Twentieth Century." In *Historical and International Comparison of Business Interest Associations 19th–20th Centuries*, edited by Danièle Fraboulet, Andrea M. Locatelli, and Paolo Tedeschi, 109–126. Brussels: Peter Lang, 2015.
- Brabander, J.P. De, Corn. Loeff, Corn. Bongenaar, and A.J. Dengerik. *Het Middenstandscredietwezen: In Het Algemeen En Dat van Den "Kleinen" Middenstand in Het Bijzonder*. Utrecht: De Hanze in het aartsbisdom Centraal Hanze-bureau, 1926.
- Bülbül, Dilek, Reinhard H. Schmidt, and Ulrich Schüwer. "Caisses d'épargne et Banques Coopératives En Europe." *Revue d'économie Financière* 111, no. 3 (2013): 159–88.
- Bureau van de statistiek der gemeente Amsterdam. "De Uitgaven van 114 Ambtenaars-En Arbeidersgezinnen." *Statistische Mededeelingen van Het Bureau van Statistiek Der Gemeente Amsterdam* 73 (1919).
- Burhop, Carsten. "Did Banks Cause the German Industrialization?" *Explorations in Economic History* 43, no. 1 (2006): 39–63.
- Calomiris, Charles W., and Stephen H. Haber. *Fragile by Design: The Political Origins of Banking Crises and Scarce Credit*. Princeton and Oxford: Princeton University Press, 2014.
- Calomiris, Charles W., and Carlos D. Ramirez. "The Role of Financial Relationships in the History of American Corporate Finance." *Journal of Applied Corporate Finance* 9, no. 2 (June 1996): 52–73.

- Cameron, Rondo. *Banking in the Early Stages of Industrialization: A Study in Comparative Economic History*. Library of Money and Banking History. Oxford University Press, 1967.
- Campbell, John Y. "Household Finance." *The Journal of Finance* 61, no. 4 (2006): 1553–1604.
- Carnevali, Francesca. "Crooks, Thieves, and Receivers': Transaction Costs in Nineteenth-Century Industrial Birmingham." *Economic History Review* 57, no. 3 (2004): 533–50.
- . *Europe's Advantage: Banks and Small Firms in Britain, France, Germany and Italy since 1918*. Oxford: Oxford University Press, 2005.
- Carree, M.A., and A.R. Thurik. "The Impact of Entrepreneurship on Economic Growth." In *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction*, edited by A.C.S. Zoltan and David Audretsch, 557–94. New York: Springer, 2010.
- CBS, Jaarcijfers voor Nederland, 1900-1976.
- Clerx, J.M.M.J. "De Kamers van Koophandel En Fabrieken: Van Slaapkamers via Rustkamers Naar Werkkamers." *Politiek(E) Opstellen* 7 (1987): 63–74.
- . *Een Halve Eeuw Middenstandsbeleid (1900-1950)*. Nijmegen: Centrum voor Parlementaire Geschiedenis, 1989.
- . "Middenstandsbeleid, Realiteit of Leuze." *Politieke Opstellen* 8, no. 2 (1988): 57–82.
- Colli, Andrea. "Contextualizing Performances of Family Firms: The Perspective of Business History." *Family Business Review* 25, no. 3 (2012): 243–57.
- Collins, Michael. *Banks and Industrial Finance in Britain, 1800-1939*. New Studies in Economic and Social History. Cambridge: Cambridge University Press, 1995.
- Collins, Michael, and Mae Baker. "English Bank Business Loans, 1920-1968: Transaction Bank Characteristics and Small Firm Discrimination." *Financial History Review* 12, no. 2 (2005): 135–71.
- Colvin, Christopher L. "Banking on a Religious Divide: Accounting for the Success of the Netherlands' Raiffeisen Cooperatives in the Crisis of the 1920s." *Journal of Economic History* 77, no. 3 (2017): 866–919.

- . “Organizational Determinants of Bank Resilience: Explaining the Performance of SME Banks in the Dutch Financial Crisis of the 1920s.” *Business History Review* 92, no. 4 (2018): 661–90.
- Colvin, Christopher L., Abe de Jong, and Philip T. Fliers. “Predicting the Past: Understanding the Causes of Bank Distress in the Netherlands in the 1920s.” *Explorations in Economic History* 55, no. 1 (2015): 97–121.
- Colvin, Christopher L., and Eoin Mclaughlin. “Raiffeisenism Abroad: Why Did German Cooperative Banking Fail in Ireland but Prosper in the Netherlands?” *Economic History Review* 67, no. 2 (2014): 492–516.
- Colvin, Christopher L. “Bank Stability and Shareholder Liability: The Great Middenstandsbank Experiment,” 2015.
- . “Religion, Competition and Liability - Dutch Cooperative Banking in Crisis, 1919-1927.” LSE, 2011.
- Colvin, Christopher L. “Culture and Religion.” In *An Economist’s Guide to Economic History*, edited by Matthias Blum and Christopher L. Colvin, 223–229. Cham: Palgrave MacMillan, Cham, 2018
- Colvin, Christopher L, Stuart Henderson, and John D Turner. “The Origins of the (Cooperative) Species: Raiffeisen Banking in the Netherlands, 1898–1909.” *European Review of Economic History* 24, no. 4 (November 1, 2020): 749–82.
- Commissie voor de middenstandsenquête. *Inleiding Tot Het Verslag van Het Onderzoek Naar Den Toestand van Den Handeldrijvenden En Industrieelen Middenstand in Nederland*. Amsterdam: J. H. De Bussy, 1918.
- Commissie voor de middenstandsenquête. *Verslag van Het Onderzoek Naar Den Toestand van Den Handeldrijvenden En Industrieelen Middenstand in Nederland., Deel I*. Amsterdam: J. H. De Bussy, 1918.
- Congleton, Roger. “The Logic of Collective Action and Beyond.” West Virginia University Department of Economics Working Paper Series, no. 15–23, 2015.
- Cressy, Robert. “Funding Gaps.” In *The Oxford Handbook of Entrepreneurial Finance*, edited by Douglas Cumming, 255–304. Oxford: Oxford University Press, 2012.
- Crossick, Geoffrey, and Heinz-Gerhard Haupt. “Shopkeepers, Master Artisans and the Historian: The Petite Bourgeoisie in Comparative Focus.” In *Shopkeepers and Master Artisans in Nineteenth-Century Europe*, edited by Geoffrey Crossick and

