

From Socialisation to Regulation— The Secularisation of Dutch Social Democracy



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1 Introduction

For many in Europe the end of the Great War in November 1918 must have felt as the upbeat to the great socialist revolution. In Russia indeed it was. Revolutionary outbreaks in other countries didn't catch. In Germany the transition from empire to republic was not followed by structural political economic change. In The Netherlands Pieter Jelles Troelstra, the leader of the Social Democrat Labour Party, proclaimed on November 12, 1918 in Parliament that the government had lost the right to see itself as pursuing the interests of the people. The Social-Democrats were entitled now to grasp power. The reaction came within a week. A great manifestation in the Hague where queen and crown princess appeared in their carriage. Enthusiasts unyoked the horses and pulled the royals in their coach around under loud cheers of the assembled mass.

No participation of Socialists in government until 1939. It did not hinder the discussion within the Social Democrat Labour Party (SDLP) on the socialist society that certainly would come some future day and on how to speed up its arrival. This chapter tells how those notions evolved during the interbellum and seems to have come to a halt in the first years after World War II. The story leans heavily on the reports that were published on behalf of the SDLP in 1920, 1923 and 1935 plus the first report for the Labour Party, the successor of SDLP, in 1951 (S.D.A.P. 1920, 1923, 1935; Partij van de Arbeid 1951). The focus is on the intake of new views on the road towards true socialism, the rejection or silent disappearance of older ideas and the internal consistency of the social democrat blueprint.

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2 The Lean Marxism of Dutch Democratic Socialism

The Social Democrat Labour Party in the Netherlands (SDLP) was established in 1894 by dissidents who had left the Social Democratic Union, in existence since 1881. The break occurred after the majority of Union members had rejected participation in parliamentary elections. In its inception the SDLP was a no to political anarchism. Neither had the party sympathy for syndicalism, which it disqualified as ‘group anarchism’. The aim of the new party is to grasp the power by working towards a majority in parliament (Dullaart 1984, 57). The first manifesto of 1895 is orthodox Marxist and a copy of the Erfurt programme of 1891 of the Social Democratic Party Germany (Tromp 1981, in Tromp 2012, 101).

The theoretical part of the Erfurt program, written by Kautsky, is a commitment to Marx’s propositions. The concentration of capital will increase, class struggle will grow more and more intense and small enterprises will be destroyed by the competition of big enterprise. The exploitation of the proletariat will intensify over time, the contradiction between the private property of the means of production held by the few and the effective use made of those means by the many will be increasingly sharp. Reforms should be forced in preparation of the revolution that will bring the socialisation of the means of production.

After revisionists, such as Eduard Bernstein, make themselves heard in Europe, the SDLP takes a turn towards the revisionist or reformist side. The orthodox Marxists step out in 1909 and form a new party, from which the Communist Party Holland will emerge. Within the SDLP a substantial part of the Marxist orthodoxy, such as the labour theory of value, went overboard in the first decades of the twentieth century, without causing real upheaval within the party. Fundamentally, only the theory of concentration of capital in increasingly large production units and the theory of centralisation of private property of those production units in the hands of a decreasing number of owners survived as the hard core of beliefs, together with the theory of the decreasing rate of profit and the under-consumption theory to explain the capitalist crisis (Dullaart 1984, 66).

In 1912 R. Kuyper, one of the most important theorists of the SDLP, raises doubt about Marx’s prediction of increasing misery, due to increasing unemployment caused by capitalists who substitute (constant) capital for labour (Kuyper 1912). In fact such a trend in the reserve army of unemployed workers has not been observed. Kuyper is supported by van der Waerden (1928). Referring to England in the 1920s he argues that the reverse is true, absence of rationalisation will lead to loss of competitiveness and unemployment. In a reaction, Wibaut, an outstanding SDLP member, lets know that for him and for many socialists increasing misery is not the necessary road to the new society, and much more so not the ideal road. Socialism will come along ways of reasonable insight, not of unreasonable violence (Dullaart 1984, 63–64).

Wibaut made his name and fame as alderman of Amsterdam in the two decades around 1920. He was also one of the leading figures in the SDLP and a thinker who, although inspired by Marx, tried to detect for himself how the capitalist system

evolves. His book on trusts and cartels, published in 1903, has become a ‘classic’ in Dutch socialist literature (Dullaart 1984, 64). In Wibaut’s vision, long term collaboration between firms enables businesses to enlarge their scale, which raises their productivity. Cooperation also reduces market uncertainty and brings the certainty of steady future sales that makes firms willing to do the necessary large investments. Cartels and trusts are created by firms that try to protect themselves against the decreasing rate of profit engendered by the reigning system of production. Legislation to stop such actions is of little avail.

In a further development of his views Wibaut predicts that once the practices of cartels and trust come in the open, the public will demand public control of the price policy of the power structures. The outcry will give the political push to create public institutions (organs) that have the authority to sack the firm owners and take charge themselves. Wibaut welcomes such a development. About the moment of the great transformation he quotes Marx’s “when the time is ripe”, under the presumption “that people once will become reasonable” (Dullaart 1984, 65). Apparently he foresees a peaceful system change.

3 1920, the Socialisation Question

From its start in 1909 on the SDLP went for the political power needed to use the State itself for the transformation of the capitalist economic system of the Netherlands into an economy based on State socialism. On that long road towards full socialism the State should function as a catalyst to speed up and strengthen the technical and economic developments that lead up to the end of capitalism and the transition from private property to communal ownership of the means of production (Dullaart 1984, 67).

