

# Dr. Johannes Antonius Veraart: A Catholic Economist on *Rerum Novarum*

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*Science does not prescribe the direction of social phenomena, but social phenomena prescribe the directions of science. Every time again it is the main sin of Economics to have forgotten this Aristotelian-Thomist wisdom.*

J.A. Veraart, public lecture, 8 January 1940, 3.

## 1 Introduction

Up to the first half of the nineteenth century Catholics faced political discrimination in the Netherlands. The Constitution of 1848 enabled them to improve their positions in society. Catholics organized themselves in trade unions, employer organizations and political interest groups in order to pursue their interests. Catholic politicians even succeeded to participate in every cabinet from 1918 up to 1994 (Verhagen 2015, 9). Dutch Catholics adored and obeyed their popes in the nineteenth century. They did not question papal authority. In particular Pope Leo XIII (1878–1903) contributed to their emancipation with his encyclicals, in particular *Rerum Novarum* in 1891. This encyclical on the rights and duties of capital and labour influenced many politicians and scholars and became a source of discussions among Catholics (Verhagen 2015, 32). To investigate the impact of *Rerum Novarum* on economics and industrial organization I restrict myself to catholic politician and economist professor Dr. Johannes Antonius Veraart (1886–1955). He was a productive and assertive scholar committed to labour and parliamentary democracy in the first half of the twentieth century. Although almost neglected the

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The author accepts sole responsibility for statements of fact and opinions expressed in this essay.

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literature considered him as the *auctor intellectualis* of the Dutch variant of industrial organization or corporatism (in Dutch known as *Publiekrechtelijke Bedrijfsorganisatie*, abbreviated as PBO). The purpose of my essay is to answer the following questions:

- What were his educational and political backgrounds?
- What were his economic approach and ethics? In particular what was his relationship with German economics?
- How did he interpret the encyclical *Rerum Novarum*?
- What was his influence as a politician and economist?

To answer these questions I investigated amongst others his academic and political writings. In particular I studied his doctoral dissertation *Wages* (Dutch title *Arbeidsloon*) which he defended in 1910. Further I consulted literature about the political history of catholicism in the Netherlands.

I also had the opportunity to consult the Veraart collection at the National Archive in The Hague. Additionally I read relevant parts of the digitalized Aalberse diaries deposited at the Huygens Institute for the History of the Netherlands. My essay ends with a brief consideration of the relevance of *Rerum Novarum* in the 21st century.

## 2 Background

Johannes Antonius Veraart was born in Amsterdam, where he attended the Sint Ignatiuscollege, a catholic grammar school. His parents belonged to the catholic middle class. To determine the impact of *Rerum Novarum* on Veraart it is necessary to be acquainted with his educational career and political involvement. See Appendix 1 for a short timeline of his career.

### 2.1 Education

At the age of eighteen Veraart enrolled the Faculty of Law at the University of Amsterdam. Here, he developed a special interest in the emerging academic discipline of economics. His professors included Willem Treub (Radical Liberal politician and economist, 1858–1931), David van Embden (Liberal economist, 1873–1923), Antonius Struycken (Government Theory, 1891–1941) and Joannes Theodorus de Groot (Philosophy, 1848–1922). The latter taught him Thomism and Neothomism (For reasons of readability the term Thomism will be used below to refer to both closely related philosophies). Thomism evolved into the philosophical foundation of Political Catholicism in the nineteenth century. Having its origins in the writings of Saint Thomas Aquinas (1225–1275) this philosophy provided a

vision of the world created and sustained by God's divine purpose (Rogier and de Rooy 1998, 626; Conway 1996, 9, 14). Van Embden lectured Veraart introductory economics from a perspective of philosophy of science (discussing the concepts of *causality* and *predictability*) and supervised his doctoral dissertation *Arbeidsloon*.<sup>1</sup>

After defending his dissertation an intellectual friendship evolved with priest professor Dr. Joseph Theodorus Beijens (1864–1945) the *nestor* of Dutch Thomism and follower of pope Leo XIII. Both men exchanged letters and discussed about economics and ethics. In his contribution to the journal *Studia Catholica* in honour of Beijens' Golden Jubilee Veraart emphasized the importance of the jubilee for modern economics and public law. Beijens rejected the utilitarian assumption of economic individualism claiming that individuals maximize their welfare, instead he adhered to the Aristotelian-Thomist approach of dualism. This approach assumed the complementarity of the individual and the society which had its origin in a divine order. In line with this dualist approach labour and capital were considered mutually dependent and their agreement resulted in *the beauty of good order*.<sup>2</sup> In his contribution Veraart remarked that John Maynard Keynes (1883–1946) and Young Americans—*Roosevelt's braintrust*—were good examples of the acceptance of dualism (Veraart 1937, 422–427).