- Heinz-Gerhard Haupt, 3–34. London: Methuen, 1984.
- . *The Petite Bourgeoisie in Europe, 1780-1914: Enterprise, Family and Independence*. London: Routledge, 1998.
- Cruces, Guillermo, Ricardo Perez-Truglia, and Martin Tetaz. “Biased Perceptions of Income Distribution and Preferences for Redistribution: Evidence from a Survey Experiment.” *Journal of Public Economics* 98 (2013): 100–112.
- Cull, Robert, Lance E. Davis, Naomi R. Lamoreaux, and Jean Laurent Rosenthal. “Historical Financing of Small- and Medium-Size Enterprises.” *Journal of Banking and Finance* 30, no. 11 (2006): 3017–42.
- Cvrcek, Tomas. “Wages, Prices, and Living Standards in the Habsburg Empire, 1827–1910.” *Journal of Economic History* 73, no. 1 (2013): 1–37.
- Dankers, Joost, A.A.M van der Linden, and J. Vos. *Spaarbanken in Nederland. Ideeën En Organisaties, 1817-1990*. Amsterdam: Boom, 2001.
- Daskalakis, Nikolaos, Robin Jarvis, and Emmanouil Schizas. “Financing Practices and Preferences for Micro and Small Firms.” *Journal of Small Business and Enterprise Development* 20, no. 1 (2013): 80–101.
- De Algemeene Borgmaatschappij voor den Middenstand. “Credietverschaffing Aan Den Handeldrijvenden, Industriëelen En Landbouwenden *Middenstand* Door Middel van de Algemeene Borgmaatschappij Voor Den Middenstand.” Utrecht: J. van Boekhoven, 1915.
- De Algemeene Winkeliers-Vereeniging te Amsterdam. *Stenografisch Verslag van Het Derde Internationaal Congres Voor Den Handeldrijvenden Middenstand. Gehouden Te Amsterdam in Het Concertgebouw Op 3 En 4 September 1902*. Amsterdam: De Algemeene Winkeliers-Vereeniging te Amsterdam, 1903.
- De Beaufort, Fleur, Peter van den Berg, Ron de Jong, Henk van der Kolk, and Patrick van Schie. *Tussen Geschiedheid En Grondrecht: De Ontwikkeling van Het Nederlandse Kiesrecht Vanaf 1795*. Amsterdam: Amsterdam University Press, 2018.
- Delphi, Alexis Van. *De Nooden van Den Middenstand*. Amsterdam: P. H. J. Reynet de la Rue en H.R. Kop, 1894.
- Demirgüç-Kunt, Asli, Leora Klapper, and Dorothe Singer. “Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence.” *Policy Research Working Paper*, no. April (2017): 1–27.

- Deneweth, Heidi, Oscar Gelderblom, and Joost Jonker. "Microfinance and the Decline of Poverty: Evidence From the Nineteenth-Century Netherlands." *Journal of Economic Development* 39, no. 1 (2014): 79–110.
- Dermineur, Elise M. "Peer-to-Peer Lending in Pre-Industrial France." *Financial History Review* 26, no. 3 (2019): 359–88.
- Dong, Yan, and Chao Men. "SME Financing in Emerging Markets: Firm Characteristics, Banking Structure and Institutions." *Emerging Markets Finance and Trade* 50, no. 1 (January 5, 2014): 120–49.
- Driel, Hugo van. "De Vorming En de Ontwikkeling van de Middenstand in Nederland Tot 1940." Erasmus Universiteit, 1984.
- Duffhues, Ton. *Voor Een Betere Toekomst: Het Werk van de Noordbrabantse Christelijke Boerenbond Voor Bedrijf En Gezin, 1896-1996*. Nijmegen: Valkhof Pers, 1996.
- Dumon, W.A. *De Middenstand Als Sociologische Categorie: Een Explorerend Onderzoek Naar Het Middenstandsbe­grip*. Leuven: Nauwelaerts, 1963.
- Dungen, P. A. van den. "De Middenstandsbeweging in Nederland." Ph.D. dissertation, Universiteit Leuven, 1937.
- Edwards, Jeremy, and Sheilagh Ogilvie. "Universal Banks and German Industrialization: A Reappraisal." *The Economic History Review* 49, no. 3 (August 1996): 427.
- Eerenbeemt, H.F.M. Van den. "Middenstandskrediet En Het Ontstaan van de Bossche Hanzebank." In *Bedrijf En Samenleving: Economisch-Historische Studies over Nederland in de Negentiende En Twintigste Eeuw. Aangeboden Aan Prof. Dr. I.J. Brugmans Bij Zijn Aftreden Als Hoogleraar Aan de Universiteit van Amsterdam*, edited by W.J. Wieringa, H. Baudet, and I. Schöff­er, 25–64. Brussel: Samsom, 1967.
- Eisfeld, C. *Das Niederländische Bankwesen*. The Hague, 1916.
- Esho, Ebes, and Grietjie Verhoef. "The Funding Gap and the Financing of Small and Medium Businesses." MPRA, 2018.
- Everwijn, J.C.A. *Handelsregister En Kamers van Koophandel*. Den Haag: Drukkerij Levisson, 1920.
- Faber, Johannes A. "Inhabitants of Amsterdam and Their Possessions 1701—1710." *AAG Bijdragen* 33 (1981): 149–55.

- Fohlin, Caroline. "Universal Banking in Pre-World War I Germany: Model or Myth?" *Explorations in Economic History* 36 (1999): 305–43.
- Forsyth, Douglas J, and Daniel Verdier. *The Origins of National Financial Systems: Alexander Gerschenkron Reconsidered*. London & New York: Routledge, 2003.
- Gall, Lothar. *Bürgertum in Deutschland*. Berlin: Siedler, 1989.
- Gelderblom, Oscar, and Corinne A. Boter. "The Dynamics of Inclusive Finance: The Case of The Netherlands in The Twentieth Century," 2020.
- Gelderblom, Oscar, Mark Hup, and Joost Jonker. "Public Functions, Private Markets: Credit Registration by Aldermen and Notaries in the Low Countries, 1500-1800." In *Financing in Europe: Evolution, Coexistence and Complementarity of Lending Practices from the Middle Ages to Modern Times*, edited by Marcello Lorenzini, Cinzia Lorandini, and D'Maris Coffman, 163–94. Cham: Palgrave Macmillan, 2018.
- Gerschenkron, Alexander. *Economic Backwardness in Historical Perspective*. Cambridge: The Belknap Press of Harvard University, 1966.
- Gerwen, Jacques van. "A Statistical Latecomer: Dutch Industry in Figures." In *The Statistical Mind in Modern Society: The Netherlands 1850-1940: Official Statistics, Social Progress and Modern Enterprise, Statistics and Scientific Work*, edited by J.G.S.J. Van Maarseveen, P.M.M. Klep, and I.H. Stamhuis, 335–56. Aksant, 2008.
- Gerwen, Jacques van, and Ferry de Goey. *Ondernemers in Nederland: Variaties in Ondernemen*. Amsterdam: Boom, 2008.
- . "Ondernemers in Nederland." In *Twee Eeuwen Nederland Geteld: Onderzoek Met de Digitale Volks-, Beroeps-, En Woningtellingen, 1795-2001*, edited by O.W.A Boonstra, P.K. Doorn, M.P.M. van Horik, J.G.S.J. van Maarseveen, and J. Oudhof, 229–58. Den Haag: DANS Symposium Publicaties 2, 2007.
- Gerwen, Jacques van, and C. Seegers. "De Industrialisatie van Nederland En Het Industriële Grootbedrijf: Beeld En Werkelijkheid." *NEHA Jaarboek Voor Economische, Bedrijfs- En Techniekgeschiedenis* 66 (2003): 138–70.
- Giné, Xavier, and Dean S. Karlan. "Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups." *Journal of Development Economics* 107 (2014): 65–83.
- Glaeser, Edward. *Triumph of the City: How Urban Spaces Make Us Human*. London: Pan Macmillan, 2011.