In 1920 a party committee, chaired by Wibaut, in which the two proponents of a lean Marxism, Kuyper and van der Waerden also participated, brought out *The Socialisation Question* (*Het Socialisatievraagstuk*), a report on the road to go from the reality of present capitalism towards the future socialist society. The message is that the breakthrough to full socialism will certainly come, but that the road will be long and the system change a gradual process. The committee has coined for it the word socialisation, fully, socialisation of production. Socialisation then is bringing about the termination of private property of the means of production in a gradual way. It will proceed in stages, depending on the degree of concentration of firms in the various branches of industry. “The house of society must be reconstructed rigorously, while we continue to live in it” (*Socialisation Report*, 9).

Socialisation is demanded in the first place because it is the only possible way to end the waste of productive power under the capitalist anarchy. The optimal size of a business is only by exception approached and then only for making profits that fall in the hands of a small group of owners (*Socialisation Report* 8, 187). Waste is in particular evident in the high costs for marketing and the distribution of goods, due to the non-optimal degree of concentration (*Socialisation Report*, 187).

As a second major reason for socialisation the Report mentions the wish to restrict income that is received without doing labour. Basically the passive owner is maintained by the labour of other people. By letting 'labourless' income disappear, the productivity of society will rise. Further socialisation is in the interest of consumers, of whom the interests are contrary to the interest in profits of private firm owners and it is also demanded by the workers who detest to give their labour power for the profit of the capitalist entrepreneurs (Socialisation Report, 187).

Thanks to the full exploitation of economies of large scale production, termination of the sheer waste of capitalism and next to that the labour input of the formerly non-working members of society, socialisation is bound to raise productivity and by that to improve the standard of living for all. Higher productivity of labour is also to be expected from the greater interest workers will have for the production process.

On top of the list of businesses that are in for socialisation stand the capitalist monopolies and branches of industry that are highly concentrated. That is because of the power they exert over consumers and also because the difficulties of socialisation are smallest. On the second place comes the triad of coal production, the transport sector and generation and distribution of electricity. They are the necessary base for economic development. In the third group are the firms that provide for basic necessities of life, production of human nutrition, house building, production of building materials, manufacturing of clothing and footwear, including the trade supplying all those goods (Socialisation Report, 188). In agriculture the nationalisation of land is recommended. The larger agricultural firms can be brought under management of the community while the smaller businesses will be leased to farmers for private exploitation. Nationalisation of banking is seen as unnecessary. Private banking will simply disappear once the non-banking sectors are under community control, since there will be no need for the services of private banks, which basically is bringing lenders into contact with borrowers.

Once the socialist society has been established it should be avoided at all costs that the socialized firm will go to pursue group interests. When the workers get a too strong influence on the decisions of the firm they will neglect the consumer interest, similar to the behaviour of the old time capitalist. It is a major reason to reject syndicalism and producer cooperatives, the factory should not go to the workers but come under the control of the State.

The Socialisation report gives the workers of the public firm only a limited indirect influence. The personnel can vote representatives in Group Councils that monitor the labour conditions, safety measures etc. and advise on performance standards for the specific group. From the Group Councils a Personnel Council is formed that also advises on those matters. The labour conditions are established in consultation between the public firm's management and trade union.

The Socialisation Report allows the socialised firm large independence in its economic decisions on inputs, outputs and prices; basically not different from the flexibility the private firm has under capitalism. The transition to communal ownership will change the motivation from production for profit into provision in needs. Although not mentioned explicitly it is evident that the public firms will operate on markets where they buy their inputs and sell their outputs. So there are markets for

consumer goods where workers and other consumers buy the goods they need. To do so they must have a wage income paid by their employer. In the first two decades of the twentieth century and under the pressure of trade unions a system of collective wage negotiations, supported by new labour law, had developed in The Netherlands. Implicitly the report takes for granted that it will be continued in the system of market socialism.

I presume that another implicit assumption is to let the public firms function in a way similar to the non-profit State firms that already did exist in 1920, such as the post and railways. The revenue from selling output has to be sufficient to cover the cost. Actually such an organisation of pricing under socialism was proposed more than a decade later by Morreau (1931). One can read it as a belated reaction to the criticism of Mises (1920) that in a socialist economy capital and land are property of the community; they are not exchanged and there are no markets where their price is formed. Essential knowledge for making efficient investment decisions is lacking. Morreau (1931) argues that under socialism interest and profit are not allowed to exist, so they will not be included in the costs of production on which the price of the goods is based. Increase and decrease of inventories of the goods will function as signal that production has to be adjusted. Morreau admits that for perishable goods and service the inventory signal will not work and he suggests other signals such as notifications of public or workers in such firms to the Economic Council. As for investments, capital formation is financed by taxes and determined by the government decision about their level. Among the critical reactions is a comment of Tinbergen (1937), himself SLDP-member, who points out the inventory mechanism will not work if the production is time consuming such as in ship building, coffee and rubber culture.

The Socialisation Report wants the wage to be related to performance, with a minimum and a maximum to its level; and firm managers should be salaried well in order to attract the best. The Report also states very explicitly that political interference from above should be avoided; only a right to annul firm decisions that are of great importance for the community is admitted to the government. Within the firm the Daily Board is monitored by a 'Council of Management and Supervision' that also gives indications for the firm's general policy. The members of the Council have to come from outside the firm, but be competent. They are appointed by Parliament on nomination of the Minister under whom the branch of industry resorts. The Minister is also the Chairman of the Council of Management and Supervision.