## 2.2 Politics

The emancipation enabled catholic scholars to compete for professorships. These appointments involved the minister of the Interior and the boards of the universities (in Dutch *Colleges van Curatoren*).

In 1915 catholic economists competed for a professorship at the University of Leiden. This competition was not without mutual criticism and slander. The main competitor of Veraart was the catholic politician and lawyer Dr. Piet Aalberse (1871–1948). In his diaries Aalberse described Veraart as an *old liberal* and accused him of denigrating catholic economists such as the German Jesuit Heinrich Pesch (1854–1926) who was the author of the widely respected *Lehrbuch der Nationalökonomie* (1905–23). Liberal prime minister and minister of Interior Cort van der Linden (1846–1935) was actively involved in this appointment procedure. Neither Aalberse nor Veraart obtained the professorship but the Liberal economist Durk van Blom (1877–1938).<sup>3</sup>

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<sup>1</sup>National Archive, Collection Veraart, 1904–1955, no. inventory 2.21.306, no. 50.

<sup>2</sup>Objective of Aristotelian-Thomist philosophy is to satisfy individual and societal needs at a reasonable level. National Archive, Collection Veraart, 1904–1955, no. inventory 2.21.306, no. 697 and 1176; Leo XIII (1891), par. 19.

<sup>3</sup>Gribling (1961, 289) remarked that public disappointment about not appointing Aalberse constituted a sign of the necessity to establish a catholic university. In 1923 the Catholic University of Nijmegen was established. This university started with a faculty of law and a faculty of humanities but did not have a faculty of economics.

Prime minister Cort van der Linden appointed Aalberse as professor of economics at the University of Delft in 1916. Remarkably Veraart ranked first and Aalberse third on the proposal of the board.<sup>4</sup> Three years later he succeeded his competitor who became minister of Labour in the cabinets Ruys de Beerenbrouck I and II.<sup>5</sup> Finally, Veraart became *rector magnificus* of the Technical University of Delft in September 1939. His academic career showed an extraordinary number of books, articles, public lectures, *privatissima* and speeches expressing his economic ideas and political opinions.

Veraart joined the *Rooms Katholieke Staatspartij* (*Roman Catholic State Party*, abbreviated as RKSP) with the intention to change its conservative attitude. From 1925 up to 1929 he represented the RKSP as a member of parliament. He favoured the adoption of a *catholic democratic thought* and frequently criticized his party for supporting the economic policies of the cabinet. His efforts were unsuccessful. In 1933 he left the RKSP to found with others the *Katholieke Democratische Bond* (abbreviated as KDB) after a merger the *Katholieke Democratische Partij* (abbreviated as KDP). As chairman Veraart propagated a *brave* economic policy entailing a national recovery plan to combat unemployment. To implement this policy social democrats, democratic calvinists and KDP had to cooperate. Veraart described in various publications his worries about the crisis of parliamentary democracy. In particular he considered extra-parliamentary cabinets as a threat to parliamentary democracy (Veraart 1929, 195; Beekman 1935, 482–492).<sup>6</sup> In 1939 he returned to the RKS.<sup>7</sup>

Veraart expressed the opinion that the state should take care of the wellbeing of its citizens in every society. The state was always a Culture State and a Welfare State. Only the sovereign state possessed the means no other power could use. Its sovereignty must be used on behalf of the welfare. So it was understood in the past but not anymore since 1800 (Veraart 1931a, 38). He considered the mass unemployment of the thirties a national scandal and blamed prime minister Hendrikus Colijn (1869–1944). He worried about the demoralizing effect of lasting

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<sup>4</sup>Dominican priest Bernardus Constant Molkenboer (1878–1948) a specialist in Vondel studies congratulated Aalberse with a small poem: “*Cort voelt Goddank wat waard is. Een Roomse kop die niet veraard is*”. Huygens Institute, Collection Aalberse, diary 13 June 1916. See also: Collection Aalberse, diary 8 June 1915, 2 August 1915, 31 March 1916, 10 May 1916; Gribling (1961), 292.

<sup>5</sup>Huygens Institute, Collection Aalberse, diary 10 February 1919; Gribling (1961), 287–288.

<sup>6</sup>Between 1913 and 1940 the Netherlands had four extra-parliamentary cabinets. These cabinets included the cabinet Cort van der Linden, 1913 up to 1918, the cabinet De Geer I, 1926 up to 1929; the cabinet Ruys de Beerenbrouck III, 1926 up to 1929; and the cabinet Colijn V lasted to two days in 1939.