- Goey, Ferry de, and Hans Simons. "Transactiekosten in Theorie En Praktijk. De Kosten van Het Handelsregister in de Twintigste Eeuw." *NEHA Jaarboek Voor Economische, Bedrijfs- En Techniekgeschiedenis* 65 (2002): 224–55.
- Goodspeed, Tyler Beck. "Microcredit and Adjustment to Environmental Shock: Evidence from the Great Famine in Ireland." *Journal of Development Economics* 121 (2016): 258–77.
- Goor, Linda Van. "Banken En Industriefinanciering in de 19e Eeuw." Universiteit van Amsterdam, 2000.
- Gozzi, Juan Carlos, and Sergio Schmukler. "Public Credit Guarantees and Access to Finance." *European Economy* 2 (2015): 101–17.
- Graaf, Teunis de, Johan de Vries, and W. Vroom, eds. *Worldwide Banking: ABN AMRO Bank, 1824-1999*. Amsterdam: ABN AMRO Bank, 1999.
- Grossman, Richard S. *Unsettled Account: The Evolution of Banking in the Industrialized World since 1800*. Princeton: Princeton University Press, 2010.
- Guinnane, Timothy W. "Cooperatives As Information Machines: German Rural Credit Cooperatives, 1883–1914." *The Journal of Economic History* 61, no. 2 (2001): 366–89.
- . "Delegated Monitors, Large and Small: Germany's Banking System, 1800–1914." *Journal of Economic Literature* 40, no. 1 (February 1, 2002): 73–124.
- Haan, Franciska de. *Sekse Op Kantoor. Over Vrouwelijkheid, Mannelijkheid En Macht, Nederland 1860-1940*. Hilversum: Publikaties FHKW Rotterdam, 1992.
- Haastert, H. van, and G.W.M. Huysmans. *Veertig Jaren Landbouwcrediet Onder Leiding Der Coöperatieve Centrale Boerenleenbank Te Eindhoven 1898-1938*. s.l.: Van der Marcken Zonen, 1939.
- Hall, Peter A., and David Soskice. "An Introduction to Varieties of Capitalism." In *Varieties of Capitalism*, 1–68. Oxford: Oxford University Press, 2001.
- Hautcoeur, Pierre-Cyrille. "L'autofinancement: Théorie, Questions de Méthode et Tentative de Cadrage Macro-Économique Pour La France." *Entreprises & Histoire* 22, no. Octobre (1999): 55–77.
- Hautcoeur, Pierre-Cyrille. "Les Transformations Du Crédit En France Au XIXe Siècle." *Romantisme* 151 (2008): 23–38.

- Helderman, Coen. “De Hoge Raad van Arbeid, 1919–1940(–1950).” *Tijdschrift Voor Sociale En Economische Geschiedenis* 1, no. 1 (2004): 45–70.
- Hendriks, Daan. “The Financial Farmer: Financial Education and Extension to Dutch Farmers, 1890-1940.” Master Thesis., Utrecht University, 2018.
- Heyrman, Peter. *Middenstandsbeweging En Beleid in België: Tussen Vrijheid En Regulering: 1918-1940*. KADOC-Studies. Leuven: Leuven University Press, 1998.
- Hodgman, Donald. “Credit Controls in Western Europe: An Evaluative Review.” In *Credit Allocation Techniques and Monetary Policy*, 137–61. Federal Reserve Bank of Boston, 1973.
- Hoffman, P T, G Postel-Vinay, and J L Rosenthal. *Dark Matter Credit: The Development of Peer-to-Peer Lending and Banking in France*. The Princeton Economic History of the Western World. Princeton University Press, 2019.
- . *Priceless Markets: The Political Economy of Credit in Paris, 1660-1870*. University of Chicago Press, 2000.
- Hoffman, Philip T., Gilles Postel-Vinay, and Jean Laurent Rosenthal. “Entry, Information, and Financial Development: A Century of Competition between French Banks and Notaries.” *Explorations in Economic History* 55, no. 1 (2015): 39–57.
- Hoffman, Philip T., Gilles Postel-Vinay, and Jean-Laurent Rosenthal. *Surviving Large Losses: Financial Crises, the Middle Class, and the Development of Capital Markets*. Cambridge & London: Belknap Press, 2007.
- Hoffmann, Mathias, Tetsuji Okazaki, and Toshi Okubo. “Branch Banking and Regional Financial Markets: Evidence from Prewar Japan.” Keio-IES Discussion Paper Series, 2019.
- Hollenberg, P. C. M. “Gerlacus van Den Elsen (Ord.Praem): Emancipator van de Noorbrabantse Boerenstand (1853-1925).” Ph.D. diss., Radboud Repository, R.K. Universiteit Nijmegen, 1956.
- Hollis, Aidan, and Arthur Sweetman. “The Life-Cycle of a Microfinance Institution: The Irish Loan Funds.” *Journal of Economic Behavior and Organization* 46, no. 3 (2001): 291–311.
- Homburg, Ernst, and Johan Schot. “Financiers van de Nederlandse Industrialisatie: Economische Drijfveren, Sociale Herkomst En Familierelaties. Het Voorbeeld van