At the national level a General Economic Council will be installed to replace Parliament in matters of socialisation. In the Council representatives of Parliament, directors of socialized firms and of the organisations of technicians, labourers and consumers have a seat. Presided by the Minister of Industry the Council draws up general rules for firm management (depreciations, reservations), brings equality in the labour conditions in socialized firms, advises which firms are in for socialisation, establishes institutes for systematic improvement of technology, gives indications for the shares of production for inland use and export; it also entertains international relations. As socialisation extends in time the Council will increase in importance as regulating organ of economic life.

Given the belief of Social Democrats in the efficiency of large scale production, the observer expects that in the socialist market economy many markets will have an oligopolistic or even monopolistic market structure, which might give rise to market power. However, since markets and how they function are not discussed in the Socialisation Report, market power and its potential abuse in markets for output, such as consumer products, remained out of sight. So, the Social Democrats seem to find no fault in the market system in itself, based as it is on the idea of exchange of efforts. The root of all evil is individuals going for maximum profit in combination with economic power based on private property of the few. Make property communal with the objective to produce not for profit while (I suppose) costs have to be covered by revenue from sales, and the market will work as it should.

If there were readers who had hoped to find in the Socialisation Report indications for how to proceed on the long road towards full socialism in those situations where straightforward nationalization is not opportune, must have been disappointed. The Report has not much to say about the issue. It makes clear that obstacles against nationalization arise when in a branch of industry the firms vary in size from large scale to small scale businesses and the goods they produce are varied in type since normalisation and specialisation have not yet proceeded to what is economically feasible.

A reference is made to *The Road to Socialism (Der Weg zum Sozialismus)* by the Austrian Marxist Otto Bauer (1919), who proposes to let the firms participate in an association per branch of industry, managed by a Board whose members are nominated partly by the State, partly by the consumers, partly by the personnel and partly by firm owners. The association's Board should work towards normalization and specialisation of the individual firms with the aim to realize mass production. It has the authority to concentrate production in the best firms and to shut down the laggards. Further tasks of the Board are the purchase of raw materials, sale of output and setting product prices as well as concluding the collective labour contracts. Along this road production is concentrated stepwise in preparation of the moment of full socialisation (Socialisation Report, 30–32).

An alternative first move towards full socialisation is establishing a price setting public firm of a sufficiently large scale that engages in competition with the private firms in a branch of industry. The communal firm will function as a training ground for learning how to manage a firm with great expertise and will also serve to break price agreements between private businesses, which will have strong propagandistic power. Simultaneously such an efficient public firm will eliminate private firms that stay behind in efficiency, thus working towards a structure where full socialisation in a later stage is more easy (Socialisation Report, 32–34). As a third form of partial socialisation for the transition period, community participation in the capital of private firms is mentioned and extending the influence of the community in the course of time. A reference is made to such a praxis in many German municipalities.

In short, around 1900 the Social Democrats had the belief that in the process of ever increasing scale of production the capitalist economy of the Netherlands was evolving towards a market structure of competition between the few. In some branches of industry no more than one firm might survive. The State can speed up

the process of concentration by taking part in the formation of capital that leads to ultimately its full socialization. In the socialist market economy firms will be owned by the State, but the firm's management has autonomy in its decisions. The oligopolistic not-for-profit firms will sell their products to consumers that spend their wage incomes to provide in their needs. In the early nineteen twenties it is understood that the transition towards full public ownership will be a long road and take a very long time.

4 1923, Business Organisation and Codetermination

The leading idea in the reflections on socialisation is to let the State lend a helping hand to the ongoing increase in large scale production thereby forcing the concentration of firms, which is bound to bring capitalism to its natural end. However, the problem for socialist believers was here that in several branches of industry there was little to see of such a progress and small scale business remained the standard. What then is the political recipe for making social progress in such branches of industry?

The hint for an approach came from the Dutch Roman Catholic economist Aart Veraart. Inspired by the first Papal Social Encyclical *De Rerum Novarum* of 1891 (*Rerum Novarum* 1891) he was in search for an organisation of business that could end socialist class struggle. In 1919 and 1921 he published a blueprint in which firms remain the private property of their owners (Veraart 1921). However, the firms in a branch of industry are brought together in a Business-ship, which suggests that the group of firms to a certain extent should be run as a kind of business. The Business-ship has a Board in which owners and workers have equal presentation and equal authority in making regulations that for the firms in the branch of industry have the same binding force as regulations of the State. Actually the Boards are a new type of public body. Apparently the Statutory Organisation of Business (SOB), the name later on attached to Veraart's concept, restricts the autonomy the individual firm owner has in the traditional market economy while workers now participate in decisions that formerly were beyond their competence.

Already in his first publication on SOB Veraart (1919, 161) had made the ingenious suggestion that for Socialists, on their long road towards full socialism, the corporatist tainted statutory organisation of business might be acceptable as a preliminary objective (Nentjes 2017). After the Socialisation Report had appeared Veraart stressed that his arguments to justify 'the deep public intervention in the system of free competition', overlapped the justifications for reform presented in the Socialisation report. Veraart sees an ongoing competitive struggle of small scale businesses among themselves and against large scale business; very much a prolonged death struggle. His heart is as much with the firm owners who live under the constant threat of perdition as it is with the misery of the workers. The formation of one big business at the level of the branch of industry should bring the rescue. By making his suggestion Veraart had pinpointed the weak spot in Socialist Democrat thought, the

lack of a vision on how the transition period could be used to smooth and possibly speed up the coming of full socialism.