<sup>7</sup>National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, no. 177 and no. 554.

unemployment and feared violent outbursts (1938, 8, 15, 20).<sup>8</sup> In his public lecture of January 1940 he made a positive remark about the policies of the French minister of Finance Paul Reynaud (1878–1966) and rejected Dutch economic policy of budgetary cuts.<sup>9</sup> He argued that the national fund of means of production (in Dutch *nationaal fonds van voortbrengingsmiddelen*) was reduced considerably and not extended where necessary. Reynaud instead pursued a policy to stimulate investment and production (Veraart 1940, 16; Kuisel 1983, 125–127).<sup>10</sup>

During the Second World War Veraart stayed in London where he advised cabinet-in-exile Gerbrandy about economic policies. He became the personal economic advisor of prime minister Pieter Sjoerds Gerbrandy (1885–1961) in 1942 (Schmiermann 1990, 135). The latter dismissed him immediately after he published a critical article in the weekly *Vrij Nederland Londen* in 1944. Veraart had criticized the governmental ideas to restrict the role of parliament after the war.<sup>11</sup> In London he maintained and extended his academic network including amongst others the Aquinas Society, the Catholic Social Guild, the Union Culturelle des Pays Bas de l' Europe Occidentale, the Newman Association, the London International Assembly and the Bavarian Circle.<sup>12</sup> This network offered him an audience to exchange his thoughts about economics, democracy and industrial organization after the war.

### 3 Economic Approach and Ethics

At the beginning of the twentieth century Dutch economists studied the writings of foreign economists. They made acquaintance with the writings of German speaking economists and moral philosophers such as Gustav von Schmoller (1838–1917),

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<sup>8</sup>Veraart was not the only catholic scholar concerned about unemployment and its threat to democracy. A similar concern had the well-known French Thomist philosopher Jacques Maritain (1882–1973). Maritain feared that impoverishment of the labouring class would prevent capitalist societies to realize the ideal of democracy (Hittinger 2002, 17, 61, 63). Veraart (1931b, 255) must have been familiar with Maritain, because he mentioned him in a critical discussion of the French author and poet *Léon Bloy* (1846–1917). His Ph.D. candidate Tillmann Fehmers (1935, 17, 19, 79) confirmed this familiarity in his dissertation about the Taylor-system. Tillmann Fehmers discussed extensively Maritain's philosophy about human behaviour and responsibility manoeuvring between individualism and collectivism.

<sup>9</sup>In 1922 Veraart argued that an increase in public debt was acceptable in case of preventing famine during wartime, reducing a shortage of houses and supporting the unemployed. He legitimated this increase of public debt with a cost-benefit analysis. See: Veraart (1922, 545–546).

<sup>10</sup>Reynaud spoke about a “guided economy within the framework of liberty”, see: Kuisel (1983, 127).

<sup>11</sup>Title of this article *Het Constitutioneel Vraagstuk*. See: Parlement en Politiek, Mr. J.A. Veraart, [www.parlement.com](http://www.parlement.com), accessed on 16 December 2015; Fasseur (2014), 351; National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, no. 850.

<sup>12</sup>National Archive, Collection Veraart, 1904–1955, archive inventory 2.21.306, no. 40. The Bavarian Circle invited him for a meeting with the theme *Ein foederalistisches Deutschland und Europa*.

Adolph Wagner (1835–1917), Eugen von Philippovich (1858–1917), Victor Cathrein (1845–1931), Heinrich Pesch (1854–1926) and Karl von Vogelsang (1818–1890). Veraart’s doctoral dissertation can be considered as an example of this acquaintance.<sup>13</sup> However, the choice of wages as subject of his dissertation should be seen in connection with the attention *Rerum Novarum* paid to wages. He defended that academic disagreement about the concept of wage had its origins in differences of opinion about the object and principles of economics (Veraart 1910, 1–2).

### 3.1 *Object and Principles*

Object of economics was the process of caring for mankind with scarce means of satisfaction. To study this process Veraart distinguished between a realist approach and an ethical approach. He adopted this distinction from Wagner and Philippovich (Veraart 1910, 6, 1921, 7–8).

The realist approach consisted of a descriptive and a theoretical approach. The descriptive approach focussed on collecting facts about the economy. The theoretical approach included an empirical investigation and a pure theoretical investigation. The former investigated economic phenomena like wages as a special case of prices in a context of causality. The latter studied special economic phenomena from a general theoretical perspective. To put it differently, this type of investigation applied general pricing theory to wages (wages did not differ from ordinary prices) (Veraart 1910, 8, 50–51).