- de Garancine-Industrie 1845-1854." *Tijdschrift Voor Sociale Geschiedenis* 14, no. 3 (1988): 274-98.
- Imajoh, Toru. "The Evolution of Financial Institutions Serving Small Businesses in Japan in the Interwar Period." *Japanese Research in Business History* 25 (2008): 33-65.
- Ingenool, A. Jr. *Vijf En Twintig Jaren Middenstandsbeweging Gedenkboek van Den "Nederl. Middenstandsbond."* De Vereeniging "De Nederl. Middenstandsbond," 1927.
- Irwin, David, and Jonathan M. Scott. "Barriers Faced by SMEs in Raising Bank Finance." *International Journal of Entrepreneurial Behaviour & Research* 16, no. 3 (2010): 245-59.
- Jager, A. "Crediet Op Vorderingen." Rijksuniversiteit Utrecht, 1915.
- Janzen, Hendrik Johan Marie. *Het Middenstandsbankwezen in Nederland.* 's-Hertogenbosch: C.N. Teulings Koninklijke Drukkerijen, 1923.
- Jaremski, Matthew. "National Banking's Role in U.S. Industrialization, 1850-1900." *The Journal of Economic History* 74, no. 1 (2014): 109-40.
- Jaumain, Serge. "Les Petits Commerçants Belges Face a La Modernité (1880-1914)." Bruxelles: Editions de l'Université de Bruxelles, 1995.
- Jong, Abe de, David Michael Higgins, and Hugo van Driel. "Towards a New Business History?" *Business History* 6791, no. June 2015 (2015): 1-25.
- Jong, J.J. de. *Met Goed Fatsoen. De Elite in Een Hollandse Stad Gouda, 1700-1780.* Amsterdam: Bataafsche Leeuw, 1985.
- Johnson, V., and W. W. Powell. "Organizational Poisedness and the Transformation of Civic Order in Nineteenth-Century New York City." In *Organizations, Civil Society, and the Roots of Development*, edited by Naomi R. Lamoreaux and J. J. Wallis, 179-230. Chicago: University of Chicago Press, 2016.
- Jonker, Joost. "Geld En Bankwezen, 1815-1990." In *Nationaal Goed: Feiten En Cijfers over Onze Samenleving ca. 1800-1999*, edited by Ronald van der Bie and Pit Dehing, 61-74. Amsterdam: CBS, 1999.
- . "Lachspiegel van de Vooruitgang." *NEHA Bulletin* 5, no. 1 (1991): 5-23.
- . *Merchants, Bankers, Middlemen: The Amsterdam Money Market during the First*

- Half of the 19th Century*. NEHA, 1996.
- . “Spoilt for Choice? Banking Concentration and the Structure of the Dutch Capital Market, 1900-40.” In *The Evolution of Financial Institutions and Markets in the Twentieth Century Europe*, edited by Y. Cassis, Gerald D Feldman, and U. Olsson, 187–208. Aldershot: Scholar Press, 1995.
- . “The Alternative Road to Modernity: Banking and Currency, 1814-1914.” In *Financial History of the Netherlands*, edited by Marjolein T’Hart, Joost Jonker, and Jan Luiten van Zanden, 94–123. Cambridge: Cambridge University Press, 1997.
- . “Welbegrepen Eigenbelang; Ontstaan En Werwijze van Boerenleenbanken in Noord-Brabant, 1900-1920.” *Jaarboek Voor de Geschiedenis van Bedrijf En Techniek* 5 (1988): 188–207.
- Jonker, Joost, and Keetie E. Sluyterman. *Thuis Op de Wereldmarkt. Nederlandse Handelshuizen Door de Eeuwen Heen*. The Hague: SDU Uitgevers, 2000.
- Jonker, Joost, and Jan Luiten van Zanden. “Method in the Madness? Banking Crises Between the Wars, an International Comparison.” In *Banking, Currency, and Finance in Europe Between the Wars*, edited by Charles H Feinstein, 1–23. Oxford University Press, 1995.
- Kellenaers, A. *Het Handboek Voor Den Middenstand*. Haarlem: H.D. Tjeenk Willink & Zoon, 1919.
- Kersten, Renate, Job Harms, Kellie Liket, and Karen Maas. “Small Firms, Large Impact? A Systematic Review of the SME Finance Literature.” *World Development* 97, no. 2016 (2017): 330–48.
- Kirschenmann, Karolin. “Credit Rationing in Small Firm-Bank Relationships.” *Journal of Financial Intermediation* 26 (2016): 68–99.
- Knaap, Dorien Aletta. “‘Voor Geld Is Altijd Wel Een Plaats Te Vinden’ De Firma W.A. Scholten (1841-1892) De Eerste Nederlandse Industriële Multinational.” Universiteit Groningen, 2004.
- Knippenberg, H., and B. de Pater. *De Eenwording van Nederland, Schaalvergroting En Integratie Sinds 1800*. Nijmegen: Sun, 1988.
- Knol, H.D. *Middenstandsbanken En Het Onderzoek Naar Hare Verhouding*. Leiden: A.W. Sijthoff’s Uitgeversmaatschappij, 1923.

- Koch, Jeroen. *Abraham Kuiper: Een Biografie*. Amsterdam: Boom, 2007.
- Kocka, Jürgen. *Industrial Culture & Bourgeois Society: Business, Labor, and Bureaucracy in Modern Germany*. New York & Oxford: Berghahn Books, 1999.
- Koenraad, C. "Incasso- En Informatiebureaux: Praeadvies Op Het 10de Congres van Den Middenstand Te Middelburg." Amsterdam, 1913.
- Kok, Jan de, Claudia Deijl, and Christi Veldhuis-Van Essen. *Is Small Still Beautiful? Literature Review of Recent Empirical Evidence on the Contribution of SMEs to Employment Creation*. Vol. 89. Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit, 2013.
- Kok, Jan de, Paul Vroonhof, Wim Verhoeven, Niek Timmermans, Ton Kwaak, and Florieke Weshof. "Do SMEs Create More and Better Jobs." Zoetermeer, 2011.
- Kooijmans, L. *Onder Regenten: De Elite in Een Hollandse Stad Hoorn, 1700-1780*. Amsterdam: Bataafsche Leeuw, 1985.
- Korevaar, M. "Reach for Yield and Real Estate: The Impact of Investor Demand on House Prices," 2020.
- Korthals Altes, E. J. *Het Credietvraagstuk in Verband Met de Behoeften En Wensen van Den Middenstand: Praeadvies Uitgebracht Door Mr. E. J. Korthals Altes, Advocaat En Accountant van Het Congres van Den Middenstand Te Houden Te Amsterdam Op 15 Juli 1909*. Amsterdam: Ned. Bond van Vereenigingen van den Handeldrijvenden en van den industriëlen Middenstand, 1909.
- Kuiper, D. Th. *Tussen Observatie En Participatie: Twee Eeuwen Gereformeerde En Antirevolutionaire Wereld in Ontwikkelingsperspectief*. Hilversum: Verloren, 2002.
- Kuné, J.B., and M. van Nieuwkerk. "De Ontwikkeling van de Geldquote in Nederland, 1900-1970." *Maandschrift Economie*, n.d., 1-15.
- Kurgan-van Hentenryk, Ginette. "Une Classe Oubliée: La Petite Bourgeoisie de 1850 à 1914." In *Aux Frontiers Des Classes Moyennes: La Petite Bourgeoisie Belge Avant 1914*, edited by Ginette Kurgan-van Hentenryk and Serge Jaumain, 15-28. Bruxelles: Editions de l'Université de Bruxelles, 1992.
- Kuiper, Abraham. *Ons Program*, 5th ed. Hilversum: Höveker & Wormser, 1907.
- Kymmell, J. *Geschiedenis van de Algemene Banken in Nederland: 1860-1914, Deel B*. Amsterdam: NIBE, 1996.