Veraart's challenge did not remain without response. It came in 1923 in the report *Business Organisation and Codetermination* (*Bedrijfsorganisatie en Medezeggenschap*), written by a committee on behalf of the Socialist Trade Union and the Social Democrat Labour Party. The Social Democrats want to bring firms together in Business-ships in those branches of industry where concentration of firms is insufficient to make them suitable for consolidation in a few large State firms. So, public organisation of business is advised as a preparation of socialisation (Codetermination Report, see S.D.A.P. 1923, 26, 27). The Business-ship will be governed by a General Board in which representatives of employers, employees and also the community share the seats equally. Considering that in the Socialisation report it had been taken for granted that giving workers a say in management of the public firm would make them pursue higher wages at the cost of higher prices, the authors of the Codetermination report were aware that employers and employees might try to exploit in collaboration the monopoly position of the Business-ship to impose on firms a strategy of higher product prices to finance higher wages and profit margins. So they added the condition that in the General Board a majority of community representatives, appointed by the Minister, can never be overruled by employers and employees. Evidently, a safety to prevent that the interests of the last two groups prevail.

The General Board of the Business-ship has the authority to make decisions and issue regulations on a broad range of matters where in a market economy the individual firm decides. Among them, communal purchase of materials, product quality, uniformity of product standards as well as uniformity of production methods, removal of unnecessary intermediate traders, a ban on production methods that are outdated, dangerous or damaging to health; further limitation of advertising, prevention of unemployment in the sector, improvement of professional training in the sector, setting the prices of the products of the sector, deciding on all issues that can improve the efficiency in the sector and the circumstances under which the work in the sector is done (S.D.A.P. 1923, 115–116; Report 'New Organs', see S.D.A.P. 1931, 46–47).

The net of potential regulations is cast so wide that, if used fully, the Board of the Business-ship would have a say that hardly differs from the Board of a fully socialized monopolistic public firm. The individual firms would be left with no more flexibility than to decide on the quantity of output, produced with the prescribed production method, buying the inputs the mandated production method requires and selling the products of prescribed quality at prices fixed by the Board of the Business-ship.

The passage "the actual management remains in the hands of the individual firms of the business-ship" (Nieuwe Organen 1931, 51) makes the reader expect that in the early stage the restrictions on the firm's flexibility will not be that tough. SOB could then function as a corrective mechanism on shortcomings of the capitalist market economy. However, the Social Democrat belief goes further than that. Economic development is bound to go towards full socialism. So one can imagine that stepwise strengthening of the regulations made up by the Boards could be a strategy to let the statutory organisation of business evolve towards a future where the Boards of

Business-ships function as they are Boards of a monopolistic national public firm and the former private firms no more than local settlements executing the orders of the Board.

Whether such ideas have crossed the minds of the authors of Business Organisation and Codetermination remains unknown. The report focuses on the first stage of the transition and does not speak out about the last stretch and the end of the road towards full socialism through SOB. I can only note here that the members in the Board of the Business-ship are not neutral but representatives of interest groups that have to come to an agreement on the Board's regulations. The question remains whether this will function similar to the Board of a public firm with members appointed by Parliament on nomination of the Minister, as the Socialisation report wants it.

What adds to the complications is that in the socialist version of SOB the labour wage and other labour conditions remain the outcome of negotiations between representatives of employers and employees (read trade unions), laid down in the collective labour contracts; a practice that in the first decades of the twentieth century had evolved in several branches of industry and had been incorporated in legislation. Overarching the Business-ships there will be at the national level a Central Economic Council in which representatives of employers, of employees, and representatives of the general interest have equality of seats. Very much similar to the design in the Socialisation Report. Its major tasks are spelled out more specifically than in the Socialisation report, monitoring of the major decisions of the Boards of the nationalized firms as well as the Boards of the Business-ships. Next to that the Council advises the government.

The Report on Business Organisation and Co-determination of Workers does accept that workers choose representatives in the General Board of the Business-ships and distanced itself from The Socialisation Report that three years before had very explicitly rejected such participation in fully socialized firms. Even Wibaut, who had been chairman of the committee that had made the first report. In defence he wrote the worker should be involved in the responsibility for the business. He has to be liberated from "the depressing feeling that he is only a mere cog in complicated mechanism." The answer of his opponent and fellow socialist Bongers, "All those who work in a large business are a cog in an organism (sic!), and this will function all the more better if everyone feels himself like that. One can regret this, but it is an unavoidable course of events" (Quoted from Dullaart 1984, 73).

Bringing pieces together, I conclude that in the early nineteen twenties it is understood that there are branches of industry where the evolution towards full public ownership may not occur at all and the market structure remains competition between the many. The Social Democrats accept now the statutory organisation of business (SOB), in which workers participate in the public regulation of the private firms in their branch of industry, as a social economic construction for the transition period. SOB leaves open the option to extend and intensify the public regulation by the Board of the Business-ship to the point where the rights of the private owners of firms have been reduced to practically zero and the Board of the Business-ship comes in a position very similar to the board of the public firm in a socialist market economy. Business Organisation and Co-determination of Workers does not discuss whether

it foresees a development towards such an ultimate stage of the transition. Nor does the report in any other way give an image of a future socialist economy.