Veraart (1910, 17) pointed out that the pure theoretical approach had not be confused with a hypothetical-theoretical approach based on the *principle of economic individualism* (in German *Oekonomisches Prinzip/Prinzip des Optimums*). He rejected this principle of optimal satisfaction of individual needs in favour of a society that coordinated and organized the social-economic forces (Veraart 1938, 21). This rejection showed his Thomist background. His public lecture of January 1940 about the realist school reminded the audience that the main sin of economics was to have forgotten the Aristotelian-Thomist wisdom that social phenomena determine the development of economics and not otherwise.<sup>14</sup> Too easily economists imposed either their own system of thought or their political passions on social phenomena. As examples he mentioned Karl Kautsky (1854–1938), Leon Walras (1834–1910) and Joseph Schumpeter (1883–1950) (Veraart 1940, 2–3,

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<sup>13</sup>Veraart (1940, 24) referred to the sceptical reception of Marshall’s Principles of Economics by the Dutch mathematician professor W.H.L. Janssen van Raay (1862–1937).

<sup>14</sup>Veraart (1940, 9, 27, 1947, 11–12, 27) approximated the rise of the realist school around 1910. He referred to Cassel, Keynes, Marshall and Pigou. He rejected the attempt to transform economics into an exact science. Irreducible human behaviour was an important factor in economic data. The danger existed to reveal a causality between economic phenomena that turned out to be a fatal error—due to irreducible human behaviour. To put it differently an investigation could reveal a false causal relationship.

5–6). Economists using the hypothetical-theoretical approach argued that Veraart was wrong. They explained their approach with the argument that either the necessary facts were missing or the causality among the phenomena was not yet observed (van Buttingha Wichers 1912, 215). The ethical approach applied ethical principles to evaluate the process of care. In the chapter on ethical-economic principles Veraart (1910, 7, 160–169) discussed the writings of the German moral philosophers Cathrein (1845–1931), Pesch (1854–1926) and Vogelsang (1818–1890). For this purpose he formulated four ethical-economic principles not based on catholic morality:

- (a) First principle: Society had the duty to ensure that as many as possible members enjoyed an *eubiotic* life and existence. The adjective *eubiotic* should be understood as the art of living healthily and happily, and the prevention of diseases (Veraart 1910, 149–151, 1947, 69). Contemporary terminology would probably choose the word *wellbeing*.
- (b) Second principle: Coercive and voluntary human efforts had to be in such a balanced relationship that a healthy life could be achieved for as many as possible members of society. This relationship determined the extent of using limited means of satisfaction and implied either direct public production or regulation of the free production (Veraart 1910, 152–153).
- (c) Third principle: The choice of objectives subordinate to the main objective of a healthy life and existence required an evaluation of their pros and cons. Empirical-theoretical knowledge, common sense or both should be used in this evaluation (Veraart 1910, 157–158).
- (d) Fourth principle: Objectives should be achieved at the lowest costs possible (in German economics known as *Prinzip des kleinsten Mittels*). This meant that evaluation of the pros and cons of a means of satisfaction (in contemporary terminology *a policy instrument*) had to be based on empirical-theoretical knowledge, common sense or both (Veraart 1910, p 159–160).<sup>15</sup>

Certainly aware of the dominance of value-free science Veraart warned that both approaches should not be confused. The realist approach allowed the investigation of the effectiveness of measures to achieve given objectives but did not discuss the social desirability or ethics of these objectives. To solve the controversy about ethical and non-ethical economics he introduced a subjective and an objective effective critical approach to evaluate objectives. This approach did not fall back on the ethical economics of Wagner, Pesch and Spann (Veraart 1921, 1, 7–8, 1947, 23; Cobbenhagen 1935, 430–431, Kolnaar and Meulendijks 1998, 2).<sup>16</sup>

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<sup>15</sup>These principles show resemblance with Aristotelian thought. Aristotle discussed the choice of objectives and means within the state to achieve happiness. See: Aristoteles, *Politica*, Historische Uitgeverij, Groningen, 298–299.

<sup>16</sup>The subjective effective critical approach evaluated the effectiveness of human action in terms of the objective(s) set either individually or collectively. The objective effective critical approach evaluated the effectiveness of human action in terms of reasonable satisfaction of reasonable human needs (Cobbenhagen 1935, 430).

Veraart spent many efforts in disseminating his views about economics, industrial organization and democracy. Despite these efforts he succeeded to pursue with his doctoral students a realist research agenda of his own. These students, mainly graduated engineers from Delft, applied modern empirical and statistical-mathematical techniques within his field of interests. They investigated subjects such as government expenditures and business cycles (Baars 1937), measuring labour productivity in various industrial branches (Van der Schalk 1938), and pricing of urban building ground (Pet 1940).