- Lamoreaux, Naomi R. "Constructing Firms: Partnerships and Alternative Contractual Arrangements in Early Nineteenth-Century American Business." *Business & Economic History* 24, no. 2 (1995): 43–71.
- . *Insider Lending: Banks, Personal Connections, and Economic Development in Industrial New England*. Cambridge: Cambridge University Press, n.d.
- Lamoreaux, Naomi R., Daniel M. G. Raff, and Peter Temin. "Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History." *The American Historical Review* 108, no. 2 (2003): 404–33.
- Lamoreaux, Naomi R., and Kenneth L Sokoloff, eds. *Financing Innovation in the United States, 1870 to the Present*. Cambridge: MIT Press Books, 2007.
- Lamoreaux, Naomi R, Daniel M G Raff, and Peter Temin. "Economic Theory and Business History." *The Oxford Handbook of Business History*, 2008, 37–66.
- Lemercier, Claire. "Looking for 'Industrial Confraternity' Small-Scale Industries and Institutions in Nineteenth-Century Paris." *Enterprise and Society* 10, no. 2 (2009): 304–34.
- Lemercier, Claire, and Claire Zalc. "For a New Approach to Credit Relations in Modern History." *Annales (English Ed.)* 67, no. 04 (December 2012): 663–91.
- Lenin, Vladimir Iljitsj. *Imperialism: The Highest Stage of Capitalism*. Sydney: Resistance Books, 1999.
- Lente, Dick van. "De Plaats van de Ambachten in Een Industrialiserende Samenleving: Nederland 1870-1920." *Jaarboek Voor de Geschiedenis van Bedrijf En Techniek* 5 (1988): 214–27.
- . "The Crafts in Industrial Society: Ideals and Policy in the Netherlands, 1890-1930." *NEHA: Economic and Social History in the Netherlands* 2 (1990): 99–119.
- Lescure, Michel. "Banking and Finance." In *The Oxford Handbook of Business History*, edited by Geoffrey Jones and Jonathan Zeitlin. Oxford: Oxford University Press, 2009.
- . *PME et Croissance Économique: L'expérience Française Des Années 1920*. Paris: Economica, 1996.
- Levine, Ross. "Finance and Growth: Theory and Evidence." In *Handbook of Economic Growth*, edited by Philippe Aghion and Steven N. Durlauf, Volume 1A., 1:865–934.

- Elsevier, 2005.
- Lichtenauer, W.F. “De Invloed van de Crisismaatregelen: Op Het Bedrijfsleven in Het Algemeen En Het Middenstandsbedrijf in ’t Bijzonder.” Den Haag, 1937.
- Lijphart, Arend. *Verzuiling, Pacificatie En Kentering in de Nederlandse Politiek*, 8th ed. Haarlem: Becht, 1990.
- Lindgren, Håkan. “The Modernization of Swedish Credit Markets, 1840–1905: Evidence from Probate Records.” *Journal of Economic History* 62, no. 3 (2002): 810–32.
- Maarseveen, J.G.S.J. van. *Algemene Tellingen in de Twintigste Eeuw: De Methode van Onderzoek Bij Personen En Bedrijven*. Voorburg: Centraal Bureau voor de Statistiek, 2002.
- Maassen, H. A. J. *Tussen Commercieel En Sociaal Krediet: De Ontwikkeling van de Bank van Lening in Nederland van Lombard Tot Gemeentelijke Kredietbank 1260-1940*. Uitgeverij Verloren, 1994.
- Mahoney, James, and Kathleen Thelen. “A Theory of Gradual Institutional Change.” In *Explaining Institutional Change: Ambiguity, Agency and Power*, edited by James Mahoney and Kathleen Thelen, 1–37. Cambridge: Cambridge University Press, 2011.
- Matteo, Livio Di. “The Determinants of Wealth and Asset Holding in Nineteenth-Century Canada: Evidence from Microdata.” *The Journal of Economic History* 57, no. 4 (1997): 907–34.
- Matteo, Livio Di, and Angela Redish. “The Evolution of Financial Intermediation: Evidence from 19th-Century Ontario Microdata (L’évolution de l’intermédiation Financière: Résultats à Partir de Micro-données Pour l’Ontario Au 19^e Siècle).” *Canadian Journal of Economics* 48, no. 3 (2015): 963–87.
- Maussen, Marcel. “Pillarization.” In *The Wiley Blackwell Encyclopedia of Race, Ethnicity, and Nationalism*, edited by John Stone, Rutledge M. Dennis, Polly S. Rizova, Anthony D. Smith, and Xiaoshuo Hou, 1–5. Chichester, UK: John Wiley & Sons Ltd., 2016.
- Mazzucato, Mariana. *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*. Milton Keynes: Penguin Books Limited, 2018.
- McCants, Anne. “Goods at Pawn: The Overlapping Worlds of Material Possessions and Family Finance in Early Modern Amsterdam.” *Social Science History* 31, no. 2 (2007): 213–38.

- McCants, Anne E.C. "Inequality among the Poor of Eighteenth Century Amsterdam." *Explorations in Economic History* 44, no. 1 (January 2007): 1–21.
- Mia, Md Aslam, Hwok Aun Lee, V. G.R. Chandran, Rajah Rasiah, and Mahfuzur Rahman. "History of Microfinance in Bangladesh: A Life Cycle Theory Approach." *Business History* 61, no. 4 (2019): 703–33.
- Ministerie van Economische Zaken. "Middenstandsnota 1954." 's-Gravenhage, 1954.
- Miwa, Yoshiro, and J. Mark Ramseyer. "Japanese Industrial Finance at the Close of the 19th Century: Trade Credit and Financial Intermediation." *Explorations in Economic History* 43, no. 1 (2006): 94–118.
- Moes, Jaap. *Onder Aristocraten: Over Hegemonie, Welstand En Aanzien van Adel, Patriciaat En Andere Notabelen in Nederland, 1848-1914*. Hilversum: Verloren, 2012.
- Monnet, Eric. *Controlling Credit: Central Banking and the Planned Economy in Postwar France, 1948-1973*. Cambridge & New York: Cambridge University Press, 2018.
- Mooij, Joke, and Henriëtte Prast. "A Brief History of the Institutional Design of Banking Supervision in the Netherlands." In *Banking Supervision at the Crossroads*, edited by Thea Kuppens, Henriëtte Prast, and Sandra Wesseling, 10–40. Cheltenham: Edgar Elgar Publishing, 2003.
- NBVHIM, *Stenografisch Verslag der Algemeene Vergadering en van het Nationaal Congres van den Nederlandschen Bond van Vereenigingen van den Handeldrijvenden en Industrieelen Middenstand*, 's-Gravenhage, 1900–1923. 72994076, KDC.
- Niesten, L.J. "Het Betalingsverkeer En de Postcheque- En Girodienst." In *Een Halve Eeuw Postcheque- En Girodienst: Geschiedenis, Plaats In Het Betalingsverkeer, Werking En Exploitatie, Automatisering In Technisch, Sociaal En Organisatorisch Opzicht Van De Postgiro*, edited by Hendrik Reinoud, J. A. Hommel, and G. F. J. A. Groen, 89–162. Utrecht: Het Spectrum, 1968.
- Nijs, Thimo De. *Op Zoek Naar de Verdwenen Middenstand*. Utrecht: Verloren, 2007.
- Noh, Yong-Hwan, and Jaekeun Hong. "Effectiveness of Public Credit Guarantee System and Its: Coexistence with Market-Based Finance Schemes." *The Journal of Small Business Innovation* 19, no. 3 (2016): 1–16.
- Nord, Philip. "The Small Shopkeepers' Movement and Politics in France, 1888-1914." In *Shopkeepers and Master Artisans in Nineteenth-Century Europe*, edited by Geoffrey Crossick and Heinz-Gerhard Haupt, 175–94. London: Methuen, 1984.