5 1935, The Labour Plan

5.1 Introduction

After the economically roaring twenties the political-economic scene in Europe went for a deep decline in the nineteen thirties. The financial crash on Wall Street in September 1929 heralded an economic crisis in the US and Europe was dragged along in the downfall. In the prolonged great depression that followed many lost the belief that market forces would bring economic recovery. National governments reacted by protecting their economies against foreign competition. In the Netherlands, in the 1920s still an icon of a liberal open economy, the government lapsed in the 1930s into a policy of micro-economic interventions, aimed to distribute the macro-economic implosion of demand evenly across producers. The coalition of Christian-Democrats and Liberals drafted new laws that gave the government the once unthinkable authority to regulate specific economic activities. Among them were protection of home industry against foreign competition, legalization of cartels and of making parts of such agreements between private parties binding for all firms in the branch of industry (1935). Entry into a branch of industry was made dependent on a public licence (1937 and 1938) that can be refused on the ground of overcapacity (1938). The government also gave itself the authority to make a collective labour contract between employers and trade unions binding for all, including those who were not a member of the contracting organizations (1937). The Minister-President Colijn, a former CEO of Royal Shell and of staunch liberal economic views, had often to give into the other partners in his coalition government. To a friend he complained that what the government does with the one hand to reduce the cost level is taken back again through measures that cause more rigidity (Dullaart 1984, 163). By taking recourse to the visible hand of national regulation the government was drifting further and further away from the liberal system in which the private goods are provided by the invisible hand of the market.

For the Social Democrats the deep depression was a further confirmation that capitalism is chaotic and wasteful. Published in 1935 by a committee of the socialist trade union NVV and the SDLP The Labour Plan (*Het Plan van de Arbeid*) meets the call of the fortieth SDLP congress for a lay out of the first concrete measures necessary for the transition towards socialism (Labour Plan, 5). The Plan wants a deep economic reform. Its complete realization would bring a fundamental change in economic life. Yet parts of the Plan can be implemented in the short run to bring certainty of existence and a reasonable standard of living for all (Labour Plan 9, 10, 22).

The two slogans or catchwords in *The Labour Plan* are ‘containment’ and ‘ordering’. They both stand for taking control by way of regulation. Traditionally Social Democrats did see socialisation of the means of production as the way to make progress. The idea to use regulatory intervention as major instrument of change is really a mile stone in the development of Social Democrat thought in the Netherlands. Between the old socialist black of private ownership versus the white of public ownership now appear the many shades of grey of regulation as instrument to reduce the reach of private ownership. In *The Labour Plan* regulation is presented as ‘partly socialisation of the authority to decide on the means of production’ (*Labour Plan*, 19); very much in line with the view of the Law and Economics approach of today where private ownership is a bundle of rights and regulation is an instrument to place restrictions thereon.

5.2 *Statutory Organisation of Business*

The Labour Plan ordains that community organs should be given the lead in the ‘containment and ordering’ of economic life. Such organs had been proposed in earlier reports. *Business Organisation and Codetermination of 1923* (S.D.A.P. 1923) and *New Organs of 1931* (S.D.A.P. 1931) give an outline of Statutory Organization of Business (SOB) in which the firms in a branch of industry are brought together in Business-ships governed by Boards that have the authority to regulate the decisions of the firms in the Business-ship. Private ownership remains in existence; however the rights of the owners to make decisions on how to use their means of production are curtailed by transferring them partly to the Board where representatives of firm owners share the regulatory powers with the representatives of the workers in the industry and of the general interest. Overarching the Business-ships is at national level a top organ; in *The Labour Plan* it gets the name of General Economic Council.

The Labour Plan brings a change in the relations between the public organs of SOB. The reason to do so is the necessity of better and stronger coordination of economic life that is felt now by the authors. In Chap. 4 on business cycle policy they pinpoint overexpansion of capacity as the major driver of the business cycle. Expansion of capacity is an innate incentive for the profit maximizing individual firm and since all private firms behave that way overexpansion followed by crisis and depression is a natural property of chaotic capitalism (*Labour Plan* 10, 94).

On superficial reading *The Labour Plan* seems to stick to the view that overexpansion and the cycles it generates can only be contained with the traditional Social Democrat solution of socialisation, that is “the transfer of the control from the private property of the owner to the community” (*Labour Plan*, 89). However, next follows the restriction, “socialisation of only a part of the control, to know that part which as the facts prove, is causing crisis when in the hands of private entities. The part of control that is most dangerous for the certainty of existence of the people is then taken away from the private owner” (*Labour Plan*, 89). On further reading it turns out that such socialisation of part of the control over the means of production is specified

as containment of the expansion of capacity of firms—existing ones as well as new firms—by way of regulation. It can be achieved with the least difficulties when the branches of industry are organized in Business-ships (Labour Plan, 95, 100). Their Boards can use their regulatory powers to control the decisions of the firms within their branch of industry. See in Sect. 5.3 how this has been worked out for the retail sector.

The Labour Plan is very clear that the decision to invest in expansion of output capacity cannot be left exclusively to the discretion of the separate Boards because the urge towards uncontained overexpansion inherent to capitalism can cause unbalance between the branches of industry in the composition of capacities and their expansion (Labour Plan, 94, 95). To prevent such developments the General Economic Council, top organ in SOB, gets the status of super body in the economic domain. It will be its task to delineate for each branch of industry the total allowed expansion of capacity in that industry (Labour Plan, 96, 100). The Council will be assisted by a Business Cycle Bureau. For the Boards of the Business-ships remains the task to arrange the allocation of expansion of capacity across the firms within their branch of industry. The outcome will be a society that in its parts will show a more stable structure in the composition of its output capacities (Labour Plan, 95–100). A necessary complement to containment of overexpansion in capacity is containment of the speed of the process of rationalisation in certain branches of industry, which in times of low employment leads to expulsion of workers (Labour Plan, 101–119).