### 3.2 Wage

Veraart (1910, 28) subscribed to a subjective theory of value to determine prices and wages. Subjects expressed the value of the available means of satisfaction (consumer goods, services, factors of production) with their preparedness to pay or to accept an amount of money in a range between a minimum and a maximum amount. These means of satisfaction had either *user value*, *productive value* or *exchange value*. The mechanism of determining prices did not differ from the determination of wages. Both resulted from an exchange between a demanding subject and a supplying subject involving subjective and objective factors. The subjective factors included maximum and minimum valuation, individual power and market policy, and government intervention. The available quantities and compositions of the means of satisfaction constituted the objective factors (Veraart 1910, 68–69, 1947, 75–76).

Veraart structured his discussion of wages with a distinction between a realist and an ethical approach. In both approaches he discussed the role of the subjective and objective factors. Within the realist approach his pure-theoretical investigation addressed the determination of the wage level on the labour market. The preparedness of the owner to pay for a quantity of labour determined the maximum wage the labourer received. The labourer determined the minimum wage for the quantity of labour supplied to the owner. The resulting wage level depended on the power of the subjects (the capability to make the other accept a certain distance from the minimum or maximum wage) and the market policies (the readiness to use power) of both parties. Power and market policies made the wage level shift either into the direction of the minimum or maximum wage. Ethical considerations explained state intervention in the process of exchange. This intervention directly or indirectly set the wage level. Examples of direct intervention were minimum wages and immigration policies. Indirect interventions included education and regulation of the number of competitors. Veraart restricted his empirical investigation to industrial labourers, servants and civil servants in Europe (Veraart 1910, 68–69, 72–75, 110–111). He did not present any wage statistics about these groups.

Veraart criticized the ethical economists for setting wages either equal to the produced value or to the needs. From his perspective the preparedness of the owner to pay labour determined a wage that probably could not satisfy all needs of the



labourer. For this reason, he developed his own ethical theory of wages and labour policy to achieve an eubiotic life and existence. Achieving this objective under conditions of market competition required minimum wages, maximum prices and protectionism. In case trade unions succeeded in demanding a wage equal to an exchange value based on the subjective sacrifice of the labourer or on increasing prices than state intervention was legitimate in the interest of other members and labourers in society (Veraart 1910, 172–173, 181, 189, 190–191).

To ensure the eubiotic objective the state should pursue a labour policy that was either part of an economic policy or part of an industrial organization of society. The last paragraphs of Veraart's dissertation outlined an idea about a legal organization of economy that avoided to his opinion authoritarian regulation. The main contours of this legal organization or primitive corporatist structure included:

- (a) Decentralization and local regulation of the economy monitored by the national legislature.
- (b) Professional organizations should be established under public law. Their boards had to cooperate with local authorities. After some time these boards should take over the major part of implementing and monitoring social and economic policy.
- (c) International conferences about economic policies to protect the legal organization of the economy. International agreement was necessary. To give an example, a change in economic relations (the introduction of a minimum wage or the organization of production in the interest of an eubiotic life and existence) would be impossible in case of competition from countries with low labour costs or speculative production (Veraart 1910, 192–193).

Beijens encouraged Veraart to elaborate these contours in favour of a new economic society. These contours became the foundations of his future career. Being an economic consultant to the printing branch enabled him to experiment with his ideas in practice. Proudly, he described his involvement in the conclusion of the collective agreement in the Dutch printing trade that introduced novelties such as a right to labour, no dismissal of labourers without valid reason, and labour courts of employers and labourers. This agreement lasted from 1914 up to 1919.<sup>17</sup>

Veraart publicly defended that a decent wage policy could not be introduced without industrial democracy.<sup>18</sup> In 1947 he discussed the concept of reasonable wage in terms of real wage. A fund of available consumer goods and durables constituted an objective limit on real wage. The extend of this fund was variable in history. Thus real wage was in his view not always a reasonable wage guaranteeing an eubiotic life. He expected the adoption of an industrial organization under public law to complete the process of industrial organization. In combination with a

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<sup>17</sup>National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, inventory no. 664; Veraart 1947, 29–32.

<sup>18</sup>Amersfoortsch Dagblad/De Eemlander, De conjunctuur-werkloosheid, Praeadvieszen der heeren Wibaut en Veraart, 18 oktober 1932, 4.

National Economic Plan this completion would elevate the (non-universal) theory of pricing to a new stadium in the Netherlands. The determination of real and reasonable wages had to be seen from this perspective (Veraart 1947, 83, 90–92).