- . *Paris Shopkeepers and the Politics of Resentment*. Princeton, NJ: Princeton University Press, 1986.
- Nouwens, J. “Verheffing van Den Handeldrijvenden Middenstand Door Het Vereenigingsleven En Het Stichten van Een Algemeenen Nederlandschen Bond van Vereenigingen.” In *Verhandelingen Gehouden Op Het 3e Internationale Congres van Den Handeldrijvenden Middenstand*, 1–15. Heeswijk: Unknown, 1902.
- Ogilvie, Sheilagh, Markus Küpker, and Janine Maegraith. *Household Debt in Early Modern Germany: Evidence from Personal Inventories*. *Journal of Economic History*. Vol. 72, 2012.
- Olson, Mancur. *The Logic of Collective Action: Public Goods and the Theory of Groups*. *Public Goods and the Theory of Groups*. Cambridge: Harvard University Press, 1971.
- Oosterhuis, Ton. *Niet Om Het Gewin, Maar Voor Het Gezin*. The Hague: SDU Uitgevers, 2000.
- Oricchio, Gianluca, Andrea Crovetto, Sergio Lugaresi, and Stefano Fontana. *SME Funding: The Role of Shadow Banking and Alternative Funding Options*. London: Palgrave Macmillan, 2016.
- Overfelt, Wouter Van, Jan Annaert, Marc De Ceuster, and Marc Deloof. “Do Universal Banks Create Value? Universal Bank Affiliation and Company Performance in Belgium, 1905–1909.” *Explorations in Economic History* 46, no. 2 (April 2009): 253–65.
- Pecorino, Paul. “Olson’s Logic of Collective Action at Fifty.” *Public Choice* 162, no. 3–4 (2015): 243–62.
- Peeters, Ruben. “Getting a Foot in the Door: Small Firm Credit and Interest Group Politics in the Netherlands, 1900–1927.” *Enterprise & Society*, no. 1–37 (2020).
- . “Lending and Coaching: Public Loan Guarantee Funds in the Netherlands, 1934–1978,” 2020.
- . “SMEs in an Era of Change: Overview of SMEs in the Netherlands, 1895–2000,” 2020.
- . “The Dutch Public Credit Guarantee System: 1934–2020,” 2020.
- Peeters, Ruben, and Amaury de Vicq. “Inheritance Taxation Records in the Netherlands in 1921: The Memories Database,” 2020.

- Piketty, Thomas, Gilles Postel-Vinay, and Jean Laurent Rosenthal. "Inherited vs Self-Made Wealth: Theory & Evidence from a Rentier Society (Paris 1872-1927)." *Explorations in Economic History* 51, no. 1 (2014): 21-40.
- Pilbeam, Pamela M. *The Middle Classes in Europe 1789-1914: France, Germany, Italy and Russia*. Houndmills and London: Macmillan Education, 1990.
- Pompe, J. H. "De Kleine Middenstand in Nederland: Een Vergelijkende Studie Tussen de Oude En de Nieuwe Middenstand." Universiteit Groningen, 1980.
- Pompe, J. H., H. J. M. van den Tillaart, and F. W. van Uxem. "Van Middenstander Naar Ondernemer. Over de Kleine Zelfstandige in Een Veranderende Samenleving." *Sociologische Gids* 30 (1983): 203-22.
- Posthumus Meyjes, W.C. "De Nieuwe Richting in Het Middenstandsbankwezen," 1927.
- Prak, Maarten. *Gezeten Burgers. De Elite van Een Hollandse Stad Leiden, 1700-1780*. Amsterdam: Bataafsche Leeuw, 1985.
- Prasad, Monica. *The Land of Too Much: American Abundance and the Paradox of Poverty*. Cambridge & London: Harvard University Press, 2012.
- Psillaki, Maria, and Konstantinos Eleftheriou. "Trade Credit, Bank Credit, and Flight to Quality: Evidence from French SMEs." *Journal of Small Business Management* 53, no. 4 (2015): 1219-40.
- Pyfferoen, Oscar. *La Petite Bourgeoisie Aux Pays-Bas: Rapport Présenté à M. Le Ministre de l'industrie et Du Travail*. Bruxelles: Société Belge de Librairie, 1902.
- Rajan, Raghuram G., and Luigi Zingales. "Financial Dependence and Growth." NBER Working Papers, 1996.
- Reehuis, Wim. "Roerende Zaken Als Zekerheid: Leven in de Brouwerij." *Groninger Opmerkingen En Mededelingen XIV* (1997): 30-62.
- Riel, Arthur van. "Trials of Convergence. Prices, Markets and Industrialization in the Netherlands, 1800-1913." Ph.D. diss., Utrecht University, 2018.
- Rooy de, Piet. *Politiek van Rivaliteiten – Nederland Sinds 1813*. Amsterdam: Mets & Schilt, 2005.
- Sabel, Charles, and Jonathan Zeitlin. "Historical Alternatives to Mass Production: Politics, Markets and Technology in Nineteenth-Century Industrialization." *Past &*