The Labour Plan persists to keep the determination of wages and other labour conditions outside the planning system. They should remain the outcome of negotiations on the collective labour contract between trade unions and employers' associations per branch of industry.

Building on ideas formed in the nineteen twenties (for the transition period) The Labour Plan unfolds a plan for a regulated market economy in which the regulation is carried out mainly through Business-ships per branch of industry, supported by centrally planned coordination of investment in capacity done by the General Economic Council. The Labour Plan does not aboard the question whether and how such an economy could evolve towards a socialist economy. The reader can imagine its step by step realization by increasing over time the number of Business-ships, by strengthening their regulation of private firms and extending the central planning by the GEC. The Labour Plan itself is silent on the possibility of and road towards such a socialist future. By sticking to its commitment to draft a “way out of the first concrete measures necessary for the transition towards socialism” (Labour Plan, 5) the issue how a future socialist economy would be structured has disappeared out of sight. Some socialists, perhaps even a majority, may by the mid nineteen thirties even have lost the belief that such a socialist society would ever come; however, expectations and hopes are seldom uniform, more radical Party members may have been hoping for a future opportunity to mutate SOB into a system of central planning by the State. The implementation of the central plan could then be delegated to public organs at the level of branches of industry. In Sect. 6 we shall discuss what came of those dreams in the years shortly after World War II.

5.3 *The Two Faces of the Labour Plan*

On a closer look The Labour Plan offers a mixture of old and new socialist ideas. Old, in line with Business Organisation and Codetermination of 1923, is the acceptance of Statutory Organisation of Business as a form of collaboration between capital and labour during the transition period. Such participation of workers in a form of self-regulation comes back in The Labour Plan, but added is now the new role for the General Economic Council as top organ that coordinates the decisions on investment in output capacity per branch of industry.

The new line of thought in The Labour Plan is mitigation of the business cycle through shifting the execution of public works from years of economic high tide to the years of low tide. Placed as Chap. II of the report, under the name 'Crisis Policy', the proposal is prominently present. It is also loud and clear in its rejection of what it calls negative crisis policy and a plea for 'positive crisis policy of public works and strengthening purchasing power'. I guess it is very much the work of Jan Tinbergen, member of the SDLP and also of the committee that made The Labour Plan. Internationally Tinbergen is known as the economist who received together with Ragnar Frisch in 1969 the first Nobel prize in economics for their pioneering work in econometrics. The chapter proposes a three year plan of government expenditure on public works and lower cost burdens of 200 million guilders per year. The proposal is Keynesian in spirit and in its analysis of the primary and secondary effects on employment. The calculated primary effect on employment is 70 thousand workers per year and the total effect 120 thousand workers per year. That would have brought a reduction of existing unemployment in the Netherlands of about thirty percent. The expenditure is financed with a government loan of 200 million guilders for each year, of which 44 million guilders (is 21%) will return in the form of higher tax revenue and lower social expenditure for unemployed. To fill the gap the in the government budget caused by the expenditure on the public works a government loan of no more than xx% of the outlay on the public works will be sufficient, thanks to (among others) lower payments to unemployed workers and higher tax revenues.

Despite its prominent place, Chap. II stands very much on its own, isolated from the other chapters of The Labour Plan with their traditional socialist content. In Chap. IV, devoted to containment of the business-cycle, direct control of firms' investment in expansion of capacity is presented as the key instrument. The public expenditure policy option is mentioned only once and very shortly (Labour Plan, 93). The old and new ideas are not integrated; just juxtaposed. By implication the two approaches function as complements; certainly not as alternative roads towards a socialist future.

As illustration how the old line of thought is worked out I take the retail sector, discussed in Chap. 8 of The Labour Plan. We read that the direct cause of its misery is the loss in purchasing power of the population and the inflow of unemployed that try to survive by starting a small business. After having said that the measures to raise purchasing power are of great importance for retailers, Chap. 8 focuses on 'ordering' the sector. Restriction of the number of shops in certain retail branches makes it necessary to introduce a licence system in retail of groceries, bakery products and

coal. Implementation requires classification which products belong to a branch and planning of how many shops are locally needed per branch. As flanking protective measures entrants have to meet demands regarding occupational capacity and credit worthiness. As organs to implement the system of regulation The Labour Plan proposes a type of business-ship, including its public authority, but operating on a local level and under supervision of the local government.

What strikes, is the total lack of confidence that the general increase in purchasing power thanks to the public works in itself might be sufficient to redress the retail sector. It is no reason to hold back with regulation in the retail sector. That in an economic crisis and recession macro-economic policy can be an alternative for direct intervention in sectors, and even a more efficient one, has not been grasped.

6 Towards a Post-war Economic Order

In the nineteen twenties and thirties there circulated in the Netherlands two versions of SOB. The Catholic economist Veraart had published his blueprint in 1919 and updates in 1921 and 1947 (Veraart 1921, 1947). His ideas received the support of the Catholic and the Protestant Trade Union; the Roman Catholic State Party did not take a stand Veraart's ideas on how to bridge the gap between capital and labour. From the side of the SDLP and with the support of the Socialist Trade Union there were the publications of 1923 and 1935. There was also exchange of comments between the two sides; by the end of the interbellum the differences on parts of the two designs had narrowed down. Veraart (1947) had accepted that potential imbalance between the sector plans of the Business-ships require a National Economic Plan drafted by a Social Economic Council. But he persisted that the sector plans have to come up from below, brought forward by the Boards of the Business-ships. Top-down planning and control, as proposed in The Labour Plan, would stifle the initiative of the social groups. Could the convergence in views on how to reform the Dutch capitalist market economy become the base for political collaboration?