## 4 Rerum Novarum

Pope Leo XIII intended to resist the spirit of revolutionary change with his encyclical *Rerum Novarum*. To resist revolutionary change the determination of wages played a crucial role. Here, Leo XIII could draw from the philosophy of Thomism that considered the determination of wages as a special case of *just prices*. The labourer provided his labour to the owner at an agreed wage. Decisive for the right wage level was the hierarchical position in society. A labourer earned a just wage if the wage was in accordance with his position in society (Schinzingler 1988, 24–25). *Rerum novarum* provided that owners gave everyone what was just. Exercising pressure upon labourers for the sake of gain was condemned by all laws, human and divine (*Rerum Novarum* 1891, par. 20). A sufficient wage enabled the labourer not only to support himself and his family but also offered him the opportunity to save (*Rerum Novarum* 1891, par. 46).

The social message of *Rerum novarum* caused controversy within the Dutch *Roman Catholic State Party*. The conservative current thought that the encyclical vindicated the demands of the rising labour movement (Roes 2004, 71). In 1896 catholic parliamentarians wrote a program referring to various encyclicals. As far as social policy was involved they referred to *Rerum Novarum*. They considered social questions as moral questions to be answered in the spirit of Christianity. Religion, family and private property constituted the foundations of society. The state should use its authority to protect these foundations (Oud 1990, 162; *Rerum Novarum* 1891, par. 8, 9, 13).

Repeatedly Veraart argued that the ideas in this encyclical were not original. In the nineteenth century priests formulated most of its ideas, for instance the British cardinal Henry Edward Manning (1808–1892) and the German bishop Wilhelm von Ketteler (1811–1877).<sup>19</sup> In 1931 he reminded the readers of the journal *Roeping* about a misunderstanding of *Rerum novarum*. Some groups thought that the publication of this encyclical indicated the exhaustion of the catholic economic program in a modern society. For this reason they scrutinized social reforms against the text of *Rerum novarum*. In case of dissimilarities the reasonableness and legitimacy of the reforms were doubted. Veraart rejected this view. *Rerum novarum* was in his view a historical document and had to be seen as *a child of its time*. Its ideas about humanity and human values were eternal but the application on

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<sup>19</sup>National Archive, Collection Veraart, 1904–1955, archive inventory no. 2.21.306, no. 697, 702 and 846. Veraart also referred to the Italian economist Guiseppe Toniolo (1845–1918) who was a Thomist. Publications mentioned him as one of the inspirers of *Rerum novarum*. See: Faucci (2014, 119).

capitalism was of a temporary nature. The encyclical contained no in-depth analysis of capitalism like the analysis of the German economist Werner Sombart (1863–1941). The papal analysis restricted itself to the problems of labour but did not investigate the social maladies of a profit oriented *Wirtschaft*. Maladies that catholicism as a world power could not accept. In 1891 Political Catholicism was according to Veraart not so well developed in comparison to Marxism. However after the revolution of 1917 Russian society did not evolve as predicted by the *Communist Manifest* and *Das Kapital*.<sup>20</sup>

In the course of time Political Catholicism came to possess the required organizations to build an entirely new social and economic order with the support of the state. Pope Leo XIII could not have known about the rise of powerful trade unions and collective labour agreements. Capitalism committed its *perverse* crimes in the thirties of the 20th century (Veraart 1931a, 32–34).

In 1941 the British *Catholic Social Guild* invited Veraart to give a series of lectures about *Rerum novarum* which he accepted. He did not change his view about the encyclical. Again he emphasized the historical character of the encyclical but he was more positive about the encyclical *Quadragesimo anno* published by pope Pius XI in 1931. He told his audience that *Quadragesimo anno* was up against the system of capitalism and gave the outlines for a better social economic order. In his opinion *Rerum novarum* did not go that far. It only tackled the slavery into which modern labour had been brought by the power of a ruthless liberal system.<sup>21</sup> Two years later Veraart outlined his view about corporatism during a series of lectures held at the invitation of the *Newman Association*. He proposed to establish bodies under public law which were responsible for labour legislation and collective labour agreements. Rather important, he mentioned decentralization, democracy and independent organizations of labourers and employers as characteristics distinguishing corporatism from corporate state planning of fascism and national socialism.<sup>22</sup>

The importance Veraart attached to *Quadragesimo anno* was also revealed in his review of Peter Drucker's *The End of Economic Man*. He considered this study about the origins of fascism and national socialism as a failure (Veraart 1942, 2, 4–6). Austrian-American economics had influenced the author and his economic man continued the ethics of economic individualism. In particular Drucker (1939/2009, 40) wrote that economic freedom failed to establish equality and destroyed the belief in capitalism as a social system in spite of material blessings. This emphasis on equality misjudged in Veraart's view the evolution of capitalism into the direction of a reasonable provision of human needs. The majority of the population did not demand equality but asked a sufficient income to satisfy their reasonable

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<sup>20</sup>Veraart was a board member of the *Society to study the planned economy in the Sovjet Union* (in Dutch *Vereeniging tot bestudeering van de planhuishouding in de Sovjet Unie*). National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, no. 556.