- Present* 108 (1985): 133–76.
- Saito, Kuniyoshi, and Daisuke Tsuruta. “Information Asymmetry in Small and Medium Enterprise Credit Guarantee Schemes: Evidence from Japan.” *Applied Economics* 50, no. 22 (2018): 2469–85.
- Scheffer, H.J. “Ontwikkeling van de Ambachts- En Fabrieksnijverheid in Nederland.” *Economisch-Statistische Berichten* 27, no. 1402 (1942): 542–46.
- Schepen, Oscar, ed. *Compte Rendu Sténographique Du Congrès International de La Petite Bourgeoisie Tenu à Anvers Les 17 et 18 Septembre 1899*. Bruxelles: Société Belge de Librairie, 1900.
- Schras, G.J. *50 Jaar Krediet-Verlening Aan de Middenstand Onder Staatsgarantie 1915-1965*, 1967.
- Schrover, Marlou. *Het Vette, Het Zoete En Het Wederzijdse Profijt - Verloren*. Hilversum: Verloren, 1991.
- Scranton, Philip, and Patrick Fridenson. *Reimagining Business History*. Baltimore: Johns Hopkins University Press, 2013.
- Segers, Yves. *Economische Groei En Levensstandaard: De Ontwikkeling van de Particuliere Consumptie En Het Voedselverbruik in België, 1800–1913*. ICAG-Studies. Leuven: Universitaire Pers Leuven, 2003.
- Sengers, Erik. *Roomsche Socioloog-Sociale Bisschop: Joannes Aengenent Als Ideoloog En Bestuurder van de Katholieke Sociale Beweging, 1873–1935*. Hilversum: Verloren, 2016.
- . *Paters van de Sociale Actie: De Sociologie van Berne Voor Boeren, Middenstanders, En Werkgevers, 1895–1940*. Heeswijk-Dinther: Berne Media, 2019.
- Sluyterman, Keetie E. *Dutch Enterprise in the Twentieth Century: Business Strategies in a Small Open Economy*. Routledge, 2005.
- . *Kerende Kansen: Het Nederlandse Bedrijfsleven in de Twintigste Eeuw*. Amsterdam: Boom, 2003.
- . *Ondernemen in Sigaren: Analyse van Bedrijfsbeleid in Vijf Sigarenfabrieken 1856-1865 En 1925-1934*. Tilburg: Stichting Zuidelijk Historisch Contact, 1983.
- Snoep, J.P. *Het Bankwezen: Schetsen over Bank En Cliënt*. Amsterdam: Elsevier, 1961.

- Statistisch Bureau der gemeente 's-Gravenhage. *Uitkomsten van Een Onderzoek Naar de Kosten van Levensonderhoud van 28 Gezinnen Te 's-Gravenhage in 1921 En 1922*. The Hague: Statistisch Bureau der Gemeente 's-Gravenhage, 1924.
- Stel, André van, and Bart Diephuis. "Aantallen Ondernemers En Ondernemingen." Zoetermeer, 2004.
- Stenografisch Verslag van Het Derde Internationaal Congres Voor Den Handeldrijvenden Middenstand. Gehouden Te Amsterdam in Het Concertgebouw Op 3 En 4 September 1902*. Amsterdam: De Algemeene Winkeliers-Vereeniging te Amsterdam, 1903.
- Stichting Economisch Instituut voor den Middenstand. *Onderzoek Naar de Oorzaken van Faillissementen van Handeldrijvenden En Industrieele Middenstanders*. 'S Gravenhage, 1939.
- Stiglitz, Joseph E, and Andrew Weiss. "Credit Rationing in Markets with Imperfect Information." *American Economic Review* 71, no. 3 (1981): 393–410.
- Stoffer, J. *Het Ontstaan van de NMB: De Geschiedenis van Haar Voorgangers in de Jaren 1900 Tot 1927*. Deventer: Kluwer, 1985.
- Stoop, J. P. *Om Het Volvoeren van Een Christelijke Staatkunde: de Anti-Revolutionaire Partij in Het Interbellum*. Amsterdam: Uitgeverij Verloren, 2001.
- Sutter, Christopher, Justin Webb, Geoff Kistruck, David J. Ketchen, and R. Duane Ireland. "Transitioning Entrepreneurs from Informal to Formal Markets." *Journal of Business Venturing* 32, no. 4 (2017): 420–42.
- Sylla, Richard, and Gianni Toniolo. *Patterns of European Industrialisation: The Nineteenth Century*. New York: Routledge, 1992.
- T'Hart, Marjolein, Joost Jonker, and Jan Luiten van Zanden, eds. *Financial History of the Netherlands*. Cambridge: Cambridge University Press, 1997.
- Taketa, K., and Gregory F Udell. "Lending Channels and Financial Shocks: The Case of SME Trade Credit and the Japanese Banking Crisis." *Monetary and Economic Studies* 25, no. November (2007): 1–44.
- Thomas, Emma F., Elena Zubielevitch, Chris G. Sibley, and Danny Osborne. "Testing the Social Identity Model of Collective Action Longitudinally and Across Structurally Disadvantaged and Advantaged Groups." *Personality and Social Psychology Bulletin* (2019): 1–16.

- Tilly, Richard H. "Banking Institutions in Historical and Comparative Perspective: Germany, Great Britain and the United States in the Nineteenth and Early Twentieth Century." *Journal of Institutional and Theoretical Economics* 145, no. 1 (1989): 189–209.
- Tjong Tjin Tai, Sue-Yen. "Connecting Small Firms for Innovation Roles of Trade Associations and the Dutch Rijksnijverheidsdienst, 1900-1940." Technische Universiteit Eindhoven, 2015.
- Treub, M.W.F. *Oorlogstijd: Herrineringen En Indrukken van Mr M.W.F. Treub*. Haarlem: H.D. Tjeenk Willink & Zoon, 1916.
- Turner, John D. *Banking in Crisis: The Rise and Fall of British Banking Stability, 1800 to the Present*. Cambridge: Cambridge University Press, 2014.
- Udell, Gregory F. "Issues in SME Access to Finance." *European Economy*, no. 2 (2015): 61–74.
- Valk, Tim van der. "Household Finance in France and the Netherlands 1960-2000: An Evolutionary Approach." Ph.D. Dissertation, Utrecht University, 2019.
- Verdier, Daniel. *Moving Money: Banking and Finance in the Industrialized World*. Cambridge University Press, 2002.
- . "The Rise and Fall of State Banking in OECD Countries." *Comparative Political Studies* 33, no. 3 (2000): 283–318.
- Verwey-Jonker, Hilda. "Lage Inkomens: Een Statistisch Onderzoek Naar de Verdeling Der Inkomens Beneden de Belastinggrens in de Gemeente Eindhoven." University of Amsterdam, 1943.
- Vicq, Amaury de. "Caught between Outreach and Sustainability: The Rise and Decline of Dutch Credit Unions, 1850-1940," 2020.
- . "Constructing a Database on the Dutch Banking Landscape, 1860-1940." Utrecht University, 2020.
- . "Mission Drift in Dutch Credit Unions, 1850-1920: What Can We Learn from the Past?" 2019.
- Vicq, Amaury de, and Christiaan van Bochove. "Lending a Hand: The Rise and Fall of Help Banks in the Netherlands, 1860s-1960s," 2020.