The Nazi-German invasion of The Netherlands in May 1940 and the occupation that followed after a four days war, brought a break in the public political discussion. However, the shock of the depression of the nineteen thirties had been so hard that by the end of the war the general expectation was that the days of old school liberalism were over (Nentjes 2017). The provisional Dutch government, installed after the liberation in May 1945, was of a Socialist and Catholic signature. Charged with the task to provide the legal base for a post war economic order, the government saw Economic Planning and Statutory Organisation of Business as its two pillars.

The notion of economic planning appears already in the statement of the Prime Minister in June 1945 that "reparation and building up of the Netherlands' production capacity can only be done effectively on the basis of a general social-economic-financial plan. Such a plan has to be designed by a scientific Bureau appointed by the Council of Ministers" (Schermerhorn 1945). The Central Plan Bureau, under

director Jan Tinbergen, started its work in September 1945, even before the Law on the Central Plan Bureau was adopted by Parliament in Spring 1947.

Minister Hein Vos, formerly member of the committee that did write The Labour Plan of 1935, submitted the Draft of Law on Business-ships in the Fall of 1945. The Draft is an end to the flirt with Catholic Corporatist ideals and rewrites the design brought forward in The Labour Plan to make it the blueprint for a straightforward State Socialist centrally planned economy. The Draft leaves no place for a General Council that would have represented employers and workers at the national level. The National Plan is made up by Ministries for the various sectors under their resort and it states the targets for production, prices and investments per sector. The task of implementing the targets is delegated to Business-ships. Each Business-ship is placed directly under the Ministry responsible for the sector. Employers and workers are represented in the Board of the Business-ships, but their influence is heavily restricted, since the Minister appoints a Commissar who presides the Board and has the authority to submit decisions of the Board to the Minister for suspension or annulment. The construction reduces the Business-ships to organisational entities that have to carry out the sector policies of the government. Not only expansion of output capacity per sector is centrally planned by the government; their levels of output and product prices as well. The Draft reads like the blueprint for a centrally planned economy in which government regulations leave hardly scope for private firms to make their own decisions.

The Draft of Law on Business-ships of 1945 was a bridge too far. It did not get the public reception the provisional government had hoped for. Trade unions as well as employers' organisations were highly critical. In particular they were against the Commissar with his far reaching authority (Wermuth 1997, 101). After the elections of Spring 1946, the Catholic Party was the largest partner in a Roman-Red coalition. Catholic Ministers took over major positions and one of them submitted in 1948 a Draft of Law on Statutory Organisation of Business to Parliament. After a long period of discussions the Draft passed Parliament in the Fall of late 1949, to come in force as Law on January 1, 1950. It provides for a Social Economic Council (SEC) in which workers, employers and experts equally share the thirty seats. The Business-ships, although subsidiary to the supervising SEC, are autonomous statutory bodies that make their own binding decisions and they will have no representatives of the government in their Boards.

What about the authority of the Boards? To have a power that would capacitate them to coordinate economic activities they should have got the legal authority to regulate wages, prices, production and investment. However, this was exactly what the Minister did not do. Regulatory power remained restricted to matters of secondary importance. It made SOB unfit to replace coordination through markets. After 1950 about fifty Business-ships came into being, mainly in agriculture and the crafts. Over the decades the small playground they had for self-regulation was further undermined by the development towards the integrated market of the European Union. The end came with the dissolution of SOB in 2014.

The laborious birth of SOB was in itself an indication that after 1945 the times and with them the political mood were changing fast and SOB was not going to play the role of market master lined out in 1935 in *The Labour Plan*. A sketch of an alternative road forward was given as early as Fall 1947 by Jan Tinbergen, director of the Central Plan Bureau. In a meeting of the Dutch Association for Economics and Statistics in 1947 he explained his audience of economists that the specific controls, still existing at that time, can be withdrawn as soon as production has recovered so far that the non-rationed demand for goods can be met without causing too big price shocks. The government can use measures in the domain of government expenditures and taxes to tune the total demand for output to production capacity. Within such a framework of global measures the price mechanism can fulfil its task efficiently. Competition is “an in many cases valuable institute for bringing order” (Tinbergen 1947). The statement is a loud and clear Keynesian message on the respective roles for government as guardian of economic stability and markets for the coordination of production of consumption of private goods in the evolving post war economic order. Tinbergen also mentions that investment controls, which restrict private liberty directly, can be kept in store as reserve measure. A position strikingly different from the fundamental distrust of private investment in *The Labour Plan*. No word about SOB as instrument of economic control.

Socialists of the radical type Hein Vos might even after the introduction of the stripped version of SOB in 1950 still have the hope that there was now a legal framework, which in due time could be filled with a Socialist content (Vos 1952), the real situation was that in 1950 most Socialists had lost their belief in the centrally planned economy as the appropriate way to direct business activities towards the general interest (Verloren van Themaat 1958).