<sup>21</sup>National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, no. 702.

<sup>22</sup>National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, no. 664.

needs. Further, Veraart remarked that Drucker reduced the importance of christian and catholic social movements. After his “interesting” discussion of the attempts of the catholic church to reform Drucker should have discussed the encyclical *Quadragesimo anno*, because this document outlined a new order without revolution. To Veraart’s disappointment he did not even refer to this encyclical.<sup>23</sup>

## 5 Influence

As a member of parliament Veraart did not eschew to vote against the position of his catholic delegation in parliament. He was one of two catholic parliamentarians who voted against the reduction of death duties in 1926. One year later he voted as only member of the delegation against the decrease of the income tax because the tax revenues were needed to solve social problems.<sup>24</sup>

His voting behaviour should be considered from the perspective of his realist and ethical approaches to economics that included an anticyclical fiscal policy to combat unemployment respectively an attempt to achieve the objective of improving the living conditions of mankind to a reasonable level.

Thomism inspired Political Catholicism to develop the idea of corporatism. This idea had two interpretations. The first interpretation was that of an alternative political organization of the state. The second interpretation entailed a different structure for society. The first interpretation remained for a long time a minority current within the RKSP and emerged as a distinctive trend in the thirties (Luykx 1996, 231). Veraart adhered to this interpretation. He propagated with conviction the idea of corporatism since the defence of his dissertation. His corporatism introduced an economic order of cooperating enterprises in an economic sector together with relevant trade unions in order to achieve mutual benefits. To realize corporatism he followed two steps. The first step focussed on collective bargaining agreements in economic branches. The existence of these agreements proved the preparedness of trade unions and employers to see their branch as a social-economic unit. The second step entailed agreements about labour conditions in councils with representatives of labour and capital. These councils had to be responsible for managing productive activities. This expressed harmony between labour and capital. In the future social legislation could be entrusted to these councils and restrain the role of the state (Windmuller and de Galan 1979, 66–67).

Veraart admitted that without appropriate measures consumers could be damaged. To prevent negative consequences he proposed a national council of

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<sup>23</sup>National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, no. 907. The review is titled *Een mislukt boek* (1942).

<sup>24</sup>Parlement en Politiek, Mr. J.A. Veraart, [www.parlement.com](http://www.parlement.com), accessed on 16 December 2015.

consumers with a right to appeal against policies hurting their interests. He expressed the view that the state should give these regulatory councils an appropriate legal status and authority. He thought that initially employees and employers could easily introduce these councils in voluntary agreement (Veraart 1921, 144; Windmuller and de Galan 1979, 66–67).

Between 1919 and 1921 an experimental system of joint industrial councils was established on a private basis among catholics with the intention to establish a public system of such councils in the future. The experiment failed because of the reluctance of catholic employers and the radicalism of Veraart. The latter wanted the councils to have immediate responsibility for many economic matters (Luykx 1996, 237). His ideas about the joint industrial councils worried the RKS In parliament minister Aalberse criticized Veraart for disturbing and confusing the RKSP with his ideas.<sup>25</sup> Aalberse rejected a top down public regulation of economic and social life. The rise of industrial councils should be the result of a natural process of cooperating persons according to Christian principles. The legislator had to guide, to supplement and to monitor this process.<sup>26</sup>

In London Veraart contributed to an undated affidavit about the structure of the economic order of the post war Netherlands. The organization of this decentralized economic order had to be based on industrial and professional councils to withstand the assumptions of the Manchester School. These councils with representatives of labour and capital monitored markets, regulated prices and investigated financial administrations. Solidarity between groups characterized this order and labourers received a wage for the time they were either able or not to work. Their wage had to satisfy the reasonable needs at a reasonable level. He envisioned that the contradictions between labour and capital would disappear. The interest of the latter became subject to the general interest.<sup>27</sup>

The first post war cabinets continued the discussion of restructuring the economic order. Veraart's corporatist ideas competed with the social democratic ideas about planning and order. Labour minister of economic affairs Vos (1903–1972) reconciled both ideas in 1945. After several years of intense ideological debates an industrial organisation under public law with limited authority and a bureau for economic policy analysis were established. The industrial organisation under public law included a Social and Economic Council, voluntary industrial and commodity boards (van Zanden and Griffiths 1989, pp 205–209). Veraart was appointed crown member of the Social and Economic Council of the Netherlands in 1950. Up to 1955 he felt very strongly about solidarity, dignity and responsibility (National Archive 2005, 11).