- Vicq, Amaury de, and Ruben Peeters. "Introduction to the Tafel V-Bis Dataset: Death Duty Summary Information for The Netherlands, 1921." *Research Data Journal for the Humanities and Social Sciences*, 2020, 1–18.'
- Visser, C. *Middenstandskoöperatie in Nederland: Overzicht over de in Nederland Bestaande Middenstanders-Coöperaties- Samengesteld Door Cor. Visser, Accountant Te Leeuwarden*. Leeuwarden, 1913.
- Vitols, Sigurt. "German Banks and the Modernization of the Small Firm Sector: Long-Term Finance in Comparative Perspective," 1995.
- Vries, B. de. "Amsterdamse Vermogens En Vermogensbezitters 1855-1875." *AAG Bijdragen*, 1986, 199–215.
- Vries, Johan de. "Het Notaris papier En de Nederlandsche Bank." In *Sparen En Investeren, Geld En Banken, Opstellen Aangeboden Aan Prof. Dr. W. Eizenga Ter Gelegenheid van Zijn Afscheid Op 13 November 1987 Als Gewoon Hoogleraar in de Staathuishoudkunde En de Statistiek Aan de Rijksuniversiteit Te Leiden*, edited by H.W.J. Bosmans, 398–411. Leiden, 1987.
- Weingast, Barry R., and Donald A. Wittman. "The Reach of Political Economy." In *The Oxford Handbook of Political Economy*, edited by Barry R. Weingast and Donald A. Wittman, 1–25. New York: Oxford University Press, 2008.
- Werf, Douwe C.J. van der. "De Bond, de Banken En de Beurzen." Tilburg University, 1988.
- Westerman, W.M. "De Concentratie in Het Bankwezen: Een Bijdrage Tot de Kennis Der Economische Ontwikkeling van Onzen Tijd." Martinus Nijhoff, 1919.
- Westerwoudt, L.A.M. *Geschiedenis Der Borgstellingsfondsen Voor de Middenstand in Nederland van 1936 Tot 1981*, 1984.
- Wijmans, Luuk. *Beeld En Betekenis van Het Maatschappelijke Midden: Oude En Nieuwe Middengroepen 1850 Tot Heden*. Amsterdam: Van Gennep, 1987.
- Wijsenbeek-Olthuis, Thera F. *Achter de Gevels van Delft, Bezit En Bestaan van Rijk En Arm in Een Periode van Achteruitgang*. Hilversum: Verloren, 1987.
- Williamson, Jeffrey G. "Real Wages and Relative Factor Prices in the Third World 1820–1940: The Mediterranean Basin." Harvard Institute of Economic Research Working Papers 1842, Harvard- Institute of Economic Research, 1998.

- Wilterdink, Nico. *Vermogensverhoudingen in Nederland Ontwikkelingen Sinds de Negentiende Eeuw*. 2nd ed. Amsterdam: De Arbeiderspers, 2015.
- Winstanley, Michael J. *The Shopkeeper's World 1830–1914*. Manchester, UK: Manchester University Press, 1983.
- Young, Craig. “Financing the Micro-Scale Enterprise: Rural Craft Producers in Scotland, 1840-1914.” *The Business History Review* 69, no. 3 (1995): 398–421.
- Zalc, Claire. “Small-Business Owners in Twentieth-Century France: The Advantages of Vagueness.” *Vingtième Siècle. Revue d’histoire* 2, no. 114 (2012): 53–66.
- Zanden, Jan L. van. *The Economic History of The Netherlands 1914-1995: A Small Open Economy in the “Long Twentieth Century.”* *The Economic History of The Netherlands 1914-1995*. New York: Routledge, 1998.
- Zanden, Jan Luiten van. *Een Klein Land in de 20e Eeuw: Economische Geschiedenis van Nederland 1914-1995*. Utrecht: Spectrum, 1997.
- . “Old Rules, New Conditions, 1914-1940.” In *Financial History of the Netherlands*, edited by Marjolein ’t Hart, Joost Jonker, and Jan Luiten van Zanden, 124–51. Cambridge: Cambria University Press, 1997.
- Zandvliet, Kees. *De 250 Rijksten van de Gouden Eeuw: Kapitaal, Macht, Familie En Levensstijl*. Amsterdam: Rijksmuseum, 2006.
- Zdatny, Steven M. *The Politics of Survival: Artisans in Twentieth-Century France*. New York: Oxford University Press, 1990.

Archival Sources

ING Archive, Amsterdam

International Institute for Social History, Amsterdam

Stadsarchief Gemeente Amsterdam, Amsterdam

Groninger Archieven, Groningen

Noord-Hollands Archief, Haarlem

HC Leeuwarden, Leeuwarden

Tresoar, Leeuwarden

RHC Limburg, Maastricht

Stadsarchief Rotterdam, Rotterdam

Nationaal Archief, The Hague

Haags Gemeente Archief, The Hague

Het Utrechts Archief, Utrecht

RHC Overijssel, Zwolle

Newspapers and Magazines

Algemeen Handelsblad

Het Vaderland

Tilburgsche Courant

De Hanze: Officeel orgaan van "De Hanze" Bond van Roomsch-Katholieke Vereenigingen van den Handeldrijvenden en Industrieelen Middenstand in het Bisdom Haarlem.

Author's Short Bio

Ruben Peeters (1993) obtained his Bachelor and Master in History from the University of Antwerp, with a semester spent at the National University of Singapore. He started his PhD research at Utrecht University in 2016, during which he completed research visits at Queen's University Belfast and Sciences-Po Paris. Since 2021 he worked at Tobias bv doing data analysis and temperature mappings for cold chain logistics and as a trainee at the European Innovation Council and SME Executive Agency (EISMEA) of the European Commission in the unit of Innovation Support for SMEs.

SMALL FIRMS, POLITICS, AND CREDIT: 1900-1980

Ruben Peeters

Small and medium-sized enterprises (SMEs) are a driving force for growth, innovation and job creation, nonetheless smaller companies fail more regularly and often have a hard time obtaining (bank) financing. Because of the economic importance of SMEs, governments are actively trying to support smaller businesses by removing obstacles to their survival and growth. In practice, this means adapting regulations and government policies to the needs of SMEs and improving their access to finance. These interventions do not take place always or everywhere, but depend heavily on the interaction between the government, political interest groups, and financial markets.

This dissertation examines the history of government interventions in the Dutch financial system between 1900 and 1980. Throughout this period, the Dutch government, under pressure from small business interest groups, began to play an increasing role in lending to SMEs. I argue that over time, small businesses worked with the government to make changes in the financial system to better meet the credit needs of SMEs. In doing so, the interaction between small businesses, the Dutch government, and the financial system was particularly important in bringing about these changes. These interventions have helped Dutch SMEs, especially during moments of crisis.