In 1946 the SDLP dissolved itself to let its members unite with members of former progressive Christian and progressive liberal Parties in a new progressive Labour Party, open for socialists and non-socialists with a programme that has justice for all as its major objective. The new Party is also more open towards the future than the old SDLP. However, it kept evident social democrat features. The Labour Party's first report appeared in 1951 and had the title *The Road to Freedom* (De weg naar vrijheid) (Partij van de Arbeid 1951). Ideas one finds in the Socialisation Report and in *The Labour Plan* return in *The Road to Freedom* (Tromp 1984, 23). Tromp (1984, 2002) reads here that the co-existence of a private sector and a socialized sector is appreciated as positive and by implication acceptance of a mixed economy, in which a strategic part of the means of production is property of the community; private property claims are contained by State regulation in a production law, an investment law and a credit law. On a lower level the Statutory Organization of Business plays an important role (Tromp 1984, 23). Tromp, an expert who did write a thorough dissertation on the programmes of the Dutch Social Democratic Parties from 1878 to 1977 (Tromp 2002), writes that after *The Road to Freedom* the Labour Party has never tried again to bring out (if only) a sketch of a structure of a future socialist society. From 1960 on political thought concentrates on the State as director of social development. The quest for the forces that within society work to a socialist

order has been given up definitively. In his view the report *Road to Freedom* therefore marks the end of socialist ideals held before World War II.

7 Summary and Conclusion

The Social-Democrat Party of the Netherlands was in the first two decades of the twentieth century certainly Marxist in its belief that under capitalism technical development forces enlargement of the scale of production, which pushes the economy forward towards a future socialism where the community will be the owner of the means of production. In the Dutch Social Democratic view the State will be the representative of the community, but it should allow the management of the socialized firm great autonomy in making its decisions. In the socialist market economy oligopolistic not-for-profit firms will sell their products to consumers that spend their wage incomes to provide in their needs. The living standard for workers will be much higher than under capitalism, thanks to sharing the former surplus value of labour and even more so because the organisation of production on large scale has raised the productivity of labour and because in the socialist market economy large scale community firms don't sell their output for profit but with the aim to provide in the needs of consumers.

In the reports that follow the focus is more on the period of transition towards socialism under neglect of the fully socialist end state. Since the socialisation of private capital proceeds slowly the Social-Democrats accept in the early nineteen twenties for the transition period the Statutory Organisation of Business (SOB) whereby representatives of workers and the consumer interest together with firm owners participate in the public regulation of the firms in a branch of industry. Private ownership of firms remains in existence; however, the codetermination of workers and consumers curtails the rights of the owner to decide on how his private property is used. How such a system evolving in a capitalist society can make in its last stage the transfer to the fully socialist economy remains out of discussion. I interpret that silence as the first signs of doubt whether such a truly socialist society will ever come and the acceptance of a society where regulated private ownership will go on to exist. The idea that such a capitalist economy, regulated through the SOB system, will function as a market economy without basic problems in the coordination of the multifarious activities remains intact during the nineteen twenties.

The deep and long depression of the nineteen thirties brought the Social Democrats to the insight that during the transition period the propensity of private firms to over-expand their capacity during the boom does create a coordination problem on markets. The Labour Plan of 1935 proposes to repair the market failure by central planning of the capacities per branch of industry. A task to be carried out by the General Economic Council. Allocating the planned investment to the firms within the branch of industry is delegated to the Boards of the Business-ships. One can read this type of central planning as an addition to and refinement of the system of

SOB. In the second half of the nineteen thirties SOB is for the Social Democrats in the Netherlands an organisation to regulate the capitalist market economy with the aim to mitigate its major abuses, in particular the exploitation of labour and periodic economic crisis. Originally SOB was accepted as a solution for the transition period. The question whether it could evolve and be perfected to make the transition to a truly socialist economy was not addressed. Some authors, such as Tromp (2002), interpret this omission as implicit acceptance of a socialist future in which socialised firms and firms based on private property will coexist. New in *The Labour Plan* is next to the revision of SOB the proposal to use public expenditure, taxation and borrowing as instruments to mitigate the business cycle. Macro-economic stabilization, as it is called today, will be task for the State, read government. In *The Labour Plan* stabilization policy is presented as a complement to regulating the economy through SOB.

After the Second World War the new Labour Party came forward as successor of the pre-war SDLP. In its first report *The Road to Freedom* from 1951 (Partij van de Arbeid 1951) the focus is on non-economic issues. In the economic part the idea of statutory organized business returns and also macro-economic stabilization policy. A thorough comparison of the socialist economic ideas of 1935 and 1951 is beyond the limits to this chapter and a subject for future study. Tromp (2002), who made a political analysis of *The Road to Freedom*, writes that the co-existence of a private sector and a socialized sector is appreciated as positive and interprets it as acceptance of a mixed economy, in which a strategic part of the means of production is property of the community and private property claims are contained by State regulation.

Verloren van Themaat (1958) thinks that by nineteen fifty most Socialists had lost their belief in the planned economy as the appropriate way to direct business activities towards the general interest. The majority in the Labour Party now sees macro-economic policy and detailed ordering per branch of industry no more as complements, as it was in *The Labour Plan*, but as alternatives and prefer the macro-economic the macro-economic approach (Nentjes and Postma 1972, 49). The new view and the hope on broad consensus meant that the future society would be a pluralistic society in which there would also be place for the realisation of other political ideals than true socialism.

The evolution of Social Democrat thought over the first half of the twentieth century is nicely encapsulated in the portrait of four generations of democrat socialist theorists depicted by Verwey-Jonkers (1938) and Den Uyl (1956). In 1938 Verwey-Jonkers notes that for the first generation around 1900 the coming of a socialist society was unavoidable, based as it is on scientific insight. For the second generation of the nineteen twenties such a transition was also a certainty, but more based on tradition than on scientific condition; more confession than inner belief. The third generation of the nineteen thirties missed the certainty of the pass-over to the socialist society. She calls them the uncertain ones. In 1956 Den Uyl classifies the post war, fourth generation as the silent ones, for without any noise the problem of the socialist view of the future society was liquidated (Tromp 2002, 305).

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