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<sup>25</sup>Huygens Institute, Collection Aalberse, diary 31 March 1921.

<sup>26</sup>Eerste Kamer, 33ste Vergadering, 30 maart 1921, pp 756–757.

<sup>27</sup>National Archive, Collection Veraart, 1905–1955, archive inventory no. 2.21.306, no. 576.

## 6 Conclusion

The encyclical *Rerum novarum* had a very modest impact on economists, economics and industrial organization in the Netherlands. However, the catholic economist Veraart was an exception. Today many *mainstream* economists will consider him as a complicated economist due to his use of difficult terminology for concepts and his Thomism. His dissertation showed that he had a good knowledge of German economic literature. The distinction he made between a realist and an ethical approach to economics was of major importance to his academic and political development. Veraart inherited this distinction from the German economist Wagner and the Austrian economist Philippovich.

Veraart presented his own interpretation of *Rerum novarum*. In the twenties and thirties his political influence to introduce corporatism was very limited because of the resistance within the catholic elite. In London he lectured about corporatism at the invitation of catholic non-profit organizations and advised cabinet-in-exile Gerbrandy. After 1945 his ideas about corporatism gained influence. The Netherlands adopted corporatist decision-making with the establishment of the Social and Economic Council, and the voluntary industrial and commodity boards in 1950. The government made him a member of this council because of his expertise. However, corporatism suffered from polarization between trade unions and employer organizations. A major change was the implementation of the Labour Foundation recommendation to introduce dispensation procedures allowing employers (and their employees) to request exemptions from collective labour agreements in 1996. The minister of Social Affairs and Employment obtained the authority to decide whether or not employers could be exempted after an official evaluation of the legal requirements. In January 2015 cabinet Rutte II abolished the commodity and industrial boards because of lack of democratic legitimization and duties impeding new market entrants.<sup>28</sup>

Is *Rerum novarum* relevant in the 21st century? Not according to Veraart who considered this encyclical as *a child of its time*, because the current economies have changed in comparison to those of the past century. Today, capitalism has no real intellectual competitors and gives leeway to unbridled market forces. The consequences of these forces ask for heterodox ideas and precise observations of social and economic phenomena.

Veraart behaved very much like an early modern heterodox economist confronted with emerging mainstream economics. A small number of economists criticise mainstream economics for not having predicted the economic crisis of 2008. This was due to an obsession with rationalism, profit maximization and market equilibrium. A new approach requires attention for changing regulations and institutions. Veraart had a similar criticism as his rejection of the assumption of

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<sup>28</sup>Tweede Kamer, vergaderjaar 2013–2014, 33910, no. 3, 3.

economic individualism showed. He distinguished himself from the current critical economists with his thoughts about corporatism as an alternative institution to capitalism and totalitarian economic models. For this reason, Veraart deserves a biography. And last but not least for his defence of parliamentary democracy.

## Appendix 1: Short Timeline Professional Career Veraart

- 1904–1908 Student of Law, University of Amsterdam
- 1910 Doctoral dissertation *Arbeidsloon* (Ph.D.)
- 1919–1940 Member Provincial Council Zuid Holland
- 1919–1955 Professor of Economics, University of Delft
- 1925 Member of Roman Catholic State Party (Dutch abbreviation *RKSP*)
- 1925–1929 Member Second Chamber of Parliament representing the *RKSP*
- 1932 Ended membership of *RKSP* because of the board's rejection of proposals to restrain the consequences of the economic crisis
- 1933 Established Catholic Democratic Association (Dutch abbreviation *KDB*)
- 1939 Again member of *RKSP*
- 1939–1940 Appointed Rector Magnificus University of Delft
- 1940–1944 Advisor economic policy to cabinet Gerbrandy in London
- 1942 Personal economic advisor of prime minister Gerbrandy
- 1944 Dismissed by cabinet Gerbrandy
- 1950–1955 Appointed crown member of the Social and Economic Council of the Netherlands

Source: Parlement en Politiek, Mr. J.A. Veraart, [www.parlement.com](http://www.parlement.com).

## Archives

Huygens Institute for the History of the Netherlands, Collection Aalberse, The Hague National Archive, Collection Veraart, 1905–1955, archive inventory number 2.21.306, The Hague National Archive (2005) Inventaris van het archief van Joannes Antonius Veraart (levensjaren 1866–1955) over de Jaren 1904–1955, The Hague, 11

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